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**“ What is the gap between theory and practice in the management of card-based reward
loyalty programs in the Canadian retail industry? ”**

Par

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Résumé

Depuis le lancement du programme *AAdvantage* d'American Airline en 1981, les consommateurs ont vu la prolifération des différents programmes de fidélité dans de multiples industries (par exemple : services financiers, alimentation, hôtelier, etc.). Ces programmes sont fondés sur des théories de la littérature en psychologie. L'idée est qu'en donnant des récompenses à des clients et en leur établissant des objectifs, vous pouvez changer leur comportement d'achat et les inciter à dépenser plus (Kivetz & Simonson, 2002). Aujourd'hui, environ 94% de la population adulte est membre d'au moins un programme de fidélité au Canada (Ferguson & Hlavinka, 2007).

La présente recherche avait pour objet d'identifier s'il y a des écarts entre la théorie des programmes de fidélité et les pratiques réelles en ce qui concerne la création et la gestion des programmes de fidélité. Plus précisément, nous voulions examiner s'il y a des différences entre ce qui est soutenu par des universitaires et ce qui est relaté par les praticiens dans le domaine en termes de (i) pourquoi les programmes de fidélité sont créés, (ii) les objectifs d'un programme de fidélité, (iii) le processus de mise en œuvre (iv) la gestion de programmes de fidélité et (v) les résultats obtenus. Pour circonscrire la portée de la recherche, nous avons décidé de nous concentrer sur les entreprises canadiennes qui ont actuellement des programmes de fidélité, sans faire de discrimination par rapport au type de programme (c'est-à-dire que nous avons évalué des pratiques d'entreprises qui possèdent soit un programme indépendant, de coalition ou de partenariat). En raison de la nature de notre objectif, nous avons décidé d'adopter une approche qualitative et exploratoire pour cette recherche. Au total, neuf entrevues ont été réalisées et, dans certains cas, nous avons envoyé des questions de suivi par courriel aux répondants afin d'obtenir des éclaircissements.

Dans l'ensemble, nous avons constaté que les gestionnaires ont confirmé que les avantages théoriques d'avoir un programme de fidélité peuvent être perçus dans la pratique. Ils ont exprimé qu'un programme de fidélité peut représenter un élément clé dans stratégie pour la gestion des relations clients pour une organisation et donc qu'il

peut jouer un rôle important dans l'identification, la rétention et le développement des clients. Cependant, cette étude a aussi mis en évidence qu'il y a certains écarts entre la théorie des programmes de fidélité et les pratiques réelles en ce qui concerne la création et la gestion des programmes de fidélité. Les écarts mémorables trouvés concernent le rôle d'un programme de fidélité, la gestion des attentes, le choix du type de programme de fidélité, le soutien organisationnel nécessaire et l'utilisation des données recueillies.

Mots clés : Programme de loyauté, programme de fidélité, fidélisation, loyauté, marketing de base de données

Abstract

Since the launch of the AAdvantage program by American Airline in 1981, consumers have seen the proliferation of various loyalty programs in multiple industries, from airline to financial services, specialty retail to grocery, hotel to department stores, etc. The foundation of loyalty programs stems from literature in psychology. The idea is that by giving rewards and establishing goals for customers, you can change their shopping behavior and encourage them to spend more (Kivetz & Simonson, 2002). Today, about 94% of the adult population is signed up for, at the minimum, one loyalty program in Canada (Ferguson & Hlavinka, 2007).

In this research paper, the objective was to identify the gaps between the theory of loyalty programs and the actual practices of launching and managing loyalty programs. More specifically, we wanted to examine if there are differences between what is supported by academics and what is professed by practitioners in the field in terms of (i) why loyalty programs are created, (ii) the goals a loyalty program is supposed to fulfill, (iii) the process of implementation, (iv) the management of loyalty programs and (v) the results yielded. To constrict the scope of the research, we have decided to focus on Canadian organizations that currently have loyalty programs, without discriminating the program type (i.e., whether it be a proprietary, coalition or partnership program). Because of the nature of our goal, we decided to take a qualitative and exploratory approach to this research. In total, 9 interviews were conducted and in some cases, we sent follow-up questions by email to the respondents in order to get clarifications.

All in all, the managers that were interviewed confirmed that the theoretical benefits of having a loyalty program could be seen in practice. They expressed how a loyalty program could be a key element of an organization's customer relationship management (CRM) strategy and play an important role in customer identification, retention and development. However, we also uncovered that there are certain gaps between the theory of loyalty programs and the actual practices of launching and managing loyalty programs. The notable gaps found concerned the role of a loyalty program, the

importance of setting expectations, the choice of loyalty program type, the organizational support needed and the use of data gathered.

Key words: Loyalty program, loyalty, database marketing

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“Is the theory true? Is the real world constructed as the theory suggests, or is it not?” (Hunt, 1990, p.1)

Hunt, Shelby D. (1990), “Truth in Marketing Theory and Research,” *Journal of Marketing*, 54 (July), 1-15

Introduction

What do Air Canada, Metro, Canadian Tire, Shoppers Drug Mart and the Hudson's Bay Company have in common? These Canadian firms all have a loyalty program : Aeroplan program, metro&moi™ program, Canadian Tire Money®, Shoppers Optimum® Card and the Hudson's Bay Rewards™ Card, respectively. Over the last three decades, consumers have seen the proliferation of various loyalty programs in multiple industries, from airline to financial services, specialty retail to grocery, hotel to department stores, etc.

There is much research that has been published about loyalty programs. Many articles discuss the impact of such programs on consumer behaviors and they include managerial implications and strategies on how to build an efficient loyalty program (Kivetz & Simonson, 2002, 2003; Roehm, Pullins, & Roehm, 2002). In this paper, the objective is to identify the gaps between the theory of loyalty programs and the actual practices of launching and managing loyalty programs.

Background

The underlying concept of loyalty programs can be found in the origin of database marketing. Its roots come from a time when people in the United States would purchase all their groceries from small corner grocery stores. The owners of these stores would know their customers by name and know their families. They were aware of each customer's concerns, preferences and habits. The owners may give an extra pound of potatoes to their best customers or help them carry heavy packages to their cars (Starvish, 2011). Moreover, they would notice if a regular customer stopped going to their store and would know when a regular customer would be almost out of milk. Basically, the proprietors of these small corner grocery stores developed their businesses by building and nurturing the loyalty of their customers, sometimes even through generations.

With the arrival of supermarkets, the model of the small corner grocer as it was could not persist. Supermarkets are stocked with a large quantity and variety of products and they have an uncountable number of customers shopping in their stores every day. Customers don't know their grocers, and grocers don't know their customers.

When the use of computers became accessible at a large scale in the mid-1980s, merchants were able to bring back some of the essence of the small corner grocer model. In fact, merchants were able to keep track their customers with the help of sophisticated software and hardware, just as old corner grocers used to with their heads. The idea was to record customer lists in order to build and sustain relationships. By keeping an ongoing relationship, they can increase their retention rates and sell other, perhaps unfamiliar, products or services of theirs to these already existing customers (i.e., cross-sell).

Some organisations started rewarding their best customers. For example, in the S&H Green Stamps program, customers received stamps that could be exchanged at a later date for a specific selection of items (Starvish, 2011). The modern era of loyalty programs started with the launch of American Airline's loyalty program in 1981: the AAdvantage program. This program took the concept of loyalty programs a step further. It allowed the company to identify, reward and communicate directly to their frequent fliers in order to encourage continued patronage and thus, discourage patronage to their competitors.

Today, in the United States, about 50% of the adult population is signed up for, at the minimum, one loyalty program (Kivetz & Simonson, 2003). Moreover, the average American household is enrolled in at least 18 loyalty programs (Liz, Segel, Auerbach, & Segev, 2013). "From 2000 to 2006, total loyalty program enrollments in the United States increased 35.5% to 1.5 billion" (p, 93, Liu & Yang, 2009). In Canada, loyalty programs are also very popular. In fact, approximately 94% of Canadians belong to at least one program and the average Canadian holds 8 loyalty cards (Ferguson & Hlavinka, 2007).

In this paper, we will focus on the modern loyalty programs found in the Canadian market and attempt to identify the gaps between the theory of loyalty programs and the actual practices of launching and managing loyalty programs.

Chapter 1: Literature Review

Database Marketing

Database marketing is a concept that began in the early 1980s. It became prominent in organisations in the mid-1990s, with most large American companies appointing a director of database marketing (Hughes, 2003).

The concept of database marketing involves many aspects that relate to managing customer relationships, from client acquisition to the warehousing and analysis of client information. According to Kracklauer, Mills and Seifert (Kracklauer, Mills, & Seifert, 2004), database marketing comprises four main elements: customer identification, customer acquisition, customer retention and customer development.

Database marketing is what came after direct marketing and relationship marketing. It includes both of these domains. The idea behind database marketing is to transition from mass marketing to one-on-one marketing with the help of large customer databases that are maintained on servers. These databases contain information on all customers' transactions and demographics, which needs to be organized and extracted in tables in order to be useful for organisations. Organisations can then use this structured information to communicate directly with their customers and build their loyalty. In order to verify the effectiveness of the direct communications, marketing managers would organize control groups to monitor whether the customers who received the personalized message had a better success rate. In most cases, they did (Hughes, 2003).

A loyalty program is a component of database marketing. It could play a role in the four elements identified by Kracklauer, Mills and Seifert's in database marketing (Kracklauer et al., 2004).

Definition of a Loyalty Program

A loyalty program is a key element of an organization's customer relationship management (CRM) strategy. It is a marketing tool that can play a role in customer identification, customer acquisition, customer retention and customer development (Kracklauer et al., 2004). It is an instrument that permits an organization to obtain valuable consumer data that can help in future CRM initiatives (Liu, 2007). Customers can accumulate free rewards in return for using the loyalty program (i.e., for allowing the organization to gather data).

Loyalty programs are used by organizations to encourage continued patronage of customers by means of incentives. In other words, the program is a tool employed by an organization to reward its customers for doing business with them in the hopes that by doing so, it will create customer lock-in and foster customer loyalty over time (Liu, 2007). Organizations may implement these programs with the objective of gaining more repeat business.

The basis of loyalty programs comes from literature in psychology. The idea is that by giving rewards and establishing goals for customers, you can change their behavior and perhaps motivate them to spend differently (usually, more). In fact, many studies have demonstrated that rewards and goals can have an effect on motivation and behavior (Kivetz & Simonson, 2002).

Loyalty programs can take many forms. The three main types of programs are: independent, partnership and coalition programs. An organization that possesses an independent loyalty program runs all the activities related to it in-house. ESSO Extra Points, Sobeys Club Points, HBC Rewards, Sears, Pharmaprix Optimum, Loblaw's PC Points and Petro Points are examples of large independent retail loyalty programs in Canada. Organizations that wish to form partnerships often do so with credit card issuers. Examples of co-branded credit cards in Canada could include ESSO's credit card with the Royal Bank of Canada or Pharmaprix's credit card with CIBC. Coalition loyalty programs

consist of two or more organizations that come together to form one loyalty program. In this type of loyalty program, the consumers can usually accumulate points and claim rewards from all the participating organizations. A few examples of coalition loyalty programs are: the Aeroplan and Air Miles programs in Canada, the Payback by Loyalty Partner program in Germany and the Nectar program in the United Kingdom. In most cases, a third party is responsible for the management of the loyalty program.

Benefits of Having a Loyalty Program

Since the 1990s, many retail environments have become more and more competitive. The consumers had more power and the media became fragmented. Moreover, it is during that time that organizations witnessed the rise of self-service in the retail industry, which consequently meant the fading of face-to-face connections with customers (Starvish, 2011). In response to the previously mentioned issues, many organizations had created and implemented a loyalty program as they believed it would be a key tool to help them distinguish themselves and increase customer loyalty. In fact, what the organizations believed a loyalty program could do for them was reflected in many studies. In this section, we will present the 3 main intertwined benefits catalogued in the academic literature of having a loyalty programs, which are: (1) increase customer commitment by creating switching costs, (2) obtain valuable data, and (3) increase spending levels.

Benefit 1: Increase Customer Commitment by Creating Switching Costs

The first main benefit of having a loyalty program is that it can help an organization strengthen its customers' commitment to certain of its products or services (Leenheer, van Heerde, Bijmolt, & Smidts, 2007; Meyer-Waarden, 2007). It can do so by creating or increasing various types of switching barriers (Byung-Do, Shi, & Srinivasan, 2001; Kivetz & Simonson, 2002; Yi, Jeon, & Choi, 2013). A loyalty program can create economic, psychological, social and relational barriers for its customers (Meyer-Waarden, 2007; Yi

et al., 2013). Being able to create or increase switching costs is crucial today given that consumers have a wide variety of choices.

Furthermore, an organization can decrease its customer defection rate with its loyalty program (Allaway, Gooner, Berkowitz, & Davis, 2006; Meyer-Waarden, 2007). The premise is that consumers will have a tendency to concentrate their purchases in one program to maximize the benefits they receive because a loyalty program will reward its customers for their repeated patronage (Sharp & Sharp, 1997). By focusing their purchases with one organization (or one loyalty program), consumers accumulate rewards faster than if they were to spread their purchases amongst many organizations (or many loyalty programs). In fact, loyalty programs can increase consumers' propensity to choose one organization's products or services over competitive alternatives (Allaway et al., 2006). For example, some consumers will tend to book all their flights through one airline in order to reap the benefits or rewards of the loyalty program more quickly (Liu, 2007). Hence, in some cases, loyalty programs can help neutralize a competitor's program (Dowling & Uncles, 1997).

Moreover, some organizations will implement a loyalty program as a defensive marketing mechanism, in the attempt to keep their best customers from defecting (Liu, 2007). This is particularly true in situations where multiple competing loyalty programs are present in the same market (Liu, 2007). Organizations will use their program to prevent potential sales loss. With the previous paragraph's logic in mind, studies show that by having a loyalty program, organizations are able to make their customers less likely to consider the marketing efforts of competitors (Allaway et al., 2006; Bolton, Kannan, & Bramlett, 2000; Meyer-Waarden, 2007). Loyalty programs are also able to encourage customers to become less price sensitive (Allaway et al., 2006). Hence, customers are more likely to buy solely from the same organization after joining a loyalty program (Liu, 2007).

In the long run, it is possible to observe that the switching barriers created by the loyalty program increase over time. For example, the longer a customer has been a member of a certain loyalty program, the more he or she has to lose if he or she were to leave the

program. Loyalty programs generate a long-term customer lock-in (Sharp & Sharp, 1997). In fact, the longer a person has been in a program, the more points he or she probably has accumulated. Therefore, the more vested interests he or she will have in that particular loyalty program.

Finally, studies have shown that the benefit of creating customer commitment through the creation of switching costs implies that loyalty programs can help boost an organization's profitability ("Retailing: Spies in your wallet," 2011; B. T. Shaukat & Auerbach, 2013). Such a program can help increase an organization's profitability not only by locking-in good customers but also by introducing your loyal customers to new products, which can then lead to growing your share of wallet, and by encouraging your customers to make additional purchases (Larocque, 2013; Liz et al., 2013; Nunes & Drèze, 2006; Starvish, 2011).

Benefit 2: Obtain Valuable Customer Data

The second main benefit of having a loyalty program is that it can allow an organization to collect valuable data about their customers (Liz et al., 2013; "Retailing: Spies in your wallet," 2011; Starvish, 2011). Loyalty programs can provide consumer intelligence for the organization if they are able to automatically capture information such as the time, the day or the location of purchase, the products or services bought, and the prices at which products or services were bought.

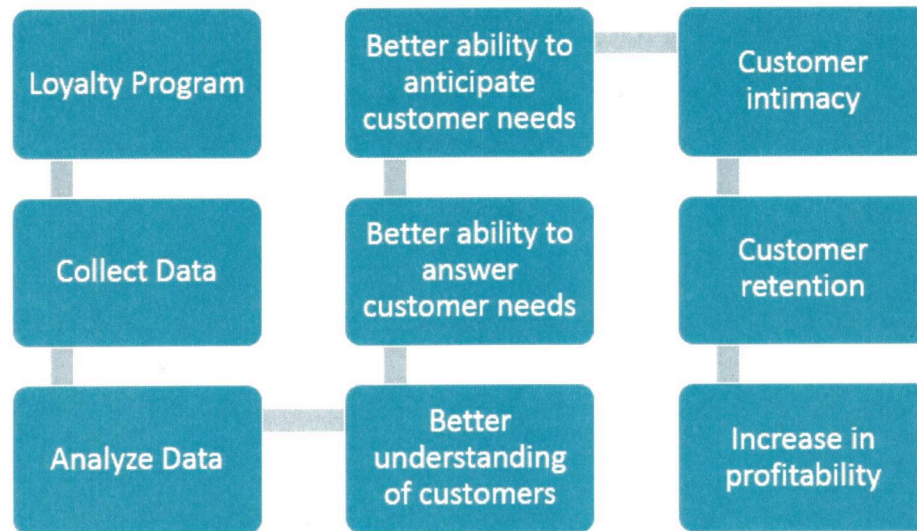
The collected data can provide "insights regarding consumer shopping processes, reactions to marketing efforts, and long-term patterns of behaviors" (p.1319, Allaway et al., 2006). For example, it is possible to verify with the help of a loyalty program if a new visual merchandising strategy yielded higher sales for a certain featured product. Contrarily to focus groups or interviews with customers, loyalty programs allow organizations to truly understand and segment their customers based on actual customer behaviors. Moreover, the data collected can provide companies with information about

trends, about whether their offerings are liked or not, about how to better use their resources, about whether and where they should open a new store, about appropriate pricing strategies, about how to appropriately reward loyalty, and about how to render their promotions more effective (Larocque, 2013; Liz et al., 2013; Nunes & Drèze, 2006; T. Shaukat & Auerbach, 2012; Starvish, 2011).

The data gathered through a loyalty program allows an organization to better understand its customers (Demoulin & Zidda, 2009; Kumar & Shah, 2004; Leenheer & Bijmolt, 2008). With the wide variety of choices available to consumers today, having a better comprehension of your customers is crucial to an organization's survival. According to the book *The Discipline of Market Leaders* by Michael Treacy and Fred Wiersema (1995), the three disciplines that can ensure profitable growth and success is operational excellence, product leadership and customer intimacy (Pearson, 2012). Loyalty programs can provide organizations with customer intimacy, which is defined as the ability "to provide the customer with a total solution for his or her needs, not just a product or service" (p 56, Pearson, 2012).

The following figure illustrates how data collected through the loyalty programs can help an organization understand their customers intimately.

Figure 1.1: How data can help boost profitability



Source: Graphic made based on the information found in the book *Loyalty Leap* by Bryan Pearson

The Figure 1.1 explains the process of how a loyalty program can help an organization understand their customers intimately through the gathered and analyzed data, which in turn, can help it better cater to its customers' needs and ultimately, increase its profitability. The demonstrated flow is simplified. In theory, it is not a unidirectional, streamlined process, but rather an iterative process.

In order to survive the challenges presented by the highly competitive environment, by the fragmentation of the media and by the customers' powerful filters, organizations must be able to understand their customers' needs and learn how to anticipate them (Pearson, 2012). The basis here goes back to the old adage of "the right product, to the right customer, at the right time but conveyed in a manner that is meaningful and rewarding" (p.29, Pearson, 2012). The data collected through the loyalty programs can help organizations with this task. The gathered and analyzed data can help future CRM efforts and help gain more repeat business (Liu, JM, 2007). In fact, a better understanding of your organization's customers can equate to better relationships with them (Vesel &

Zabkar, 2009). This can aid your customer retention rate because better relationships often means you can better provide value for your customers and increase their level of satisfaction (Allaway et al., 2006; Bolton et al., 2000; Demoulin & Zidda, 2009; Kivetz & Simonson, 2002; Leenheer et al., 2007; Meyer-Waarden, 2007). Continued patronage of customers can lead to an increase in profits.

Benefit 3: Increased Spending Levels

The third main benefit of having a loyalty program is that it can help an organization increase the spending levels of its current customers. An organization can increase its sales through the loyalty program by creating switching costs as previously mentioned: encourage members to focus their purchases with the organization instead of scattering their purchases at various other organizations. It can also increase its sales by expanding the member's relationship with the organization into other (perhaps new) business areas. In this case, the loyalty program can act as an active marketing tool (rather than a defensive mechanism). For example, in a message sent to loyalty program members, customers can be introduced to particular products or services of the organization that could be unknown to them. The communication can prompt them to try and purchase them. In this way, a loyalty program can help broaden the availability of the organization's products or services (Dowling & Uncles, 1997). It can encourage cross-selling and hence, increase the spending levels of its customers (Lal & Bell, 2003; Liu & Yang, 2009; Liu, 2007).

In some instances, loyalty programs are analogous to sales promotions and can help increase the sales for a focal product. This is particularly the case for loyalty programs that are qualified as short-term loyalty programs. This type of loyalty program can take the form of, for example, a punch card or a card you get stamped in order to obtain the 11th coffee or ice cream free after buying 10 within a certain amount of time. Another example could be where a grocer has a "N-week turkey/ham supermarket reward program in which consumers need to spend over a set amount each week for N weeks to

receive a free turkey or ham” (Liu, 2007). The program establishes a clear time line and goal for the customers that wish to participate (Lal & Bell, 2003; Taylor & Neslin, 2005). The loyalty program creates a point pressure effect, which can have a positive influence on the spending in a targeted product or service category. Hence, the loyalty program can affect its members’ (re)patronage decisions and their share of wallet (Lewis, 2004; Liu, 2007). In addition, some studies go further in saying that not only does the sales in the focal product or service category increase when it is targeted by the loyalty program’s promotion, but it can also bring in more traffic to the store and benefit the overall spending in all categories (Liu, 2007).

When the loyalty program is not qualified as short-term, it can still create a point pressure effect. When customers are close to being able to redeem a reward, they may experience point pressure and may increase their products or services usage, either in terms of quantity or purchase frequency (Kivetz & Simonson, 2002; Liu, 2007). Moreover, the loyalty program can elevate the overall value of certain products or services and thus, motivate customers to make their next purchase (Dowling & Uncles, 1997). Basically, a loyalty program is able to help the organization increase its sales through its reward system (Taylor & Neslin, 2005; Yi et al., 2013).

Ultimately, the 3 aforementioned benefits, which are (1) increase customer commitment by creating switching costs, (2) obtain valuable data, and (3) increase spending levels, lead to two overarching benefits much desired by companies which are: increase in share of wallet (Leenheer et al., 2007) and increase in profitability (Allaway et al., 2006; Kumar & Shah, 2004).

Loyalty Programs, a Financial Burden?

Although many studies proclaim the benefits related to having a loyalty program, some also question their effectiveness and value (Dowling & Uncles, 1997; Henderson, Beck, & Palmatier, 2011; Liu & Yang, 2009; Liu, 2007). Some researchers have found that loyalty

programs don't generate the financial impact that is expected for the organization (Dowling & Uncles, 1997; Ferguson & Hlavinka, 2007). Others support that loyalty programs don't produce a discernable impact on consumer behavior, i.e, the notion that loyalty programs encourage continued patronage of customers could not be verified (Dowling & Uncles, 1997; Mägi, 2003; Meyer-Waarden, 2007; Sharp & Sharp, 1997; Yi et al., 2013). Because of the low performance of many loyalty programs, or rather because of the limited empirical validation about the return on investment of loyalty programs, some organizations have opted to abolish their existing programs and others have simply decided to not pursue creating or implementing one (Liu, 2007; Nunes & Drèze, 2006; Yi et al., 2013).

However, many organizations choose to stay committed to their loyalty program even though it generates equivocal results. This decision could be based on the fear of losing their consumers' goodwill should they decide to terminate the program or it could also be because they have already invested heavily in it (Liu, 2007). In fact, when you examine the various costs related to creating, implementing and managing a loyalty program, you can quickly assess that it is no little sum. For example, there are costs related to the human resources allocated to working on developing and managing the program (whether it be done internally or externally), the technology platform used, the loyalty program's website, managing the customer database, the call center staffing, the incentives or rewards, and the communication services and tools. According to the book *Scoring Points* (Humby, Hunt, & Phillips, 2004), startup costs can represent a sum of \$30 million in the first year for a large retailer, and annual costs can be up to \$10 million. Hence, these two reasons (i.e., fear of losing their consumers' goodwill and important sunk costs) that keep loyalty programs running in organizations have nothing to do with their efficiency but rather supports the debate over whether loyalty programs are an effective marketing tool (Leenheer et al., 2007; Liu, 2007).

What could explain the proliferation of loyalty programs according to the researchers who doubt their efficiency? Some attribute it to mimetism. An organization will seek to adopt

similar practices as their competitor if they seem to be successful. It is a “me-too” scheme according to Liu (Liu, 2007). Adopting a loyalty program just because your competitor possesses one could prove to be ineffective or even value-destroying if there were no clear goals established at its inception (Dowling & Uncles, 1997; Liz et al., 2013; B. T. Shaukat & Auerbach, 2013). Moreover, because of loyalty program proliferation, some studies claim that competing loyalty programs negate one another’s positive effects out (Liu & Yang, 2009). Hence, this creates a zero-sum game and supports the fact that loyalty programs could simply represent a big cost with no advantage for organizations. Nonetheless, some researchers argue that inaugurating such programs is essential for certain organizations in specific industries, as it allows them to be on the same playing field as the competition (Dowling & Uncles, 1997). In other words, it can allow them to counteract their competitor’s loyalty programs. For example, if an airline abandons its loyalty program, it could put them in a position of competitive disadvantage (Mohammed, 2012). Thus, even though “competitive loyalty programs in such industries really cancel one another’s effects out, creating a zero-sum game” (p. 13, Liu & Yang, 2009), these organizations will continue spending on their loyalty programs as it may constitute a requisite cost of doing business for them (Liu & Yang, 2009). For example, for an organization that is selling a parity brand, where there is perceived sameness in terms of price, quality and function, it may need to spend money inaugurating a loyalty program if the competitors possess their own.

Some researchers who have questioned the effectiveness and value of loyalty programs have supported that in some instances, under particular conditions, these marketing programs could be beneficial (Kumar & Shah, 2004; Leenheer et al., 2007). While it is not clear for which types of organizations, under which instances and what conditions these programs may be of value, many studies will point to situations where having a loyalty program will not necessary add value to the organization (Roehm et al., 2002). For example, a loyalty program may not have a positive influence on the value contribution of the existing customer base or help in the acquisition of new customers if there is already insufficient demand for the organization’s products or services (Liu, 2007).

Proliferation of Loyalty Programs

Since the launch of the first contemporary loyalty program in 1981 with American Airline's AAdvantage Program, consumers and businesses alike have seen loyalty programs pop up everywhere (Kivetz & Simonson, 2002). For the organizations who have decided to create and implement a loyalty program, they represent a key element of their firms' marketing strategy (Liu & Yang, 2009). They wish to encourage repeat business by way of presenting incentives to its members (Dowling & Uncles, 1997; Roehm et al., 2002). Despite the studies that have questioned their effectiveness and value (Dowling & Uncles, 1997; Henderson et al., 2011; Liu & Yang, 2009; Liu, 2007), loyalty programs have multiplied. Various factors could explain their proliferation.

One main factor that could explain the multitude of loyalty programs concerns the fact that the costs associated with customer retention is much less than their acquisition and thus marketing programs which focus on retaining the existing customer base are key (Allaway et al., 2006; Kivetz & Simonson, 2002). The "wide differential in costs associated with obtaining versus retaining customers" explains the importance studies have accorded to customer loyalty (p.1318, Allaway et al., 2006).

Another factor that could describe why the number of loyalty programs have increased exponentially is mimetism. Many organizations have practiced one of marketing's most popular (but not necessarily wise) strategies, which is the strategy of "if you see a good idea, copy it" (Dowling & Uncles, 1997). When an organization sees that their competitor's strategy of implementing a loyalty program has proven successful, it may be tempted to mimic them and implement the same strategy for itself (Ferguson & Hlavinka, 2007; Liu & Yang, 2009).

There are also many external, interrelated elements (or trends) which could explain the proliferation of loyalty programs. In fact, their abundance are partly due to the market environment, which is one that is characterized by (1) limits of cost-based management,

(2) fragmentation of media, (3) intense competition, (4) exponential consumer power, and (5) ever-advancing technology (Liu & Yang, 2009; Pearson, 2012; Starvish, 2011).

Limits of Cost-Based Management

The market environment is in part characterized by the limits of cost-based management. As Michael Porter supported, companies can seek to gain competitive advantage by following one of two main strategies: cost leadership or differentiation strategy (Porter, 1998). An organization that focuses on a cost leadership strategy is one that wishes to become the lowest cost producer of a certain product or a service. This allows the organization to earn above average profits while charging the industry average price. In contrast, an organization that focuses on a differentiation strategy is one that brings attention to the customers' perception of its product or service. The objective in this case is to garner a positively superior perception on the brand, quality or performance which would permit the organization to ticket their product or service at a premium price. Managers have realized that cost-based management is not always a sustainable method of management. The problem that could arise with a cost leadership strategy is that firms could encourage and end up participating in price wars. Hence, in some circumstances, organizations need to either choose to operate a hybrid strategy (i.e., combining both cost-based and differentiation strategies), or to focus on delivering value by differentiation (Miller, 1992). A loyalty program could be used by an organization to differentiate itself from its competitors.

Fragmentation of Media

The proliferation of loyalty programs can also be credited to the fragmentation of media. In the old days, when you published an advertising message in a big newspaper or when you purchased advertising space on prime time TV, you were assured a large attentive audience. Chances were that everyone would have read or watched your message. Today,

consumers get information from a large gamut of channels. For example, an individual can get news from watching TV, listening to the radio, reading magazines or newspapers, surfing the web or monitoring their social media feeds. Audiences are divided. The Internet has spurred what Pearson has called “power-browsing”, which has resulted in attention scarcity among consumers (Pearson, 2012). Media multitasking has become the norm. People consume various media channels simultaneously and instantaneously, with different access platforms and devices. Organizations need to find the optimal media mix in order to reach their target audiences. Since “consumers will pay greater attention to those messages that strike a resonant chord due to meaningful content, or a preexisting relationship with the brand” (p.21, Pearson, 2012), some organizations have implemented loyalty programs in order to cope with the challenges presented by media fragmentation.

Intense Competition

Another factor which could explain the proliferation of loyalty programs is high competition. For example, in various industries, many companies need to face the challenge presented by the homogeneity of their offerings. Competition between companies is high. In the retail industry, or more specifically in the food retailing sector, for instance, some studies have purported that customer retention strategies are pivotal as companies have very similar offerings, customers may exercise high purchase frequency, and the environment is mature, which means that it could present weak growth (Demoulin & Zidda, 2009; Leenheer & Bijmolt, 2008). A loyalty program could represent one of the tools used in an organization’s customer retention strategy.

On top of the homogeneity of offerings, high competition is spurred by the fact that consumers have a wealth of options in terms of organizations from whom they can purchase from. The choices are endless and differentiation based on price may not be a sustainable alternative (Starvish, 2011). For example, the geographical location of a

company is often no longer considered as a potential issue of accessibility due to the Internet, e-commerce, and easy delivery options. Moreover, if you promote that you offer the lowest prices, consumers can easily verify your claim with their mobile devices. Therefore, some organizations have opted to implement a loyalty program in order to differentiate themselves from their competitors, to bring the focus off solely the price of their products or services and to build their customer knowledge (Ferguson & Hlavinka, 2007; Starvish, 2011). Basically, these organizations want to retain their good customers. They implement a loyalty program to help remedy the commoditization that has occurred in a gamut of sectors, to help them survive in the highly competitive environment.

Exponential Consumer Power

The proliferation of loyalty programs can also be attributed to the fact that consumers have more and more power. On top of the issues regarding the homogeneity of offerings amongst competing organizations and the wealth of shopping options available to consumers, the Internet and the social media have given consumers more power vis-à-vis organizations. In fact, they have transformed how people access information and have given consumers a platform where their voices could be heard loud, clear and wide. For example, with the advent of Internet and social media, the potential influence of word-of-mouth (whether positive or negative) has become exponential. This point is clearly illustrated with the 2009 protest song “United Brakes Guitars” by musician Dave Carroll. He published a music video on YouTube explaining his anger and dismay due to his bad experience with United Airlines. It went viral. According to Wikipedia:

“The YouTube video was posted on July 6, 2009. It amassed 150,000 views within one day, prompting United to contact Carroll saying it hoped to right the wrong. The video garnered over half a million hits by July 9, 5 million by mid-August 2009, 10 million by February 2011, and 13.3 million by September 2013.”

Source: United Breaks Guitars. (2009, July 10). Retrieved April 26, 2014, from http://en.wikipedia.org/wiki/United_Breaks_Guitars

Before the advent of Internet and social media, perhaps only his circle of friends, family and colleagues might have heard the story.

According to Brian Pearson, “relationships are now customer-to-community-members, and the company plays a voyeuristic role, just observing those interactions unless it has been invited into the conversation” (p.24, Pearson, 2012). To mediate the growing consumer power, organizations need to find a way to be invited into the conversations. Hence, in an attempt to be in the conversation, to encourage two-way, back-and-forth dialogues, to be in positive relationships with their customers, some organizations have developed a loyalty program (Starvish, 2011). In a market where the customers have exponential power, customer relationship management and relationship marketing are pivotal (Liu & Yang, 2009).

Technology

The proliferation of loyalty programs can furthermore be credited to the advancements of technology. Previously, if an organization wanted to know in which area their customers lived, it was a laborious process, which could be viewed as “sketchy” and perhaps even an illegal strategy. In fact, it was said that in order to garner this customer data, an organization would dispatch an employee to the parking lot to record the license plate numbers of the customers’ vehicles, which would afterwards be cross-referenced with the motor vehicles registries (Starvish, 2011). With the advancements of technology, retailers and other organizations alike are able to capture customer data more fluidly, rendering them more attuned to their customers’ actual behaviors.

Advancements in technology include the improvement of database management capabilities, the invention of technologies such as the Internet, self-service instruments, smart cards together with point-of-sale (POS) technology and the development of analytical tools (Starvish, 2011). These innovations have permitted companies to better understand and segment their markets and customize messages on a big scale. They have

allowed organizations to achieve transactional identification (i.e., associate specific transactions to a particular individual) (Ferguson & Hlavinka, 2007). They have provided organizations with powerful and financially accessible solutions for managing customer relationships (Kivetz & Simonson, 2002). Because of these improvements in technology, loyalty programs are now accessible to all types of organizations, whether big or small.

How to Manage a Loyalty Program

In the situations where loyalty programs can be of value to their organizations, their success is contingent to the organizational support of the program and also to the amount of resources that are committed to the internal management of the program (Liu & Yang, 2009). According to theory, in order for a loyalty program to be successful, there are many things managers can do. These actions can be separated into two main categories, (1) program design and (2) program management, and 7 sub-categories: (1a) target audience, (1b) cost and convenience, (1c) point structure and time-to-reward, (1d) rewards (choice and availability), (2a) organizational support, (2b) utilization of consumer information and (2c) performance metrics.

Program Design: Target Audience

Managers must have a target audience for their loyalty program to be effective. In fact, if an organization spreads its limited marketing resources across too many customers, it may not be able to yield the desired effect (Ferguson & Hlavinka, 2007). One way to choose the target market is by first knowing the customer lifetime value of each customer (Keiningham, Vavra, Aksoy, & Wallard, 2005). Then, managers can concentrate on the group of customers that are most valuable, making them the focus of their loyalty program efforts (Keiningham et al., 2005). For example, managers can target them through marketing tactics such as selective invitations or discount program membership fees (Ferguson & Hlavinka, 2007). This way of choosing a target audience may render a

smaller overall membership number, however, the percentage of engaged members should be high (Ferguson & Hlavinka, 2007).

Managers need to be careful to not target a too narrow or too wide of a segment of customers (Liz et al., 2013; B. T. Shaukat & Auerbach, 2013). For example, Brierley suggests that a problem today with loyalty programs is that we overreward the top 2% and hence, neglect the second-tier customer segments which contribute to a large percentage of a company's revenues and could be the next best customers (Brierley, 2012).

Instead of choosing the consumer segment that is the most valuable (in terms of present and projected future financial return), managers can also segment their consumers by their future orientation (Kopalle & Neslin, 2003; Taylor & Neslin, 2005). Loyalty programs consist of marketing tools that encourage repeat business through incentives and rewards that are given at a certain point in the future. Hence, it is evident that consumers who are more future oriented will be more attracted to what loyalty programs have to offer (Kopalle & Neslin, 2003). Consumers who are active forecasters are a great target market for loyalty programs. This segment of consumers will base their current purchasing decisions on future expectations (Lemon, White, & Winer, 2002; Liu & Yang, 2009).

Program Design: Cost and Convenience

Managers can have an impact on the effectiveness of their organization's loyalty program during the program's design phase, and more particularly, when deciding about the membership cost and the enrollment and participation processes. The membership cost could be free or could represent a certain fee, and the enrollment and participation processes could be automatic or voluntary, and in the latter case, it could represent a simple or lengthy sign-up procedure. Although there is limited empirical evidence to support the impact on the loyalty program's performance of a specific membership cost and enrollment and participation structure, researchers support that the programs that

are the most appealing to consumers and thus, who are most effective, are the ones where the enrollment process is short and simple, where the participation structure is automatic (i.e., members automatically accumulate points), and where there is no fee associated to the membership (Liu & Yang, 2009; O'Brien & Jones, 1995). In other words, loyalty programs that do not have a membership fee and that are convenient work best.

Program Design: Point Structure and Time-to-Reward

Determining the point structure and the time-to-reward parameters of a loyalty program are factors that affect the effectiveness of the program. The point structure refers to three elements: how points are issued, how many points members need before they are eligible to redeem rewards (i.e., point thresholds), and whether a tiered point structure is employed. The time-to-reward refers to the average length of time needed before an active consumer can reap a reward. For example, some studies have estimated that it takes three months for an Aeroplan member to be rewarded \$100 worth for a short-haul flight and 9 months for a Petro-Points member to be able to redeem \$100 worth of merchandise or services (Environics Research Group, 2014).

Having a point issuing system is important and should not be determined arbitrarily. It must be clear so that consumers easily understand how they can cumulate points in order to gain rewards. It must be noted that the manner with which points are issued with each purchase (for example, whether it be ascending points, same points per purchase, or specific extra points for certain products or services) impacts the consumers' choices (Yi et al., 2013). If the point issuing system is too complex, the loyalty program may seem less appealing to consumers, and thus, negatively affect the program's effectiveness.

Some companies can decide to join forces with other organizations in order to provide coalition loyalty programs. For example, in the province of Québec, Bureau En Gros, American Express, IGA, National Car Rental and Toys "R" Us all participate in the Air Miles coalition loyalty program. These programs allow members to accumulate points not only

from purchases made to their own organization, but also with the other partner organizations. This can be a valuable feature for consumers as it gives them more opportunities to earn points and hence, perhaps be able to redeem rewards faster. Therefore, this may be more appealing to certain consumers and hence, positively affect the effectiveness of the loyalty program.

The point threshold is a significant element in the point structure. It impacts the consumers' perception of program relevance (O'Brien & Jones, 1995). For example, if the amount of points needed to attain a certain reward is deemed too high, the reward may be regarded as inaccessible for the average consumer. In this case, the loyalty program may be perceived as irrelevant, and hence, render the program ineffective (Liu & Yang, 2009).

Many organizations structure their loyalty program's point issuing system in categories, which is called a tiered structure. For example, the Aeroplan loyalty program has four tiers: the general Aeroplan membership, the Distinction Silver status, the Distinction Black status and the Distinction Diamond status. Usually, the tiered structure is based on the consumers spending levels. It has been noted that the tiered structure has a point pressure effect on purchases to consumers who are price-conscious and to those who are service-oriented (Kopalle & Neslin, 2003; Liu & Yang, 2009). For example, John is a service-oriented, general Aeroplan member and is 100 points away from becoming a Distinction Silver status member. John may feel that the Distinction Silver status is within reach and is enticed by the benefits which come such as status, and hence, will spend (perhaps unnecessarily) 100\$ in order to cumulate the last 100 points which can garner him the status. In fact, it has been shown that consumers are generally more likely to spend when closer to a reward (Kivetz, 2005).

Although the three elements which constitute the point structure of a loyalty program and a calculable time-to-reward are important, some researchers also argue that there must also be some randomness, or unexpectedness in the equation (Yi et al., 2013). This could be explained by the fact that some customers believe the rewards attained through

a point issuing loyalty program are earned (Henderson et al., 2011; Steinhoff & Palmatier, 2013). They feel as though they have been a good customer and thus, should be rewarded and do not need to feel grateful for it. The rewards are perceived as contractual requirements. Therefore, if the organization unexpectedly rewards a customer (for example, earlier than the planned reward schedule or with a higher-valued reward), consumers may perceive the organization in a positive light, as a generous benefactor (Yi et al., 2013). For example, the Hyatt Gold passport program operated by the Hyatt hotel chain started including some randomness in their equation of point structure and reward schedule. They started doing something they call “random acts of generosity”, which consist of little favors they would do for their customers such as paying for a customer’s tab for hotel-bar drinks or picking up their spa massage bill (Yi et al., 2013). These random rewards were well received by their customers and helped strengthen their loyalty towards the Hyatt hotel chain. Another example could be made with airline companies. Sometimes, a frequent-flyer can be offered a complimentary upgrade from economy to business class during the check-in or boarding process. Beyond the gratitude the program member can feel towards the organization, this unexpected reward could yield positive word-of-mouth about the airline company in question if the news of the upgraded reward is spread by the customer to his friends and relatives, or even better, if the news is shared on various channels of social media. In short, research shows that including a certain randomness or unexpectedness in the point structure or reward schedule can be effective in shaping consumer behavior (i.e, strengthening customer loyalty) and thus, can enhance the effectiveness of a loyalty program (Yi et al., 2013).

Program Design: Rewards Structure (choice and availability)

Managers can have an impact on the effectiveness of their organization’s loyalty program when choosing the rewards structure of their program. Rewards are at the core of loyalty programs and managers need to understand the implications relative to them.

Loyalty program rewards are the incentives organizations use to encourage continued patronage of customers, employed as a positive reinforcement tool, attempting to condition consumers' purchasing behavior (Liu, 2007). Program members may perceive the rewards as the organization's way to demonstrate its appreciation to them. This sense of being appreciated and recognized can help strengthen their relationship with the organization.

Rewards can also represent a barrier to entry for competing organizations that want to enter the industry. Nevertheless, this is only true if their perceived level of attractiveness, the effort needed to attain them and their value are enticing to consumers (Kivetz & Simonson, 2002; Yi et al., 2013). Furthermore, when choosing the rewards to include in a loyalty program's offer, it is very important for organizations to examine what consumer behaviors it may trigger. Many articles will state that an unsuccessful loyalty program can be accredited to the fact that the rewards attributed may encourage an unwanted behavior (e.g., disloyalty, loyalty to the loyalty card or program rather than the brand or increased price sensitivity) and are based on the wrong metrics (Brierley, 2012; Liz et al., 2013; Mohammed, 2012; Nunes & Drèze, 2006). The value and the types of rewards offered in a loyalty program can determine whether the program succeeds as a marketing tool that can build customer loyalty or not (Roehm et al., 2002).

The value of a reward in a loyalty program can be examined as the actual cost of the product or service offered or the aspirational value. The latter is moderated by effort requirement (Kivetz & Simonson, 2002). In fact, attaining rewards necessitates consumers to invest a certain amount of effort (Kivetz & Simonson, 2002; Nunes & Drèze, 2006). Hence, the value of a reward can be evaluated by the required effort needed by the consumer to attain it. If the consumer perceives the efforts required as unreasonable, he or she will not be inclined to participate in the loyalty program.

In addition, the value of rewards offered influences the effectiveness of an organization's loyalty program. An organizations can choose to offer smaller value rewards (which are called segregated rewards) or larger value rewards (also known as aggregated or

integrated rewards) (Yi et al., 2013). Segregated rewards are more effective according to Liu (Liu, 2007), as they require less efforts and the time-to-reward is shorter. In fact, aggregated rewards may deter customers to be active participants in the loyalty program as the effort requirement is noteworthy and hence, may seem unattainable. However, Soman (Soman, 1998) distinguishes the preference for segregated or aggregated rewards depending on whether the loyalty program offers predictable or nonpredictable rewards. He argues that ambiguity-averse program members will favor larger value rewards in a predictable setting (e.g., where the organization is not known to change its points structure, point thresholds nor to give unexpected rewards to its customers) over smaller value rewards. Conversely, in a non-predictable setting, loyalty program members may typically desire segregated rewards instead of aggregated rewards (Yi et al., 2013). The basis for his argument is that consumers have a tendency to be prone to ambiguity in a setting where the organization is known to provide unexpected rewards to its program members, change its points structure or points threshold, and therefore, will prefer smaller value rewards as they are unsure to be able to attain other (larger) rewards (Yi et al., 2013).

There are many types of rewards a loyalty program can offer as incentives for continued patronage for customers. For example, an organization can offer hedonic or utilitarian products or services (i.e, luxuries or necessities), or monetary (cash) or nonmonetary rewards. According to Kivetz and Simonson's research (Kivetz & Simonson, 2002, 2003), "as the level of program requirements increases, marketers should enhance the relative share of luxury rewards in their reward mix" (p.169, Kivetz & Simonson, 2002). Also, in a situation where the effort required to attain a reward is low, utilitarian items or necessities are the preferred reward type by consumers. In contrast, when the effort requirement is high, consumers tend to prefer a hedonic type reward (Kivetz & Simonson, 2002; Liu & Yang, 2009). This could be explained by the fact that there is no pain of paying or guilt related to the purchase or consumption of the hedonic rewards if the consumer feels like they have earned the right to indulge in these rewards through their greater purchasing efforts. Using luxuries as rewards (as opposed to necessities) has also been

suggested to increase the effectiveness of loyalty programs in terms of member participation, especially when effort requirement is high (Kivetz & Simonson, 2002).

In regards to monetary vs. nonmonetary rewards, research has found that the former (i.e., cash) is the preferred type of incentive for price-sensitive heavy buyers, while the latter is more enticing when the price of products or services do not impact so much the purchasing decision of the group of heavy buyers (Byung-Do et al., 2001; Liu, 2007). Also, as necessity rewards are similar to cash rewards, monetary incentives are said to be the preferred type when the loyalty program's effort requirements are low. However, whether the heavy buyers are price-sensitive or the program's requirements are low, having nonmonetary rewards are still important in a reward mix as they can help a program differentiate itself from its competitors (Mimouni-Chaabane & Volle, 2010).

Nonmonetary benefits, such as personalized services, may be used by organizations to demonstrate their recognition to select customers. For example, it is common in the casino entertainment industry for an organization to offer a personal VIP host, white glove service, access to invitations to the most exclusive experiences, etc., to its elite customers. This type of nonmonetary benefit helps in creating an emotional bond with the customers (Ferguson & Hlavinka, 2007). Moreover, with the emergence of social media, organizations are able to offer nonmonetary benefits to connect with their loyalty program members in a customized and relevant way, on a large scale (T. Shaukat & Auerbach, 2012). Some organizations use "badges" to provide "social recognition by highlighting a customer's loyalty and value in front of their friends, family and peers, to create a multiplier effect on top of the emotional connection" (p. 2, T. Shaukat & Auerbach, 2012). In addition, because nonmonetary rewards are often of intangible nature, they are difficult to replicate and hence, provide organizations with a feature that can help differentiate their program (Mimouni-Chaabane & Volle, 2010). Being aware of the implications of offering monetary vs. nonmonetary rewards is important as the reward structure of a loyalty program impacts its effectiveness.

When determining the reward structure of a loyalty program, organizations can decide to partner with another organization (or multiple organizations) in order to offer more variety in their rewards mix (e.g., the case of coalition programs). For example, members of the grocery chain Kroger's loyalty program can use their points in order to get discounts at Shell. This rendered Kroger's program more appealing (than if they hadn't had the partnership) to its customers as they can obtain rewards from two organizations, Kroger and Shell (Liz et al., 2013). Another example that can illustrate how a partnership can be valuable concerns the crossover rewards from the Starwood hotel chain and the Delta airline company. Each company allows their top customers to benefit from the other company's elite-level benefits. Therefore, Delta's loyalty program's top members automatically get preferred treatment at Starwood hotels, such as priority check-in, late checkout, free in-room Internet access, etc., and Starwood's best customers enjoy perks such as priority boarding and one free checked baggage when flying with Delta (Liz et al., 2013). These crossover rewards not only render each company's loyalty program more appealing because of the enhanced rewards mix, but it also gives good visibility to each program with a targeted group of consumers (Liz et al., 2013).

Thus, it is important for managers to evaluate the type of loyalty program they are providing, the characteristics of the consumers they are trying to appeal to, and the level of effort program members must invest to obtain rewards in their loyalty program before determining the value and types of rewards to provide since it has an impact on the effectiveness of the loyalty program and on the consumers' decision to join the program or not (Kivetz & Simonson, 2002). Doing it right, i.e., choosing the right rewards, could pay off as customers will feel as though their (repeat) purchases are being recognized appropriately by the organization, and thus, yield a positive perception of the organization and consequently, may encourage customer loyalty.

Program Management: Organizational Support

A loyalty program's effectiveness is also influenced by the organizational support of the program and the amount of resources dedicated to the program's management (Liu & Yang, 2009). A loyalty program on its own could bring benefits to the organization, but the full potential of this instrument could be attained if there is buy-in from the executive team and, in the ideal world, from everyone, and if it is used in conjunction with other complementary resources and capabilities (Ferguson & Hlavinka, 2007). These resources could be other internal capabilities of the organization or they can be acquired externally. "For example, technological and analytical capabilities can be combined with information gained from loyalty programs to enable one-to-one marketing to customers" (p.109, Liu & Yang, 2009). Liu and Yang recommend organizations to form unique combinations of resources which can help maximize the attractiveness of their loyalty program and also support them in differentiating themselves from their competitors (Liu & Yang, 2009). The goal is pool different resources in order to bring the loyalty program above and beyond simple economic incentives. If an organization is successful in creating these unique groupings, it will help them ward off competitors because even if competing organizations replicate the loyalty program itself, they will not have the capabilities to copy and form the complementary resources in a timely fashion to render them equally competitive (Liu & Yang, 2009).

Program Management: Utilization of Consumer Information

As previously mentioned, one of the main benefits of having a loyalty program is that it can help an organization capture valuable data about their customers, such as their members' shopping processes and their perceptions and reactions to marketing efforts, which is vital to better understanding them (Allaway et al., 2006; Demoulin & Zidda, 2009; Kumar & Shah, 2004; Leenheer & Bijmolt, 2008). Having a better understanding of your organization's top customers can allow for an increase in share of wallet (Leenheer et al., 2007) and an increase in profitability (Allaway et al., 2006; Kumar & Shah, 2004).

However, between the data collected through the loyalty program about the program members and the resulting benefit for the organization, there are actions that the organization must perform.

In fact, organizations must use the rich data captured through loyalty programs to augment its relationship marketing efforts (Liu, 2007). The consumer intelligence derived from the program cannot sit idle. When organizations ask for information from their customers through the loyalty program (for example, name, address, transaction value, shopping frequency, etc.), they create expectations in the minds of program members (Lemon et al., 2002). These expectations can only be met if the data gathered is used in a relevant, transparent and responsible fashion. If members feel as though the program is collecting data without a purpose, if they perceive that even with all this gathered data the communications remain irrelevant, with a one-size-fits-all approach, this signifies that the organization has been unsuccessful in delivering on those expectations. Program members will become irritated or distrustful of the organization, and become reluctant in continuing to participate in the loyalty program as they do not see the benefit of doing so (Lemon et al., 2002). A great example of how an organization has used the consumer intelligence derived from the loyalty program to communicate with a specific group of consumers is the story of the grocery store chain Stop & Shop.

"In 2007, certain brands of pet food manufactured in China and sold at several locations were found to be contaminated with melamine. Many pets became sick, and some even died. Through its rewards program data, Stop & Shop was able to identify and contact those rewards customers who had purchased the tainted pet food." (Starvish, 2011)

In this example, Stop & Shop was able to deliver on the customers' expectations. They did not send a generic message, but rather a targeted message to a particular group of consumers.

The data gathered through the loyalty program is rich. It should be shared throughout the organization (Ferguson & Hlavinka, 2007). By using it, organizations can actively engage

their program members by being relevant to them, individually, and at scale. They can communicate with them and provide compelling reasons to encourage each member to continue using their loyalty program, and thus, encourage continued patronage. For example, organizations can explain the point structure to new members, highlight the ease of attaining rewards to the active participants, and showcase how quickly top customers can reap interesting rewards (Mimouni-Chaabane & Volle, 2010). By being relevant and by showing the value of the benefits that can be gained through the program, organizations can help reinforce the level of customer engagement and also deter customers from switching to competitors.

Managers can also use the collected data to segment their customers (who are program members and the non-members). It is important to segment them as they may perceive and respond differently to various benefit dimensions (Mimouni-Chaabane & Volle, 2010). According to Allaway & al., “appropriate managerial response to loyalty segment differences” is needed (Allaway et al., 2006). Managers need to deploy communications according to the benefits each segment values the most. By doing so, the organization can be relevant to their individual customers’ habits and preference, but to do so at scale.

Some consumers may be reluctant to participate because they do not want to share their personal data (i.e., they might perceive it as an invasion of privacy). Beyond the fact that organizations must show consumers how it could be beneficial for them to become active members of the loyalty program, they must also clearly state and continuously demonstrate how the program is not punitive and how they respect the confidentiality of the members’ information (i.e., how the data will not be used unnecessarily). If after signing up to the loyalty program where the customer gave his home address he or she starts receiving daily communications for promotions happening in a city that isn’t the program member’s city, he or she will believe the program is ineffective, maybe feel ambushed, and might even consider discontinuing to purchase products or services from this particular organization.

Managers must try to use the data to engage in dynamic customer relationship management in a respectful manner (Lemon et al., 2002). Taking into account that consumers are evaluators (i.e., they keep in mind past and present experiences) and active forecasters, organizations should try to form partnerships with their loyalty program members where it could lead to win-win situations. Managers cannot simply think of purchases as isolated transactions. By analyzing the data collected, organizations can find out valuable insights (e.g., their customers' habits and preferences), and hence, be capable of surprising customers with products or services they want, but might not have known it was available or accessible. Organizations can act as the agents for their customers through the communication capabilities provided by their loyalty program. In fact, they can reach out to their consumers at various levels (Starvish, 2011). For example, the first level can be the introduction, where the organization explains the point structure, the point thresholds and the rewards mix to the new program member, and possibly provide a generic reward to acknowledge the new enrollment. At the second level, organizations can no longer use a one-size-fits-all approach. With the help of the gathered data, they should be able to communicate to the program members in a personalized fashion and offer rewards that should be relevant and appealing. At the third level, ideally, the loyalty program permits a fluid two-way communication path between the program member and the organization. This represents feedback loops (Starvish, 2011). In short, organizations want to attain a point where their customers embrace data-driven marketing: where consumers should be able to perceive that the organization is using the data in a respectful, dynamic and personalized manner and that they gain value in sharing personal data through the loyalty program (Lemon et al., 2002; Pearson, 2012).

Examining the gathered data can also allow an organization to uncover the underlying mechanisms that motivate repeat purchases from their customers. Customers can continue to patronize a specific organization because of attitudinal loyalty, switching barriers, sunk costs, or habit (Dick & Basu, 1994). Understanding the drivers that sustain the customers' behavioral pattern is key as it can allow an organization to be more effective in the creation of personalized marketing campaigns and in the allocation of

resources between various marketing tactics (Liu-Thompkins & Tam, 2013). Making a generic promotion to customers who repeatedly patronize an organization (i.e., not taking into account the diverse intrinsic motivations that underlie the repeat purchases) can be problematic as consumers may present divergent responses to a specific marketing stimuli (Liu-Thompkins & Tam, 2013).

By analyzing and using the collected data, organizations allow themselves to reap the maximum return a loyalty program can produce. Beyond the relationship marketing capabilities listed above, managers can and should also use the gathered consumer intelligence for other marketing efforts. For example, the data derived from the loyalty program can be useful for establishing pricing strategies, carrying out market research in a particular area, optimizing visual merchandising strategies and providing valuable insights for store expansion opportunities (Starvish, 2011).

In sum, managers must be able to capture and analyze the consumer data derived from the loyalty program in order for it to be engaging and relevant (Leenheer & Bijmolt, 2008). The efficiency, and therefore the success of the loyalty program is reliant on it (Liu & Yang, 2009).

Program Management: Performance Metrics

As with other marketing tools, organizations should monitor the efficiency or success of their loyalty program by using performance metrics. Regularly taking a look at “how it’s going” is important. It allows the organization to ensure that the efforts delivered conform to the plan and to see whether the results obtained reflect the intended objectives. Moreover, evaluating the performance of the loyalty program on a regular basis allows for corrective action. If an organization is able to see that certain efforts deployed are not helping it achieve the intended results, it can “fine tune” its approach or tactics. Hence, managers can have an impact on the effectiveness of their organization’s loyalty program by monitoring its performance.

Because certain organizations can choose to inaugurate their program to attain specific goals (for instance increasing transaction volume, lowering customer defection rates, and collecting customer intelligence), each loyalty program should only track the performance measures that verify their progress in terms of their own anticipated goals (Liu & Yang, 2009; Nunes & Drèze, 2006). Too often, organizations monitor standard measures that do not corroborate with their original goals (Ferguson & Hlavinka, 2007).

Managers must keep in mind that the efficiency of a loyalty program not only depends on the internally managed elements previously mentioned (such as the chosen target audience, the points and rewards structures of the program, the support of the organization and the utilization of the collected data), but also the organization's other marketing activities (Liu, 2007) and additional underlying mechanisms that could be out of the organization's control (for example, the competitive or economic landscapes) (Liu & Yang, 2009).

(c) Setting Expectations

Another key issue identified by the respondents when discussing the launch and management of loyalty programs was the importance of setting clear expectations for everyone involved in the loyalty program at its inception. This subject is not particularly covered in the literature.

In theory, it is said that the effectiveness of such programs is influenced by their organizational support and the amount of resources dedicated to the program's management (Liu & Yang, 2009). Researchers have promoted that the full potential of loyalty programs could be attained if there is buy-in from the executive team and, in the ideal world, from everyone (Ferguson & Hlavinka, 2007). However, the importance of setting clear expectations about the loyalty program to the executive team and other employees is not discussed. The literature only covers how to set and manage the expectations of the consumers in relation to the loyalty program (Lemon et al., 2002).

During the interviews, the respondents inevitably brought up the fact that loyalty programs represent a substantial investment for organizations and that these programs are doomed to fail if expectations are not clearly established at the beginning or if the implications of implementing such programs are not well understood by the people involved. This issue is tied with the two prior points discussed: enunciating the general objectives of the loyalty program and establishing clear goals.

According to the respondents, clear expectations in terms of the implementation timeline and the resources required (e.g., costs and human capital) need to be presented if the loyalty program is to succeed.

"It's problematic when managers are short-sighted. You have to explain to them that the advantages of the loyalty program will come with time. If they think that it'll take 6 months to generate enough additional revenues to compensate the costs of running such a program, and they don't see it at 6 months, they'll shut the program down. All the efforts put in to implement it will have been wasted. Long-term vision is key. But you need to set that expectation from the beginning."

Chapter 2: Conceptual Framework

The main objective of this paper is to uncover if there are gaps between the theory and practice in the creation and management of card-based loyalty programs in Canada.

From theory derived from the academic literature, we tried to create a conceptual framework that would help us study our research question in a methodical fashion. We deduced that the theoretical notions regarding the creation and management of loyalty programs can be separated in two main categories, which we called program design and program management. Each of these categories includes various important themes that should be addressed according to researchers when creating and implementing a loyalty program.

Figure 2.1: Elements to consider when creating and implementing a loyalty program



Chapter 3: Methodology

The objective of the research is to identify the gaps between the theory of loyalty programs and the actual practices of launching and managing loyalty programs. More specifically, we wish to examine if there are differences between what is supported by academics and what is professed by practitioners in the field in terms of (i) why loyalty programs are created, (ii) the goals a loyalty program is supposed to fulfill, (iii) the process of implementation, (iv) the management of loyalty programs and (v) the results yielded. In this third chapter, we will present the methodology used to answer the problematic of the thesis. The main components of the methodology section are: 1) the choice of research method, 2) the data collection method, and 3) the preparation of the data for analysis.

Choice of Research Method

To constrict the scope of the research, we have decided to focus on Canadian organizations that currently have loyalty programs, without discriminating the program type (i.e., whether it be a proprietary, coalition or partnership program). The choice of method of research is important. Because of the nature of our goal, we decided to take a qualitative and exploratory approach to this research.

The reason for taking a qualitative approach rather than a quantitative one is simple: we wanted to find the gaps between theory and practice and this is something that was not particularly addressed in literature. A qualitative approach to research allows us to obtain complex textual (rather than numeric) descriptions of how and why managers implement a loyalty program, and how they manage it.

The choice of taking an exploratory approach is because we wish to understand an issue that has not previously been studied from our particular perspective. We did not know

what to expect of the interview results and hence, we needed to take an approach that permitted flexibility in the study design.

The qualitative and exploratory research method that we chose to employ was semi-structured in-depth interviews. We decided on this type of research method because it allowed us to gather data on individual's perspectives and experiences, and compare those to the theory and findings in the loyalty literature. Our method of research generated notes, audio recordings and transcripts.

Data Collection

a. Ideal Sample

We wanted to understand how loyalty programs are created and managed in practice in Canadian organizations. Hence, we started by examining lists of organizations in Canada who currently possess a loyalty program. For example, we observed Environics Research Group's list of the top loyalty programs in Canada obtained via a survey of 1,008 Canadians aged 18 and over (see Figure 3.1) (Environics Research Group, 2014).

Figure 3.1: Top 20 loyalty programs in Canada according to Environics Research



Source: Reframing the Conversation on Loyalty Programs in Canada. (Environics Research Group, 2014)

After examining various lists, we decided that with our time and budget limitations, we could not evaluate every single loyalty program in Canada. We decided to use a theoretical sample that would give us various perspectives in terms of:

- Type of loyalty program : coalition, proprietary or partnership
- Industry of operation
- Role of respondent vis-à-vis an organisation's loyalty program:
 - Employees managing the loyalty program within their organisation
 - Employees of a coalition program's organisation (e.g., Air Miles or AIMIA), working in collaboration with their client organization for the loyalty program

- Managers who help organisations with their loyalty program (e.g., consultant or IT company who's services are outsourced by the loyalty program's organisation)
- Life cycle of loyalty program:
 - Interview people who were there at the creation of a loyalty program
 - Interview people who are currently managing a loyalty program
 - Interview people who used to manage a loyalty program

With these criteria in mind, we decided it would be interesting to interview at least one respondent of each type. However, it was not necessary to find one respondent per unique combination. Moreover, we thought it would be interesting to have the perspectives on the management of loyalty programs from at least three industries. Hence, the theoretical sample size was determined to be a minimum of 6 interviews, if all the aforementioned criteria are met.

b. Sampling Procedure

With the theoretical sample size and characteristics in mind, we started contacting people in our networks who worked in Canadian organizations that had a loyalty program. We also solicited many individuals via email who worked for organisations that had loyalty programs to see if they were interested to participate in the study.

In most cases, the first point of contact with a potential respondent was through email. The typical email included the following:

- Personal introduction: HEC Montreal M.Sc. student
- Purpose of email: Writing thesis on loyalty programs and since you manage the loyalty program of company X, I was wondering if you were interested to participate in my study
- Explain what it involves: 60-90 minutes interview where I will ask you to explain how the loyalty program is managed in your organisation

- Explain ethics commitments (“Comité d’éthique de recherche”):
 - Inform them that names and organization names will not be published in the study, and that precautions will be taken to keep their identities and their company’s identity anonymous.
 - Must be voluntary participation
 - Present the forms that must be signed as well as the confidentiality agreement that has been signed by my thesis director and myself.

(See Annex 1 for example of email)

(See Annex 2 for sample of CER forms attached to email)

Once a respondent agreed to participate in the study, we allowed them to choose between meeting at their office or at HEC Montréal. We wanted the location to be a quiet place, with minimal distractions, where the respondent would be at ease.

c. Sample Size and Characteristics

In total, 9 interviews were conducted and in some cases, we sent follow-up questions by email to the respondents in order to get clarifications. Each interview lasted between 45 minutes to 118 minutes.

When we compiled the characteristics of the respondents, we saw that we were able to meet the aforementioned established criteria for a theoretical sample (see Table 3.1). The following table showcases the sample’s main characteristics.

Table 3.1: Interview characteristics

Respondent	Role in organisation position	Role in Loyalty Program Management	Industry	Type of Loyalty Program
1	VP Finance	Creation process	Food retail	Partnership
2	Marketing Manager	Launch process and everyday management	Food retail	Partnership
3	Marketing Manager	Everyday management	Food retail	Coalition
4	Marketing Manager	Everyday management	Entertainment	Independent
5	VP Business Intelligence	Creation and launch process	Entertainment	Independent
6	President	Consultant	Marketing	All types
7	Marketing Manager	Launch process and everyday management	Hardware	Coalition
8	Account Executive	Launch process and everyday management	Loyalty	Coalition
9	VP Marketing	Everyday management	Banking	Independent and coalition

d. Interview

Before completing the interviews, we created an interview guide (See Annex 3 to view the interview guide). This guide contained core concepts that we wanted to discuss with the respondents. We tried to use open-ended questions as we wanted the respondents to describe variation, to describe their individual perspectives on what their organization

experienced or is experiencing in regards to their loyalty program. The main components of the interview guide are:

- Introduction of myself
- Presentation of the goal of the research
- Formulation of the purpose of our meeting
- Presentation of the ethics committee (i.e., *CER*) forms
- Interview questions
- Closing remarks

The interview guide was used to help steer and nourish the conversation. However, we were not strict about following it. In fact, not all questions needed to be answered, and the order of the questions did not need to be respected. The participants' responses affected how and which questions would be asked next during the interviews. There was flexibility to move the conversation in an unforeseen direction of interest if it came up. We tried to allow the respondents to talk openly about their loyalty program. Our role as the interlocutor was to keep the discussion centered on the topic of our study if ever the conversation steered away.

The choice of doing interviews, rather than using other research methods, allowed us to go in depth in our study subject. Also, it permitted us flexibility and allowed us to gather testimonials, while respecting the frame of reference of the respondents. For example, contrarily to the questionnaire, the interview allows the respondents to answer using their own vocabulary and mental categories (Campenhoudt & Quivy, 2011).

Preparation of Data for Analysis

Our method of research (i.e., the interviews) generated hand-written notes and audio recordings, in the cases where the respondent had agreed to be recorded.

The analysis of the collected data obtained via the 9 interviews was completed in four phases. The first phase was to transcribe each recorded interview or transcribe the notes taken from non-recorded interviews. The second phase consisted of finding reoccurring themes between the data collected. Each interview transcript was coded by these themes. The third phase included regrouping all respondents' perspectives by theme identified and analyzing them to see if there are similarities. The fourth and final phase consisted of contrasting the findings by theme with the literature review.

Chapter 4: Analysis of Results

The objective of this research paper is to identify the gaps between the theory of loyalty programs and the actual practices of launching and managing loyalty programs as evidenced by interviews with managers in the field. In this chapter, we will bring forth the results. More specifically, we will present the most important takeaways from the data collected through the 9 interviews with managers who had been or who are currently responsible for managing a loyalty program in Canada and contrast these main themes with how they are represented in the academic literature. Each takeaway will be presented in a subsection of this chapter, and will be covered in the following order: (1) the objective of the loyalty program, (2) the choice of loyalty program type, (3) the organizational support, (4) the use of data, (5), staying relevant (6) the performance of the loyalty program.

Objective of the Loyalty Program

The first theme revealed from the analysis of the data collected through the interviews that we wanted to compare with the loyalty literature concerns the objective of loyalty programs. This theme can be dissected in three ways: (a) the general objectives of a loyalty program, (b) the importance of setting clear goals, (c) setting expectations.

(a) General Objectives

What was uncovered during the interviews regarding the general objectives of a loyalty program corresponded with what was presented in the literature concerning the benefits of having a loyalty program. Studies suggest that loyalty programs can help organizations distinguish themselves, increase customer commitment by creating switching costs, obtain valuable data, and increase the spending levels.

In theory, a loyalty program can help an organization distinguish itself from its competitors or at the least, allow an organization to be on the same playing field as its competitors. In fact, a loyalty programs can help neutralize a competitor's program (Dowling & Uncles, 1997). This theory was confirmed during the interviews. When asked about what the general objective of the loyalty program was, in most cases, the respondents mentioned that it was for competitive reasons or to distinguish themselves. They talked about the context in which they decided to create and implement the loyalty program.

"Everyone is doing it, whether proprietary programs or coalition programs. You need to."

"When you look at (my company), when you look at a good (competitor's name) store, a good (another competitor's name) store, there's not much differentiation. So that's where the loyalty program steps in."

"Our two main competitors already had a loyalty program."

"La compétition avait déjà leur programme de loyauté. Il était temps qu'on lance le nôtre pour être compétitif."

« Les entreprises savent qu'il faut personnaliser les messages. (...) Les gens s'attendent à ça. C'est la base. Tout le monde a un programme. Si tu n'en as pas un, ça te mets dans une position moins attrayante, pas dans la même ligue. Si tu n'as pas de programme de loyauté, tu n'as pas de façon de parler à ton consommateur. »

"There's not much differentiation. If you go to a (company name) store, a (competitor's name) store, if you go to a (another competitor's name) store, it's more of less the same products, there's not much of a differentiator. It's not like we are in "la mode". If I'm a Micheal Kors boutique or if I'm a (...) there's different

types of clothes and purses and (...) food is food. A box of thyme is a box of thyme. A loyalty program can help differentiate yourself."

According to theory, a loyalty program can also help an organization increase customer commitment by creating switching costs (Allaway et al., 2006; Byung-Do et al., 2001; Kivetz & Simonson, 2002; Meyer-Waarden, 2007). Respondents reported that they believe having a loyalty program can help lock-in customers.

"If a member is close to having enough points for a great reward, or if they are enjoying the ease of use of our program, why would they want to go to our competitor? I'm not saying they won't. But it helps. The loyalty program provides them an incentive to stay."

"The consumer today is smart. He'll evaluate which loyalty program will benefit his or her most and then stick with one. We want to make sure we're that "one". We want them to stay with us and accumulate points with us."

The respondents illustrated that in practice, as it is presented in the academic literature, an organization can decrease its customer defection rate with its loyalty program (Allaway et al., 2006; Meyer-Waarden, 2007).

According to theory, a main benefit of having a loyalty program is that it can provide valuable data about an organizations' consumers (Demoulin & Zidda, 2009; Kumar & Shah, 2004; Leenheer & Bijmolt, 2008). The organizations that were interviewed expressed how obtaining data was definitely a main objective when creating and implementing a loyalty program.

"We entered a journey. We want to become more customer-centric. We were an organization, 10 years ago, that was more supplier-focused. Squeeze the supplier, work with the supplier, more deals, you know. And we didn't really, not that we didn't care, but we focused less on the consumer. And today, it's turned around. We need to understand the consumer if we are to survive. And the loyalty program feeds us information to better understand them."

“C’est crucial de comprendre les clients aujourd’hui. Une façon de faire ça, c’est d’avoir un système qui te permet de documenter leurs transactions. On a créé le programme de loyauté en fonction de cet objectif de stockage de données clients.”

« En aillant cette information là, ça nous procure une meilleure connaissance de nos clients. Et cette connaissance-là, c’est ça qui va nous donner un « edge », qui va nous donner un avantage, du moins on l’espère, on va être capable de traduire tout ça, pour être capable d’avoir un avantage sur la concurrence. »

« C’est sûr qu’il y a un autre objectif, qui est beaucoup plus corporatif, que je n’ai pas encore abordé. C’est toute la notion d’être capable d’identifier nos clients. Qui est-ce qui vient chez nous? Combien qu’ils dépensent? Quand est-ce qu’ils viennent? Qu’est-ce qu’ils achètent? Toute cette information client là là, c’est le nerf de la guerre. »

Respondents explained how it was a main objective of the loyalty program to obtain information to help them decipher trends, evaluate the perception of their offerings, manage their resources and potential property investments, plan pricing strategies, and improve the effectiveness of their promotions. This notion was described as a main benefit of having a loyalty program in the academic literature (Larocque, 2013; Liz et al., 2013; Nunes & Drèze, 2006; T. Shaukat & Auerbach, 2012; Starvish, 2011).

There was one exception: a respondent shared that obtaining data from its customers wasn’t a priority for his organization’s loyalty program. This exception is logical since the organization was already capturing the data through another manner. In fact, this respondent worked for an organization in the banking industry and thus, through the information collected from the customers’ credit card, the organization is able to view transaction data and associate it to an individual, without the help of a loyalty program.

“C’est pas pour obtenir du data. (...) Je peux avoir encore plus d’information que d’autres avec leurs programmes de fidélisation. Je vois les transactions de tous mes clients. Chacun d’eux. Les autres, ils ne voient que l’info de ceux qui veulent le partager, ceux qui sont membres de leurs cartes.”

Another main objective of creating and implementing a loyalty program described by the respondents that we interviewed was to increase the spending levels of each customer. This was another benefit of having a loyalty program catalogued by theory (Dowling & Uncles, 1997; Lal & Bell, 2003; Liu & Yang, 2009; Liu, 2007; Taylor & Neslin, 2005; Yi et al., 2013).

«C'est pour aller chercher un item de plus pour le client. »

“With my loyalty program, I want to get data to better understand my clients, get them to keep coming back and get incremental increase in spending.”

« Moi je disais à nos marchands, regardez, on a 2 millions de transactions par semaines. Ces 2 millions de transactions là, on est tu capable de s'assurer qu'ils vont faire leur épicerie chez nous? Concentrer leurs achats chez nous? Alors, si on prend 20% de ces clients-là, et qu'on réussit à leur faire acheter 2, 3\$ de plus par semaine. Eh bien, tu viens d'augmenter tes ventes de pratiquement 10%.”

“J'arrive à stimuler des dépenses avec mon programme de loyauté. J'arrive à encourager mes clients à venir plus souvent avec mes offres personnalisées. »

“If I can sell you one or two items more when you are in my store, every time, that will lift the sales through the roof! Because there's millions of customers going through our stores every week, right! So it's to sell one additional item, make you spend more when you are in my store.”

One issue that is less explored in theory but that came up often during the interviews concerns the role of a loyalty program in client acquisition strategies. In practice, respondents acknowledged that increasing spending levels is a main objective of the loyalty program, but mentioned that this objective wasn't established with the intention of being attained through acquiring new customers. Some studies support the fact that a loyalty program may not be a determining element for client acquisitions in certain circumstances (Liu, 2007), however, other studies have also supported that a loyalty program could play a role in customer acquisition, along with customer identification, retention and development (Kracklauer et al., 2004).

“The loyalty program we have, is not to go steal customers from my competitors, it’s very hard to go get a consumer from our competitors.”

“In loyalty program research, that’s maybe the 10th reason why you choose a retailer. So, it’s not the main reason you would choose a company, for the loyalty program. But once you’re in there, and you live the program, then, you engage into the company. But it’s not the reason, the main reason why you choose to go to (store name). So, to get new customers, you have to get them another way than selling them the program. But once they’re in, you try to give them a card, and then you bring them to the next level. And then you engage them.”

« C’est difficile d’aller chercher de la visite. On n’a pas de contrôle là-dessus. On ne peut pas forcer quelqu’un à venir. Mais quand il est dans le magasin, on ne peut pas le forcer non plus à acheter, mais on peut l’inciter, à essayer un nouveau produit, à acheter quelque chose qui n’était pas sur sa liste. Le cross-selling est très important. »

« Si un client de (nom d’un compétiteur) vient chez nous, moi l’expérience que je veux lui faire vivre, c’est, il faut que je l’engage et qu’il vive une expérience extraordinaire pour qu’il oublie de retourner chez (nom d’un compétiteur). C’est dans cette optique là. Ils ne viendront pas à cause du programme. Même si je leur offre 1 million de points. 1, ils ne savent pas c’est quoi ces points et notre système. Et 2, ce n’est pas ça qui va faire en sorte qu’ils viennent. »

« Organizations cannot expect to acquire new clients just by creating a loyalty program. They just can’t.”

In the academic literature, it is supported that a loyalty program may not help in the acquisition of new customers if there is already insufficient demand for the organization’s products or services (Liu, 2007). Respondents in the food industry clearly illustrated this point.

“People won’t start eating more just because your loyalty program is proposing an interesting offer. There’s a limit.”

“The pie is only so big. There are grocery stores at every corner practically. We are already out-stored in Canada. Consumers have too many options.”

The respondents shared that the objective of their respective loyalty programs was not to directly acquire new clients, but rather help them retain their good customers. Their goal was to keep their clients from defecting to their competitors. Some respondents talked about the difference between the role of the loyalty program versus the role of mass advertising.

“Imagine that an organization is a box, or a house. Mass advertising and publicity will help you with the front door. It will help get your brand known, get people interested to get in. The loyalty program, on the other hand, will help you take care of the back door. It will help keep it shut. It will help you keep the people inside.”

« Dans le cycle de vie d'un produit, le programme de loyauté vient en jeu lors de la phase de maturité, ou de déclin. À ce moment-là, tu veux faire de la rétention, de la fidélisation. Lors des premières phases, soit celles de lancement et de croissance, le programme de loyauté n'est pas nécessaire. Le marketing de masse remplit cette fonction. »

In the literature, the two overarching goals of a loyalty program are to increase the share of wallet of an organization and increase its profitability (Allaway et al., 2006; Kumar & Shah, 2004; Leenheer et al., 2007). This was confirmed during the interviews conducted in this study.

“It comes down to the fact that you need a loyalty program today to stay in the game and ultimately, get a bigger portion of the pie.”

« L'objectif, si je mets mon chapeau d'entreprise : augmenter mes ventes. Aller chercher mes ventes. Maintenir mes ventes. C'est en engageant mes clients par l'intermédiaire de mon programme de loyauté que je peux toute faire ça. »

“What it comes down to is profitability. It's all about the money.”

(b) Importance of Clear Goals

According to the literature, adopting a loyalty program simply because your competitor possesses one could prove to be ineffective or even value-destroying if there were no

clear goals established at its inception (Dowling & Uncles, 1997; Liz et al., 2013; B. T. Shaukat & Auerbach, 2013).

The interviews echoed what the theory says about the importance of setting goals. In fact, each respondent mentioned how important it was to clearly enunciate the goal the loyalty program is supposed to serve before deciding to create and implement it. They shared that by clearly articulating this, you can know whether the loyalty program could be useful for the organisation. Organizations have asked themselves whether the loyalty program can aid them in achieving their high-level goals or if there are better tools that can help them attain them. Thus, the exercise of setting the program's goals before its creation can assist the organization in figuring out if it is a good or bad idea to invest in such a marketing tool.

Through this exercise, certain respondents had acknowledged that it might not be necessary to implement a loyalty program for an organization in certain situations. The following quotes from two different respondents illustrate situations where it may not be necessary to have a loyalty program:

"No, because people that go to those stores, they want that specific shopping experience. They want that meat that's marinated in that shish taouk sauce. They want that nut counter, all those types cheeses, those fruits and vegetables of high quality, low price. They are differentiated. That's what they are looking for. If you look at these stores' situation, there are no potential benefits of having a loyalty program for them. It would be a waste of money."

"The loyalty program with its data, for me, has three main objectives: shift, lift, retention. Sometimes, they may not help. For example, in high luxury, in situations where it represents infrequent purchases or items (where you are always in acquisition mode), in the perfume industry, or in high fashion. In these cases, the loyalty program may not add concrete value."

The theory suggests that by establishing clear goals for the loyalty program, an organization may avoid implementing such a program for the wrong reasons, for example, as a "copy strategy" which usually fails (Dowling & Uncles, 1997; Liz et al., 2013; B. T.

Shaukat & Auerbach, 2013). In fact, researchers caution organizations against the impulse to launch a loyalty program simply because their competitors are doing so (Liu & Yang, 2009). This is especially true in situations where the market is mature or rigid, which means where the demand is already maximized. In practice, we found that there is a gap with the literature in this respect. Many organizations that operate in mature markets, where the demand is fixed and limited, have nonetheless decided to create and implement a loyalty program.

The theory proposes that, in some circumstances, implementing a loyalty program is a necessary cost for an organization if it wishes to be able to compete on the same playing ground as other competitors (Dowling & Uncles, 1997). However, it also advocates that if this is the case, the loyalty program may represent a defensive mechanism, that its contribution to the bottom-line of the organization may be restricted, and the benefits of the loyalty programs present in the industry may cancel each other out (Liu & Yang, 2009; Sharp & Sharp, 1997). During the interviews, organizations didn't seem to be concerned about the possibility of the zero-sum game. In fact, the respondents denied that competing loyalty programs may negate one another's positive effects out.

"Interviewer: At the beginning, you said how everybody has or will have a loyalty program. Do you think their effects will cancel out?"

Respondent: No. No, because we think that our program loyalty is better than our competitors'. We think that we have partnered with a data mining firm that's differentiated and best in class in the food business."

The following is another example of a situation where the respondent was not concerned about the possibility of a zero-sum game:

« Nous, on avait la conviction que (nom du programme de loyauté) avait une meilleure offre. On pense que l'attrait de la récompense de (nom du programme de loyauté) était plus attrayant que ceux de (noms des compétiteurs). Nous étions fermement convaincu à l'époque, et maintenant toujours. Même avec les autres programmes sur le marché, nous avons un avantage concurrentiel avec notre programme. »

“When you launch something like that, you don't do it for a year. It's a long term journey. People need to understand what implementing a loyalty program implies. The President needs to be aware. If not, he'll just see it as an enormous unnecessary cost. A program that is sucking precious resources and not generating any revenue. If he doesn't understand, it won't be long before he shuts it down.”

In fact, respondents acknowledged that for a loyalty program to succeed, employees of all levels need to understand if and how the program will affect them. They need to be aware of its implications and how their daily work might change with the arrival of the loyalty program. In the following example, the respondent explains how it was crucial for the franchise owners to understand the implications the putting in place a loyalty program.

« Modérateur: Est-ce que les marchands étaient opposés à l'implémentation du programme? »

Participant: Il a fallu faire une grosse vente. Il a fallu les convaincre, leur dire pourquoi on voulait faire ça. Les marchands n'étaient pas tout à fait opposé au programme. C'est juste qu'au départ, ils ne voyaient que la notion de coût associé à ça. Il y avait une résistance au changement. On leur a fait des présentations. On leur a montré ce que cela allait impliquer en termes de coûts, d'efforts de leur part, les avantages d'avoir un tel programme. On leur a montré que les gains en termes de croissance de ventes potentiels dans le temps étaient supérieurs aux coûts générés par le programme. Et après, il y avait des arguments de ventes plus qualitatifs : permettre de rajeunir la clientèle, d'innover, de nous associer au programme #1 au Canada. Cet exercice de présentation, d'argumentation était nécessaire pour le succès du programme. Il fallait que les marchands soient « on-board » comme on dit en anglais. Il fallait qu'ils comprennent ce que l'arrivée du programme impliquaient pour eux. Ça allait changer comment ils fonctionnaient. »

Choice of Loyalty Program Type

The second main takeaway from the analysis of the data gathered via the interviews of managers in the field that we wanted to compare with the academic literature on loyalty programs concerns the choice of the type of loyalty program. In theory, there are three

main types of loyalty programs: independent, partnership and coalition. The following table demonstrates how all three types of loyalty programs were studied during the interviews with the managers.

Table 4.1: Type of loyalty program studied by interview

Respondent	Type of Loyalty Program
1	Partnership
2	Partnership
3	Coalition
4	Independent
5	Independent
6	All types
7	Coalition
8	Coalition
9	Independent and coalition

During the interviews, respondents easily listed the reasons which prompted them to choose the type of loyalty program they implemented. For example, the following respondent explains why they chose the coalition type.

« Pourquoi (nom programme)? Pour la simple et bonne raison que c'est un programme qui avait déjà une notoriété, que les gens connaissaient, qui été accepté par le public, qui avait déjà une base d'adhérents, qui était possiblement la plus grande base de d'adhérents à l'époque au Québec. On parlait de 175 000 personnes. C'est un programme varié, qui nous permettait d'avoir accès à l'information client, sans avoir à faire tous les investissements comme tels.

Aussi, juste pour ta gouverne, nous sommes 2 dans l'équipe de loyauté chez (nom de la compagnie). Si tu vas voir nos concurrents, ils sont 10, 12, 20 personnes qui travaillent. Pour nous, c'était une façon plus économique de lancer un programme. »

However, almost all the respondents stressed that perhaps they should have given a more careful consideration when choosing the type. In fact, they mentioned how it is crucial to understand the implications of each type of loyalty program before deciding to create and

implement one. This is an issue that was not particularly discussed in the academic literature.

“I can’t say that we didn’t think about the pros and cons of each type of loyalty program before settling on a certain one, but we certainly should have taken more time in that though. I don’t think we fully comprehended the implications of our decision at the time. And so, it’s something we have to deal with now.”

In fact, the respondents recognised that an organisation needs to do its due diligence before choosing the type of loyalty program it wants to implement because each type comes with its long-term implications.

« J’aurai peut-être pris plus de temps pour le choix de système qui gère notre programme. Pour mieux comprendre ses capacités. Parce qu’il a des choses que je voudrais faire, des choses simples qui sont transparentes pour le client, mais que je ne peux pas. »

« Quand nous avons choisi le type de programme, on ne pensait pas qu’on avait beaucoup de choix à cause de la nature des données avec laquelle on faisait affaire. Ça fait 10 ans maintenant que le programme a été créé, et on se heurte souvent à ses limitations. L’infrastructure choisie nous pénalise sur plusieurs fronts. »

« Quand la décision du type de programme a été prise, ce n’est pas des gens de loyauté qui étaient là pour prendre des décisions. Je ne veux pas dire que je n’aurai pas pris la même décision, mais au moins, je l’aurai pris en connaissance de cause versus là, c’est comme, il y a des choses qu’on voudrait faire(...) En tout cas, là, il faut qu’on travaille avec le système, tel qu’il est là. C’est difficile de changer de système, voire impossible. Il faut faire maintenant avec tous ses bons et mauvais côtés. Et bien, ses mauvais côtés, ça devient frustrant. »

In practice, the respondents acknowledged that each type of loyalty program has its advantages and disadvantages. They stressed that the type of program should be chosen carefully, while considering the goals it is trying to attain and the type of organisation it will serve. The decision regarding the type of loyalty program will have an effect on the capabilities, and ultimately, the success of the program.

Organizational Support

The third key theme that stemmed from the analysis of the data collected via the nine interviews that we wanted to compare with the theory on loyalty programs is the importance of obtaining organizational support. This section could be examined in two parts: (a) buy-in and (b) integration with other departments.

(a) Buy-in

In the loyalty program literature, the full potential of this marketing tool could be attained if there is buy-in from the executive team and, ideally, from everyone in the organization (Ferguson & Hlavinka, 2007; Liu & Yang, 2009). This was clearly echoed during the interviews. In fact, having the buy-in from all employees in the organization, and especially from the president, is a main requirement for the success of a loyalty program according to the respondents.

« IT, finance, comptabilité, les fournisseurs. Le buy-in de tout le monde. J'ai fait le tour du Québec moi. J'ai rencontré toute les marchands pour leur présenter le programme. On a fait des webinaires au téléphone. C'est super important pour le succès du programme. »

“Yes, management has to be in back of this all the way. From the President to the entry-level clerk. No doubt about it. Without their support, the program is dead.”

« L'engagement de l'entreprise, et l'engagement, comme on disait, du président. Il faut que le président y croit. Il faut que toute les « stakeholders » y croient. Pis que ça fasse partie de leur stratégie, de leur « thinking ». Faut que ça fasses pas partie de leur réflexes. »

« Moi je travaillais pour (nom d'une entreprise), un autre spécialiste de programme de loyauté, pis quand je suis rentrée, pis j'étais dans le développement de la business, le président m'a toujours dit, « (Nom de la participante), tu fais aucune présentation si tu ne parles pas au président. » Il faut vraiment que ça parte d'en haut pour que ça marche. Il faut que ça devienne la philosophie de l'entreprise. »

« Le numéro 2 de l'entreprise... il donne beaucoup d'importance au programme. Il y croit. Il voit les résultats. L'engagement de l'entreprise, c'est au cœur du succès du programme. Définitivement. »

Respondents stressed the fact that buy-in in the loyalty program was crucial because if not, people in the organization would be blind to its advantages. Without the organizational support, the focus would only be on the costs related to the program, costs that are substantial and that are additional to the daily operating expenses of the organization.

“Il y a des priorités. Des budgets. On n'a pas de l'argent à l'infini. C'est dispendieux faire des envois. Ça aussi ça été une autre surprise. Ils étaient habitués à faire des circulaires. Ça coûtent pas super cher. Mais quand tu fais du DM, ça peut te coûter 2\$ par envoi. En partant, tu as 58 sous par timbre. (rire) Ça gruge un budget. Donc, il faut vraiment que la haute direction y croit.»

“There's a cost to loyalty. Here at (name of the company), it cost approximately 0.8% of sales. It's a big expense. In Ontario, we have (name of the loyalty program). That cost me 20 million \$ a year in points. So (...) It has to help you, you understand? People need to see the results and believe in it.”

“Quand la direction a changé, c'était pas long avant qu'ils laissent tomber le programme. Ils ont congédié la moitié de l'équipe marketing quasiment en rentrant. Ils ne voyaient pas les bénéfices du programme, ce qu'il pouvait apporter. C'était des comptables et des gens de « supply chain ». Ils voyaient juste les coûts associés. »

“Ça c'est l'engagement de l'entreprise. L'engagement stratégique, mais l'engagement financière aussi. Parce que à partir du moment où tu lèves ton pied pis que t'arrête de mettre, d'investir dans ton programme, ben toute découle. Tu as moins de data, ou la qualité de ton data est moins bonne. Pis là, ben tu fais moins d'offres riches. Tranquillement, ton programme meurt.»

During the interviews, respondents not only acknowledged that buy-in at the creation or implementation phases of the loyalty program from the executive team and, ideally, from everyone in the organization is crucial for the program's success, but they also recognized that this buy-in needs to be sustained through time.

« Tout le monde y croit. Et moi, je m'occupe à garder cette intensité là, cet engagement là. C'est en développant de nouvelles choses. En informant les gens aussi sur les résultats, en les tenant au courant. C'est très fort ici à l'interne. Ça fait vraiment partie de leur philosophie. C'est nécessaire au succès du programme. Il faut absolument garder cet engagement là.»

« Il est nécessaire de maintenir l'engagement de l'entreprise. Pas juste en amenant des améliorations au programme, mais aussi de montrer la valeur du programme. Nos marchands, ben (...) ça leur coûtent des sous, et il faut qu'ils voient c'est quoi la valeur. Qu'est-ce que ça me rapporte? S'ils arrêtent d'y croire, le programme tombe à l'eau. Ils ne poussent plus le membership, donc le data n'est plus là. »

(b) Integration with All Departments

Another element found in the theory of loyalty programs that we wanted to compare with practice concerns the level of integration with various departments. In the academic literature, it is supported that a loyalty program's effectiveness is influenced by the amount of resources dedicated to the program's management (Liu & Yang, 2009). The nine respondents we interviewed confirmed the importance of having the buy-in and support of dedicated resources within the organization for the loyalty program.

« It's senior management, it's marketing, it's finance, it's store operations, IT, yes, there's a huge IT part. It's all parts of the store. You need everyone to be on board and dedicated to the loyalty program if it's going to work.»

“You need resources. Without the buy-in, without the necessary amount of resources solely dedicated to it (...) without the support of these resources, the loyalty program fails.”

In theory, it is furthermore suggested that a loyalty program should be used in conjunction with other complementary resources and capabilities in order for it to be optimally effective (Ferguson & Hlavinka, 2007). In practice, the respondents recognize the validity of this theoretical statement.

“The loyalty program (...) It's useful to all the different departments. For merchandising, operations, we all (...) more and more, we base our decisions based on the information we get on the card with the members, and what they buy, and if we want to invest in certain categories. If we don't use the information in other departments, if it's not exploited, the benefits of the loyalty program aren't optimal.”

« Ils ont des rapports les marchands. On a développé des rapports qui leur donnent de l'information, qui les aident à prendre des décisions dans leur magasin. Ils leur donnent de l'information sur leurs meilleurs clients par exemple. Le programme n'est utile que si l'information récoltée est partagée et exploitée par les différentes ressources de l'entreprise.»

In fact, the respondents shared during the interviews that their loyalty program is predominantly useful and effective if the data gathered is organized and made available (for easy use and access) to other complementary resources and capabilities of the organization. How the organizations use the data collected is further discussed in the next section.

Hence, what is acknowledged in practice corresponds to what is supported in theory in regards to the importance of employing the loyalty program in conjunction with other resources and capabilities in the organization. However, although this theoretical statement is recognized, when asked how this collaboration or sharing is manifested within their organization, respondents expressed how this was difficult to accomplish in many cases. Some shared that the loyalty program is not currently being used in conjunction with other resources but that it is something that they are striving towards.

« Le programme de loyauté est géré par le département de marketing chez nous, mais l'infrastructure en tant que telle, elle, est gérée par les TI. On a des problèmes de contrôle et de partage. (...) On a souvent des problèmes d'accès et de « flow » d'information. Il y a toujours de longs délais lorsqu'on veut faire une nouvelle requête ou si on veut changer des paramètres, qui, pour nous, semblent être des changements minimes. Même si on peut laisser croire qu'il y a une collaboration, c'est plutôt difficile en réalité. Il faut améliorer ça. (...) On sait que l'information obtenu à travers (nom du programme) peut être utile pour les autres départements, c'est à nous de le partager. Mais pour des questions de temps, de

priorités, de budget (...) de contrôle, on ne le fait pas présentement comme on le voudrait. Par ailleurs, si tous les autres départements peuvent demander de l'information directement au TI, nos priorités marketing ne seraient peut-être pas respectées. Les délais seraient plus importants.»

“The digital teams are often a sub-group of the marketing teams. They are, as they say, “the nerds, out there”. They are looked upon as the “exploratory team” and are not fully linked with the activities in the marketing team. It’s a pity that the information obtained with the digital is not fed into the loyalty system. It’s actually a big problem. Linking the transactional and the digital is one of the biggest challenges today. Organizations will need to find a way for these two departments, and other departments for that matter, to collaborate.”

“Merchandising is responsible for the content of the flyer. Technically, the data obtained from the loyalty program can be useful for them. But since it’s the marketing team controls and manages the loyalty program, the data is not always shared. It’s improving, but still not ideal. Both departments don’t work together all the time. (...) It’s because merchandising and marketing are not evaluated the same way. If the incentives were right, perhaps the collaboration between the two, the flow of information would be more natural, more accepted. That needs to change.”

In all the cases studied, the loyalty program is managed by the marketing department. The respondents demonstrated that there are no gaps in theory and practice in regards to the belief that integration with various departments is crucial for the loyalty program’s effectiveness. Nonetheless, the sharing of information obtained through the loyalty program and the collaboration is rarely implemented to its optimal level in reality. Respondents recognized that there are communication and collaboration barriers. They believe that the marketing department needs to work closely with the other resources and capabilities in the organization in order for the loyalty program to be optimally effective.

Use of Data

The fourth key theme that could be highlighted from the analysis of the data collected via the nine interviews with the managers that we wanted to parallel with the theory on loyalty programs is the importance of using the data obtained through the loyalty program.

In theory, the data collected through a loyalty program could give valuable insights about customers (Demoulin & Zidda, 2009; Kumar & Shah, 2004; Leenheer & Bijmolt, 2008; Starvish, 2011). It is one of the main benefits of having a loyalty program according to the literature. In practice, the respondents agreed that the data collected is powerful and can serve a plethora of functions. We understood from the interviews that that data gathered from the loyalty programs is key and can help organizations better understand their customers.

“Le data du programme de loyauté nous permet de comprendre le comportement exact des clients. Ce n’est pas uniquement comment ils veulent être perçus, ce qu’ils peuvent dire d’eux-mêmes. C’est exacte. C’est ce qu’ils font. Pas de mensonge. C’est puissant ça.”

“It changed the way we operate. From store layout, pricing, front page flyers, management, associate spend that comes with that. It’s endless what they can do with the data. “

“It’s to become more customer centric. I want to know you better as my consumer, I want to make you personalized offers that are relevant to you, I want to give you back some currency so that you keep coming back. The data from (name of the loyalty program) allows us to do it. It’s powerful.”

However, respondents recognized that this powerful capability is only possible if the organization is able to organize the data collected and make it available to the various departments concerned (hence, overcome the challenges of collaboration and flow of information with other departments described in the prior section). Moreover, they shared that in many cases, the obstacle that is preventing them from fully exploiting the power of the data collected concerns the fact that the organization is not willing to

budget the necessary funds to do it. Hence, they are currently not optimally utilizing the data.

“With our current resources and limitations, we are only working with the tip of the iceberg.”

“Everyone has data, it’s what you do with it. How you derived the insights. Now that’s the magic. We need to find a way to tap into that magic.”

« Nous, on veut toujours améliorer comment on utilise le data. Ça peut paraître simple, mais ça ne l'est pas. Tu as des millions et des millions d'information. (Nom de la compagnie) travaille avec des fichiers énormes. Ils reçoivent toutes les transactions, tous les items que tu achètes. Toute faire l'analyse de ça, c'est du sport, comme on dit. C'est des ressources. Et il faut s'assurer qu'ils sont là. »

When the data is organized and made available, it can serve different functions according to the literature. For example, it can provide organizations with information about trends, about whether their offerings are liked or not, about how to better use their resources, about whether and where they should open a new store, about appropriate pricing strategies, about how to appropriately reward loyalty, and about how to render their promotions more effective (Larocque, 2013; Liz et al., 2013; Nunes & Drèze, 2006; T. Shaukat & Auerbach, 2012; Starvish, 2011). Through the interviews, we were able see how the data collected from the loyalty programs can serve various applications. The most common uses illustrated by the respondents concerned: market segmentation, increase sales and generate revenues.

Use of Data to Segment

In the academic literature, it is recommended to managers to target a specific audience for the loyalty program to be effective (Ferguson & Hlavinka, 2007). The target audience can be chosen based on various factors, for example the customer lifetime value of each customer (Keiningham et al., 2005) or the level of future orientation of customers (Kopalle & Neslin, 2003; Lemon et al., 2002; Liu & Yang, 2009).

In practice, we discovered that the interviewed respondents did not follow the theory's recommendation. They did not see the use of narrowing the target audience of the loyalty program. Instead, they claimed that, ideally, every single customer of theirs would register for their loyalty program even though there is a cost associated with creating a membership (for example, the cost associated with issuing a loyalty program card). The exercise of segmenting the audience is rather something that is done after customers have signed-up for the loyalty program. In fact, the segmentation is possible with the data obtained.

«Grâce aux données obtenues par le biais du programme, on peut segmenter notre clientèle. Plus on a de membres, plus les données sont riches et représentatives. On sait qui ils sont nos membres. Ce qu'ils achètent, quand ils achètent, à quelle fréquence qu'ils achètent. Tout ça, ça vaut de l'or. »

«We can segment with the data collected. And the success of our loyalty program resides with the fact that we can segment appropriately and that we are able to send offers that are personalized. That's why there are major efforts deployed in stores to invite and remind customers to sign-up for our program.»

The respondents shared that the data collected through their respective loyalty programs is valuable as it allows them to segment their customers based on their actual purchasing behaviors. This permits them to adequately decide which segments or whom to specifically focus their efforts on. Moreover, the collected data guides them in terms of rewards or incentives distribution.

« Chez nous, avant l'arrivée du (nom du programme de loyauté), les gens nous disaient ce qu'ils faisaient, et on récompensait en conséquence. On avait des préposés qui notaient dans un calepin les activités des membres. Ce n'était pas basé sur ce qu'ils voyaient, mais sur ce que les clients disaient qu'ils allaient faire, ce qu'ils allaient dépenser. Ce n'est pas qu'on ne faisait pas confiance à nos clients, mais maintenant, on peut mieux récompenser, basé sur de vraies activités, de vraies dépenses chez nous. »

The variables used for audience segmentation vary from organization to organization. Nonetheless, the most common variables listed by the respondents consist of frequency

of visits and purchase (or spending) volume. These variables are evaluated independently and jointly.

« La loyauté est fait par la fréquence et la dépense. Donc, avec IT, on a fait une grille. Un loyal doit être venu chez nous, par exemple, 1 fois par semaine, et il faut qu'il ait dépensé 40\$ par visite. Mais on regarde aussi, sur un total de dépense par mois. Parce que je peux y aller 5 fois par semaines et dépenser 20\$ à chaque fois versus une personne qui y va une fois et dépense 100\$. C'est la même valeur. Alors, il ne faut pas y aller uniquement avec la visite ou uniquement avec la dépense. »

« With the data on frequency of the visits and the basket size, we can segment our customers pretty well. »

Frequency of visits and purchase volume are important. However, according to the respondents, what allows the organization in many situations to distinguish its loyalty program from their competitors' programs and what's now the most important for the consumer relies on how they capture and use the data on the type(s) of purchases made. For example, for a grocer, it is important to know what products are bought by each customer in order to better segment them, which in turn allows the grocer to make unique and relevant offers to its customers.

« Je l'engage mon client en lui donnant des offres. On va avoir les produits qui répondent à ses besoins. On va lui faire des offres sur ce qu'il aime. Parce que grâce au programme, je peux avoir une bonne idée de ce qu'il aime. »

« On aussi une segmentation de style de vie. On connaît nos foodies, nos gourmets. On connaît ceux qui aiment cuisiner. Les jeunes familles. On sait ça parce qu'on sait le contenu de son panier. Donc, par exemple, on pourrait dire aux jeunes familles : "venez choisir un sac de bonbons pour vos enfants". Versus le foodies, venez rencontrer notre chef ou notre diététicienne. Ça peut se faire. »

When talking about the capacity to capture that data, respondents acknowledged that if they collect the data on the types of purchases made by their customers, they are creating expectations. In fact, the individuals that were interviewed echoed the theory regarding this issue. The literature supports that when organizations ask for information from their

customers through the loyalty program (for example, name, address, transaction value, shopping frequency, type of purchases, etc.), they create expectations in the minds of program members (Lemon et al., 2002). These expectations can be met if the program members feel as though the data is collected with a purpose and is used in a relevant, transparent and responsible fashion (Lemon et al., 2002).

“Customers are smart. They know what type of data is being captured through our card. If we don’t use it properly, they’ll get annoyed and we might lose them to our competitors. For example, if we surveyed them and they said they were vegan, we better not send them a coupon for meat. (laugh) I know, it sounds silly, but it’s the reality.”

Although the respondents believed they have much improved their segmentation processes as they can rely on real buying behaviors, they shared that they still need to go a step further with the data collected. In fact, many of them mentioned how they need to automatically analyze the data more carefully and cross-reference that data with store promotions in order to decipher their customers by level of profitability. This information would allow them a better segmentation of their program members.

« Mais, si on voulait être pur, dans la loyauté, il faudra qu'on aille jusqu'à ce niveau-là on qu'on regarde la rentabilité d'un client. Et moi, je privilégierai un client qui dépense 200\$ chez nous à toutes les semaines, mais qu'il n'achète pas des produits à prix réduits. Je le privilégierai à un client qui fait les mêmes genres d'achats, en termes de dépenses, mais qui achète juste dans la circulaire et je perds de l'argent avec lui. »

With the ability to segment customers based on the data collected through the loyalty program, organizations are capable of communicating relevant and personalized messages to its customers. This is a capability that is crucial today in most industries according to the respondents.

« Les entreprises savent qu'il faut personnaliser les messages. (...) Si tu n'as pas de programme ou de façon de parler à ton consommateur, tu ne survivras pas. Ce n'est pas juste d'avoir un programme de fidélisation, mais c'est une façon de parler à ton client de manière pertinente. »

Use of Data to Increase Sales

During the interviews, the respondents shared that the data collected through the loyalty program is used to help increase sales. More generally, they believed that, in accordance with the literature, a loyalty program can play different roles which directly or indirectly support the sales. For example, as mentioned in the first part of this chapter (i.e., in the sub-section “(a) General Objectives” of the section “Objective of the Loyalty Program”), the loyalty program can help an organization distinguish itself from its competitors (Dowling & Uncles, 1997), increase customer commitment by creating switching costs (Allaway et al., 2006; Kivetz & Simonson, 2002; Meyer-Waarden, 2007) and increase customers’ spending levels (Dowling & Uncles, 1997; Lal & Bell, 2003; Liu, 2007). In fact, the respondents agreed with the theory which supports that the two overarching goals of a loyalty program are to increase the share of wallet of an organization and increase its profitability (Allaway et al., 2006; Kumar & Shah, 2004; Leenheer et al., 2007).

One method of the use of the data collected from the loyalty program to increase sales that came up during every interview concerned the ability to augment sales by cross-selling. This is a benefit of the loyalty program that was catalogued in the literature. In fact, the theory suggests that the data collected through such programs can help organizations communicate with their customers and encourage them to try and purchase new items or items that are not in their usual basket (Dowling & Uncles, 1997). In other words, researchers have supported that the gathered and analyzed data can help future CRM efforts and help gain more business by broadening the availability of the organization’s products or services (Liu, JM, 2007).

“Then, there are some coupons where it’s for things we think we can bring you try, and hopefully adopt.”

“We’ll put you in a group of people who have similarities with what you buy. Then we’ll realize how you don’t buy this, but everyone else in the group buys it. So we’ll coupon you to buy that product. We believe you have a high propensity to buy it. To like it. That’s how high it can go.”

« Aujourd'hui, il y a des activités de marketing direct qu'on fait où est-ce qu'on est capable d'identifier des consommateurs qui prennent des produits bios, qui achètent des produits sans lactose, sans gluten. On est capable de leur faire des offres, spécifiquement en fonction de leur achat. Si quelqu'un achète du lait sans lactose, il est sûrement intolérant au lactose. Donc, est-ce qu'on est capable de lui suggérer d'autres produits qui sont aussi sans lactose? Oui! »

"I can tell if you are not buying fruits and vegetables at my store, but you are buying everything else. And we have to figure out a way to get you into that department with our program."

« Donc, ces gens là, est-ce qu'on est capable de les faire dépenser plus? Ils sont déjà dans nos magasins. Les faire shopper dans plus de catégories. On peut leur faire des offres. »

Another method shared by the respondents in regards of the use of the data collected from the loyalty program to increase sales concerned the improvement of store experience and location. This use of the data was not covered by the literature.

"The data tells us where our shoppers reside. Perhaps we can open a new store closer to their home? Are the sales coming from a certain area substantial enough to warrant another store?"

"When you do a survey with every customer that comes in your store, or with every customer from a certain geographical area, you are including everyone, from your best customers, to your average customers, to cherry-pickers. You hear everyone's voice equally. With the loyalty program, you can send a survey to your best customers and get answers from them. Like that, you are answering to your best customers' requests and preferences. You can improve yourself in the eyes of the ones that count. You can give them a better store experience."

Furthermore, respondents told us during the interviews that the data gathered from the loyalty program can positively impact sales as it can be aid in establishing more adequate pricing strategies. In fact, they shared that the data could help them identify which products or services customers are price sensitive towards and those that program members are less price sensitive to.

"Just to give you a quick example, let's say they put chicken breast on special on the front page of the flyer. 1.99\$ a pound. So (name of loyalty program partner) said to the merchandiser the week after, "were you guys happy with your sales?". You bet, we sold 2 million cases of chicken. And (name of loyalty program partner) said, "ok, do you want to see what the associated spend was with the chicken?" And that now, you are getting into data. And what we figured out, is that there was not much associated spend. It was cherry-picked, big time. So, maybe, you don't have to put it at 1.99\$, maybe you can put it at 3.29\$ and get less cherry-picked and more associated spend. It's not only saying we sold so much, it's ok, what did we sell with it. What was the average basket? And they can crunch numbers like there's no tomorrow."

"I think it's one important, a huge important part of our "getting to know better our consumers, what they're buying, how they're spending, what products relate to what". You know, just to give you some simple example, we found out that 3 people out of 4 that buy cereal in our store don't buy milk. There's a problem. (laugh) Why? So where are they buying their milk? So it's all those, it's not only customers, but it's also us. As merchandisers, why is this happening. So, we might have to fix the offer. Is the pricing off? Do people think our milk is too expensive? We don't always know how to ask our own questions, you know. (Name of partner in loyalty program) will tell us what they think our price-sensitive items are. It was completely and (...) what we didn't think."

"Because we have all the data. I can take any item on the flyer and say, "ok, what was the associated spend with it". Was it cherry-picked? Should we increase the price? Lower the price? So, this is what (loyalty program partner name) does for us. So, one day, they came up to us and said, "You're too expensive on these items. These are sensitive items". And it was none of the items we thought. So we did some tests in some stores. We lowered the price on some stuff. We bought up pricing on stuff they said, "this, people don't care if it cost more". Seriously, it was a counter-intuitive exercise. But it paid off."

Another area (which is associated with the previously mentioned point) where the data collected can indirectly increase the sales for an organization concerns merchandising. In fact, the respondents we interviewed illustrated with various examples that the data they gathered via their loyalty program had enabled them to improve the attractiveness and power of their flyer and also to improve their practices in terms of product placement in stores for example. This is an area that was not exclusively discussed in the academic literature on loyalty programs.

"Because before, being a merchandiser in our business, it was a flair you had. Merchending was done like this before (he licks and raises a finger, like to feel the wind). "Ah, Let's put this on special next week!" Today it's more scientific, it's more data driven. We have results from the past, so we can project better. Huge shift in mentality and it's paying off."

"(Name of loyalty program partner) helps us do flyer management and shelf management. What size to put on the shelf for example. It's beyond the consumer. It's how you lay out the store. It's powerful data that helps us (...) and ultimately help us improve the store experience for the customer."

During the interviews, the respondents also shared that the data collected through the loyalty program is used to help increase sales in the sense that it can lower the customer defection rate, or more generally, support customer retention initiatives. Beyond the fact that a loyalty program can increase customer commitment by creating switching costs (i.e., create customer lock-in) as mentioned by the academic literature (Allaway et al., 2006; Kivetz & Simonson, 2002; Meyer-Waarden, 2007), the respondents shared that the data gathered can sometimes pinpoint individuals that should warrant specific efforts from the organization if they don't wish to lose them. In more general terms, they stated that the data from their loyalty program can help them communicate or give incentives to particular individuals to encourage them to stay with the organization and prevent them from going to a competitor.

"These programs are so powerful. I mean, I can tell if you stop shopping at my store. I'm going to say, "hey, this card number, wow, they were coming every week for (...) and now, it's been 6 weeks". What happened? Now, should I write to you? Maybe. There's the big brother aspect that kicks in. You have to be careful how you approach your customers. But I can definitely try to appeal to you so that you stay with us."

"Ben là c'est qu'on a développer un programme qui s'appelle le Déclineur. C'est à dire qu'on est capable d'identifier des membres qui ont baissé soit leur visite, ou leur dépense. Ben là, on leur envoie des offres pour les ramener au magasin. Pour qu'ils reviennent, pour qu'ils reprennent leur niveau d'achat qu'ils avaient avant. »

What the respondents shared corresponded with what was presented in theory. The academic literature on loyalty programs supports that it can help in improving the customer retention rate because better relationships often means you can better provide value for your customers and increase their level of satisfaction (Allaway et al., 2006; Bolton et al., 2000; Demoulin & Zidda, 2009; Kivetz & Simonson, 2002; Leenheer et al., 2007; Meyer-Waarden, 2007).

An additional use of the data collected that can increase sales that was mentioned by respondents during the interviews is the capacity to better manage product categories. In the organizations studied, this function in category management notably concerns the method to adequately delist items. This use of the data was not specifically developed in the academic literature. The following quote from a respondent illustrates how the data collected in a loyalty program can change the way an organization chooses to delist products or services from their offer.

"So at meetings, (loyalty program partner name) said, "How do you de-list products in your stores?" There's always new products that come in. The shelves don't get bigger. So you need to take away products, and put in new ones.

Our guys: "What a stupid question, we take out the product that sells the least, that don't sell".

So (loyalty program partner name) goes, "Hold on, what are you planning to de-list here?"

"We want to de-list this blueberry juice."

(laugh) And then (loyalty program partner name) came back and said, "You want to know who's buying that blueberry juice? Look, it's your most loyal customers. You're sure you want to take it out?"

Do you see how it changes the way you operate at retail? It's small examples, but it's powerful. Those guys were just going to snap out that juice. We're selling maybe so many cases. But that's our loyal loyal loyals. The people that come in every week in our stores. Maybe that's part of the reason why they come. Maybe we are the only ones carrying them. You sure you want to rip out that juice? Maybe we should look at some other way of de-listing products. Based on facts."

Hence, the respondents acknowledged that the data collected through the loyalty program can be used to generate more sales for the organization through various ways. Some methods are catalogued in theory as well as seen in practice, while others were described in practice by the respondents but not specifically developed in the literature.

It must be noted however that some respondents shared during the interviews that there is a limit to the results (in terms of increase in sales) that could be attributed to the loyalty program. This was particularly true for the managers who were operating in an industry that represented a mature market.

“With online grocery options, you are taking sales from your brick and mortar and you're putting it online. So you already have a business that has huge fixed costs and you're taking sales away from these places, right. You don't sell more because you're online. You don't eat more because I'm giving you a website. The total pie of food sales in Canada won't go up by 10% because you have online groceries. The same goes for our loyalty program. People won't eat more because you now have a card to offer them.”

In fact, some respondents expressed that if the sales were to increase because of efforts made with the loyalty program, they would only expect it to represent an incremental growth and that it would be because they have gained in market share.

Use of data to generate revenue (B2B)

An issue that was not discussed in the literature of loyalty programs but that emerged during interviews conducted for this study concerns the capacity of a loyalty program to generate revenues, from a method that excludes increasing the sales of the organization's products and services. This was mostly shared by the respondents who operated a proprietary or partnership type of loyalty program. In fact, they explained to us that the capacity to capture valuable data generates information that is not only useful for them, internally, but that can also be valuable to other organizations and hence, could be sold at a certain price. The following conversation with a respondent clearly illustrates this point.

Respondent: "They also sell data to suppliers. So it's also money generating (...). And the suppliers are in line to sign up. Because, just to give you a quick example, let's say they launch a brand new cereal, Kellogg. And they've done that lately. They'll say that they'll launch it exclusively first at (name of organization). So we'll put it in the store and we're going to go find out who buys that cereal. And what cereal were they eating before. And if they come back to it, the new cereal. Or do they go back to their original type? Do they repeat buy? So they want to see who's really buying.

Interviewer: So, this data is for Kellogg?

Respondent: Yes.

Interviewer: You share it?

Respondent: They buy it. They have to pay for it. They use your store to do a test market with you. It's useful for them, big time. They can come out with a cherry coke and we'll see who's buying it. Is it a Pepsi guy, is it a Coke guy. Does he repeat buy it? It's endless. And we give them (...) um, we call it "The Shop", so they get access to all this data, they can do what they want to it, but they'll see who's buying it. Who's really buying that product. It's not just a focus group. "Yeah yeah, I like your product". It's hard data. You're buying it. And you repeat bought it. Did you come back to that brand? Did you go back to a different brand? We can follow your repeat purchases. For them, it's like (...) gold. In the US, (...) there's 400 people deriving insights. It's break-even. There's such much revenue coming from suppliers. It has so much revenue from suppliers, that it's a break-even partnership. It's zero cost for the company. That's how powerful the data is, that comes out of this."

Staying Relevant

The fifth main takeaway revealed from the analysis of the data collected through the interviews that we wanted to compare with the loyalty program literature concerns the program's ability to help the organization stay relevant vis-à-vis consumers and the importance of doing so. It was consistently brought up during the interviews that an organisation cannot simply launch a loyalty program and then sit on their laurels. In order for the program to be attractive to consumers (and hence, be effective), it must continuously evolve to remain relevant to its members and potential members.

“You need to revamp it. You have to (...) Every couple of years there, you have to bring it to the next level. Loyalty has to keep evolving all the time. People want new stuff. And that’s a big challenge here at the marketing and digital team.”

“Là on a ajouté l’aspect digital. Toute l’écosystème digital, comme on l’appelle. On a changé le site internet. On a des coupons sur les mobiles et sur le site, des coupons personnalisés. Il faut absolument être à jour dans les tendances. Personne ne s’abonne à un programme vieillot.»

“For a card to be successful, it needs to be top of wallet. And to be top of wallet, it’s got to be compelling, relevant. It’s gotta evolve.”

According to the respondents, one way to keep the loyalty program up-to-date is to regularly adjust its structure. Of the many elements that compose a program’s structure, managers can influence the relevance of their program by making alterations to the points structure.

“Are my rewards too difficult to attain? How do our customers cumulate points? How do their points show up? We need to constantly compare with our competitors’ and the industry, and see if we need to make adjustments. If it’s too difficult (...) if Joe is confused, or is discouraged, he’ll go elsewhere.”

The respondents that were interviewed were of the same opinion as the literature. In fact, researchers have recommended managers to carefully construct the point structure of a loyalty program as it impacts the consumers’ perception of the program’s relevance (Liu & Yang, 2009; O’Brien & Jones, 1995).

Moreover, during the interviews, we were told that a loyalty program can stay pertinent (and thus, render the organization pertinent) by adapting its structure to how consumers purchase. For example, organizations have acknowledged that people consume more and more via and with the help of the Internet, and therefore, are looking for a way to be present on this medium and offer their products and services online, including a method to access their loyalty program online.

“The digital team came on with the launch of the loyalty program (...) Yes, because that was the next level. We knew we had to go digital. And now, the big buzz word is e-commerce. Can our program adapted to this? Can we recognize the purchases made online and give them points?”

« Mais je te dirai que c'est notre focus, c'est de continuer à développer notre pertinence, tant en terme d'offre qu'en terme de médium utilisé. Est-ce que le chèque ne deviendra pas un jour par courriel? Faut pas leur demander d'imprimer des choses. Les jeunes veulent montrer leur coupon par un code QR. Pas papier.»

According to the respondents, another way managers can keep their loyalty program relevant is by adjusting its structure to the trends regarding how consumers obtain and exchange information and ideas. This point is tied to the previous one concerning adaptations to how people purchase. With the accessibility and omnipresence of Internet, consumers share and get information through virtual communities and networks. In fact, the respondents acknowledged that there are many forms of social media technologies that have substantially changed the way organizations, communities and individuals communicate with each other. Thus, they expressed that in order for their program to remain relevant for the consumers, they need to alter its structure so that it reflects these changes.

“People compare prices with their smart phones when they are in my store. They check for reviews on Facebook or blogs when it's a product they don't know. How are we adapting to it? We need to do something about it. We're definitely not on social media as we would like to be. Not capitalizing on its strength, its level of influence, that's for sure.”

As another example, some respondents shared that, if it's not already done, they should adjust their loyalty program's structure so that consumers accumulate points when they “like” an organisation's Facebook page or when they positively Tweet about the organization's products or services. This is not particularly expanded upon in the theory however, researchers support that organizations should be able to offer nonmonetary

benefits to connect with their loyalty program members in a customized and relevant way, on a large scale (T. Shaukat & Auerbach, 2012).

During the interviews, it was noted many times that an alternative way an organisation's loyalty program can stay relevant to consumers is by adapting the mix of rewards offered depending on trends. This change in the program structure is fairly easy to bring about according to the respondents.

"Obviously, you need to carefully select what types of rewards you want to offer your best consumers. In terms of value, yes, but also, you need to have rewards that are enticing, attractive. What's hot right now? What do people want? For example, when "green" products were the hype, you could easily slip a few of them into your mix. I know (name of company) did it and it worked. If you don't have rewards people want, they'll drop your program. Why wouldn't they? They have enough cards to carry."

What the respondents have reported is congruent with theory. In fact, the importance of judiciously selecting rewards is amply discussed in the literature. Researchers support that rewards are at the core of loyalty programs and therefore, managers need to understand the implications relative to them and they need to be perceived as attractive rewards for the consumers they wish to entice (Kivetz & Simonson, 2002; Roehm et al., 2002; Yi et al., 2013).

The last method highlighted by the respondents in regards to how to remain pertinent in the eyes of the consumers concerns an element that is not relative to the structure of the loyalty program but rather the content of the organization's communications. As mentioned above, respondents acknowledged that loyalty programs allow organizations to gather valuable data in order to better understand their customers. This data allows them to communicate in a personalized fashion to their program members. In order for the program to remain relevant and effective, the respondents explained that it is crucial for the communications to reflect the data accumulated and shared with consent by the program members.

“With (name of loyalty program), we can customize messages that relevant to their particular tastes, habits, likes, basically (...) We can be relevant to their individual lives. (...) But it’s kind of like a double-edged sword. Now that we know, we need to act like we know. We can’t just send them a (...) « une offre bidon » that has nothing to do with them. We’ve created these expectations. We pride ourselves in our ability to deliver on them. When I meet people and they say “oh my god, your program is really good, you actually send me coupons for things I buy”, it’s normal. That’s what we should be doing. We need to.”

« Il faut constamment réajuster les offres, les communications. Il faut prendre en compte des situations qu'on n'aurait pas pensé au départ. On a les données. On s'attend à ce que nous les utilisons. »

“We’ll follow you in your life cycle. We’ll know if you’ve got a kid, and if we know you’ve got a kid, we’ll send you a diaper coupon. If we know you don’t have a kid, we won’t send you a diaper coupon. Could become border line stacker-esque. We need to be careful. But at the same time, people are generally happy about their customized messages. I think it’s expected. It’s a way to stay relevant.”

« On veut communiquer avec les membres pour leur dire ce qui se passe ou en réaction de ce qui se passe. Si tu es un loyal loyal, et qu’on ferme pour des raisons de rénovation par exemple, on est mieux de te le dire. Pour le client moderne, c’est un signe de reconnaissance, mais avant tout, un signe de respect. On sait et tu sais qu’on sait que tu fréquente ce magasin précis. C’est bon pour lui, c’est bon pour nous. »

The respondents’ point of view regarding the importance of staying relevant with their communications with their consumers is in line with what is proposed in theory. Researchers support that organizations must put to use the rich data captured through loyalty programs to augment their relationship marketing efforts (Liu, 2007). Organizations create expectations in the minds of program members when they ask for information and hence, they must deliver on these expectations and use the data to communicate in a customized and relevant fashion to them (Lemon et al., 2002).

Performance of Loyalty Program

The sixth and last main theme uncovered through the analysis of the data gathered with the nine interviews conducted with managers in the field that we wanted to compare with theory concerns the performance of loyalty programs.

When asked about the return on investment of the loyalty program, the respondents all shared that measuring such a return was difficult. For example, one respondent told us:

“It's very tough to (...) isoler les coûts et la rentabilité d'un programme parce qu'on n'arrête pas de faire toute le reste. »

“There is a cost associated with loyalty programs. But it's very difficult to pinpoint it, to do a ROI model. I tried to do it for a report. What I did was, we'll, how much incremental sales do I need to offset the costs. I don't remember the numbers. But, when your sales go up, it's very hard to attribute if it's because of the loyalty program, is it because of my flyer this week, it was more aggressive than my competitor's. It's very hard, you know.”

Although it may be challenging to determine the return on investment, every respondent acknowledged the importance of establishing indicators to monitor the performance of their loyalty program. These indicators could be used to see if the program was on track and if adjustments needed to be made in order for the loyalty program to accomplish its objectives. Moreover, they represented concrete numbers that can be shared with management or other stakeholders to demonstrate, for instance, the evolution or the benefits yielded by the loyalty program according the respondents. The respondents expressed that these tangible numbers are important in order to garner and sustain the buy-in from all stakeholders, a crucial element for the survival and success of the loyalty program.

« Je sais, je ne répons pas vraiment à ta question de s'il y a un retour. (...) C'est super important d'utiliser des indicateurs de performance. Malgré la difficulté, ou l'inexactitude. On le fait pour nos marchands, pour qu'ils soient encouragés à poursuivre leurs efforts, à promouvoir les abonnements au programme auprès des clients. On peut aussi les montrer à la haute direction pour qu'ils comprennent la valeur du programme, la plus value que ça rapporte à l'organisation. »

« Il faut absolument avoir des critères d'évaluation. Sinon, on ne sait pas où on en est et vers quoi on devrait tendre. Avec ces critères, on peut voir nos points faibles et s'améliorer. Et aussi, évidemment, quand on fait des bons coups, on peut montrer que nos efforts ont produits de bons résultats. »

What the respondents reported regarding the importance of monitoring the performance of the loyalty program concurs with the theory. In fact, studies have supported that managers should measure the performance of their loyalty programs to verify their progress (Liu & Yang, 2009; Nunes & Drèze, 2006). In the academic literature, it is also recommended that these performance indicators should be related to the anticipated goals the organization had set out to accomplish with their loyalty program (Ferguson & Hlavinka, 2007). In the following paragraphs of this sub-section, we will explore the most common performance indicators employed by the organizations studied, which are: the results of control groups, the number of program members, the percentage of transactions or sales processed with the loyalty program and the percentage of offers used. It is evident that these performance indicators are linked with at least one of the main objectives of loyalty programs (i.e., increase customer commitment by creating switching costs, obtain valuable data, and increase the spending levels). Hence, there is no gap between the theory and the practice in regards to performance indicators.

During the interviews, the respondents shared that the most popular method used by organizations to monitor the performance of the loyalty program consisted of comparing the results of a select group that has benefited from the loyalty program versus the results of a control group that has not benefited from the loyalty program. For instance, they wanted to find out if there was an increase in sales for a specific product or service that had been targeted through particular efforts of the loyalty program.

« Tu peux faire des groupes de contrôles pour voir si ton programme est efficace. Par exemple, on envoie un message aux membres pour les inciter à dépenser plus sur un certain jeu. Pour le mois de juin, nous leur offrons deux fois plus de points pour ce jeu spécifique. Alors, après la promotion, on peut vérifier si ça l'a fonctionné. Est-ce que les membres du programme ont acheté plus que les non-

membres? On vérifie souvent comme ça. Comportements des membres versus non-membres. »

« On regarde le panier de nos membres versus le panier des non-membres. Y-a-t'il une différence. Avons-nous réussi à influencer les comportements d'achats par le biais de la carte? Des fois, nous avons témoigné que le panier des membres est quasiment le double des paniers des non-membres.»

This method of organizing control groups to monitor whether the customers who received the personalized message had a better success rate is talked about in database marketing theory (Hughes, 2003).

Another performance indicator commonly used by organizations consists of examining the number of loyalty program members. This number could be evaluated in various ways according to the respondents. Some managers that we interviewed stated that their main objective was to maintain the number of program members above a certain threshold, while for others, the objective was to see this number grow. For the latter, as long as the number increased, they believe the loyalty program was being effective. A growing number, for these respondents, signified a bigger number of individuals from whom they can collect valuable data from. For some other respondents, it was important to go beyond the simple number of loyalty program members and focus on the number of active program members. Each organization defined what it meant for them to be an “active” member depending of their industry.

“Number of loyalty program members, yes, that’s one way to measure success. We regularly check how many members we have. That indicator on our scoreboard, it shows us how attractive our program is. You wouldn’t sign up to a program that isn’t beneficial for you. Or you wouldn’t sign up to a program for an organization that you don’t like. Right?”

“Although we check the number of members we have, what’s important, I think, is the number of active members. That’s customers who come at least once a month to our stores. There’s no reason for you to not do groceries at least once a month. That number is telling. (...) because you can be a member, but you might have signed up and then only come once or twice to our stores.”

During the interviews, we uncovered that another popular method used by organizations to monitor the performance of the loyalty program consisted of examining the percentage of transactions or sales that were processed with a loyalty program. In other words, respondents shared with us that they monitored the proportion of purchases or volume of sales that can be associated with an individual, which means a specific member of the loyalty program. Similarly to the previously listed performance indicator, the higher the percentage of sales processed with the loyalty program signified a bigger amount of valuable transactional information is collected. Also, the respondents believed that this percentage could be a good indicator of whether the loyalty program is perceived as attractive by the consumers. Hence, it is a good indicator of the loyalty program's effectiveness according to them.

“Another way is how much percent of your sales is swiped with a card. So I can say 72% of my sales were done with a card attached to it. That's pretty high. For us, that's an average in Quebec and in Ontario. That means most of my customers have the loyalty card. We qualify that as a successful percentage.”

« C'est sûr, il y a la pénétration des ventes sur notre carte. Donc, le taux des ventes qui sont mis sur la carte. On dit mis sur la carte, mais qu'il y a une carte reliée à ça. Alors, c'est important pour nous de maintenir ce taux-là. La même chose en termes de proportion des transactions que ça correspond. »

The fourth and last most popular performance indicator used by organizations according to the respondents consist of the percentage of offers that are being used. For example, if customers are issued personalized promotional offers based on their consumption patterns through the loyalty program, they will verify how many of them were utilized by program members.

« Pour savoir si ça fonctionne bien, on check aussi l'utilisation des chèques. Le taux est énorme. Ça signifie que les gens l'attendent. Qu'ils les trouvent pertinents. Si tu regardes sur le compte Facebook, tu vois les commentaires positifs. »

« Quand vient le temps de faire les budgets, c'est ce qu'on regarde. Et qu'est-ce que ça me dit ça? Ça me parle d'efficacité. Au Québec, on a un montant de X, et quand je regarde le reste du Canada, on a un montant de X/2, X/3, ou divisé par 4.

Donc, on est très, très efficace. Nos offres sont pertinentes et notre programme fonctionne. »

After discussing about the performance indicators commonly used in their organizations, we asked the respondents about how they perceived the results. Each manager that was interviewed claimed that their loyalty program was successful. They seemed pleased about the results obtained and were happy to list the benefits accrued because of the loyalty program. According to the respondents, they were pleased because the main objectives were met. These main objectives are the same as those catalogued by the academic literature, which are to increase customer commitment by creating switching costs, obtain valuable data and increase spending levels (Allaway et al., 2006; Byung-Do et al., 2001; Kivetz & Simonson, 2002; Meyer-Waarden, 2007). Furthermore, they perceived that they were attaining the two overarching goals of the loyalty program, which are to increase the share of wallet and profitability. This is congruent with what is presented in literature in regards to the overarching benefits that should be yielded, at least with the research that supports the effectiveness and value of loyalty programs (Allaway et al., 2006; Henderson et al., 2011; Kumar & Shah, 2004; Leenheer et al., 2007; Liu & Yang, 2009; Liu, 2007).

Nevertheless, even if they were satisfied with the results obtained on the performance indicators used and were convinced of the success of their loyalty program, respondents shared that it was challenging at times to concretely demonstrate the return on investment. This represented an issue as they believed that it was important to be able to demonstrate tangible numbers corroborating the value of the program in order to garner and sustain the buy-in from all stakeholders. However, three respondents claimed that even if they were able to show concrete figures, some members of the organization may continue to question the value of having a loyalty program, and ponder on the benefits of investing in such a marketing tool over another. When this occurred, they each

re-iterated how they had to demonstrate how having such a program was an essential investment (or cost) for them in order to be competitive.

« On peut faire des groupes de contrôle, et on peut analyser. Mais encore là, la question toujours se pose. On n'aurait pas ça, qu'est-ce qu'on aurait eu. On aurait pu prendre cet argent-là, investir sur d'autre chose. Tu sais. Ça tourne en rond ces discussions-là. On les arrête très rapidement parce qu'on dit tout le temps : non, on ne peut pas le savoir. Mais on ne pourrait pas plus le savoir si on faisait juste d'autre chose avec cet argent-là, est-ce que c'est vraiment à cause de l'autre chose que l'on fait. Mais en même temps, si la compétition l'a. Comme je le disais tantôt, je pense qu'il y a les attentes des clients aussi, d'avoir des programmes de loyauté. Toutes les entreprises ont des programmes, de la personnalisation. Tu t'attends à avoir quelque chose. Il y a un aspect où tu n'as pas le choix. »

What these three respondents mentioned concurs with the theory which supports that for certain organizations, inaugurating such loyalty programs is crucial as it allows them to be on the same playing field as the other competitors in their industry (Dowling & Uncles, 1997). It may constitute a requisite cost of doing business for them (Liu & Yang, 2009).

Towards the end of the interviews, when we asked the respondents what they would do differently if we could turn back time, we uncovered that although they mentioned how successful their loyalty program was, some respondents also echoed the concerns expressed by the researchers who questioned the efficiency of the loyalty program. Some even mentioned that, perhaps, they wouldn't have pushed for the program launch as they did if they were to go back in time. These concerns or doubts shared by the respondents relate to the studies that have supported that loyalty programs may not produce a discernable impact on consumer behavior (Dowling & Uncles, 1997; Mägi, 2003; Meyer-Waarden, 2007; Sharp & Sharp, 1997; Yi et al., 2013). The respondents mentioned how it may not be the loyalty program itself that encourages continued patronage from its customers, but that it's rather thanks to the other resources that are used in conjunction with the program. However, as we had mentioned in an earlier section about organizational support, respondents expressed how collaboration or sharing with other

departments was rarely accomplished in their organization. They mentioned how, although they recognized the importance of doing so as is prescribed by the academic literature (Ferguson & Hlavinka, 2007; Liu & Yang, 2009), their current programs were not being optimally used in conjunction with other resources and capabilities. Therefore, some respondents questioned the current value of the loyalty program and wondered if it represented at the present time a substantial cost center that is not (yet) yielding the desired benefits. Nonetheless, the respondents seemed adamant about expressing how loyalty programs could be very valuable to certain organizations, but much work needed to be done in terms of using the data collected and collaboration with other resources and capabilities.

"Sometimes I wonder if we shouldn't have launched the program here at (name of the company). Because there's costs. And there's, you know, (...) I was saying that we should focused more on store experience, and quality of products, and (...) I think my conclusion was that a loyalty program does not fix a bad retailer. I think we should focus more at what we are doing at retail. And look at the loyalty program more as a complement, another tool in our toolbox. There's loyalty, there's good stores, the location of our stores. But the loyalty program could be of value. It can definitely add value, if used correctly. "If used correctly" though, key words. It's not easy. And I'm definitely not saying that we are using it optimally now."

"The loyalty program must be part of a bigger picture. There's no benefit from it really. The magic happens when you use it in conjunction with other resources and capabilities, either within the organization, or it can be from another party. But on its own, it's just a tool that helps you, or has the potential to help you gather data. You also have to have the right questions. And that's huge."

"In theory, it's good. But there's a lot of work to be done. A lot. If this is an industry that you are interested to work in, the loyalty industry, you've got enough work ahead of you until you retire. (laugh) But seriously, the current programs aren't being used correctly because the information is not being shared. There must be synergy with other resources. (...) Often times, there's an enormous communications barrier between the CIO and the other departments."

Chapter 5: Discussion and Conclusion

Since the launch of American Airline's reward loyalty program in 1981, there has been many studies published in the academic literature regarding the impact of loyalty programs on consumers' behaviors and on strategies on how to build an efficient loyalty program. In this paper, we focused on the card-based loyalty programs found in the Canadian market and tried to identify the gaps between the theory of loyalty programs and the actual practices of launching and managing loyalty programs.

In this final chapter, we will do an overview of our findings, share the scientific and managerial implications of our study, present the limits of our research and propose a few avenues for future research.

Overview of our Findings

During the interviews with managers, we uncovered that there are certain gaps between the theory of loyalty programs and the actual practices of launching and managing loyalty programs. In the following table (see Table 5.1), we summarized our findings and noted whether the issues that surfaced during the interviews confirmed or contrasted with what was presented in the academic literature.

Table 5.1: Summary of findings by topic

Topic	Finding in practice	Gap with theory?
Objective of the loyalty program	<p>The main objectives for organizations when creating and implementing a loyalty program were to help them distinguish themselves from their competitors, increase customer commitment by creating switching costs, obtain valuable data, and increase the spending levels of each customer. These objectives fed two overarching goals for organizations, which consist of increasing the share of wallet of the organization and increasing its profitability.</p>	No gap.
Role of the loyalty program	<p>A loyalty program cannot be asked to play a center role in an organization's client acquisition strategy. Rather, the loyalty program can play a role in the customer retention strategy.</p>	Small gap: this finding is mentioned in theory but is more or less explored.
Importance of clear goals	<p>It is crucial to clearly enunciate the goal the loyalty program is supposed to serve before deciding to create and implement it. Doing so helps you figure out whether the loyalty program could be useful for the organisation, if it is worth the substantial investment.</p>	No gap.

Topic	Finding in practice	Gap with theory?
Setting expectations	Managers need to set clear expectations in terms of the implementation timeline and the resources required for everyone involved in the loyalty program at its inception if the program is to succeed.	Gap with theory: this finding is not discussed in the loyalty program theory.
Choice of loyalty program type	There are disadvantages and advantages tied to every type of loyalty program (whether proprietary, coalition or venture types). It is important for managers to understand the implications related to each type before the choice of type of loyalty program is decided, as this decision has long term repercussions for the organization.	Gap with theory: this finding is not discussed in the loyalty program theory.
Organizational support: buy-in	Having the buy-in from all employees in the organization, and especially from the president and executive team, is a main requirement for the success of a loyalty program. The buy-in needs to be obtained from the beginning (i.e., at the inception of the program) and then, efforts need to be made in order to sustain it through time.	No gap.

Topic	Finding in practice	Gap with theory?
Organizational support: integration with all departments	Although respondents understand the importance of using the loyalty program in conjunction with other complementary resources and capabilities, it is rarely done. Use and control of the program resides within the marketing team in each organization interviewed. Respondents reported that they are striving (with difficulty) to establish processes that will enable collaboration with other departments and sharing of information obtained through the loyalty program.	Gap with theory: the validity of the theory is acknowledged in practice but it is not done.
Use of data	Respondents recognized that the data gathered through the loyalty program is powerful, but only if the organization is able to organize it and make it available to the various departments concerned.	No gap.
Use of data to segment, increase sales and generate revenues	The data gathered through the loyalty program is used for: (1) market segmentation based actual purchasing behaviors, which then enables organizations to communicate in a relevant and personalized way to its customers, (2) increase sales (through cross-selling, improvement of store experience and location, better pricing strategies and merchandising, retention strategies and enriched product category management) and (3) generate revenues by selling the data gathered to interested suppliers.	Small gap: this finding is mentioned in theory but is more or less explored.

Topic	Finding in practice	Gap with theory?
Staying relevant	Loyalty programs must continuously evolve to remain relevant to its members and potential members. It can do so by changing its structure (e.g., the points structure, the format depending on how people purchase or the mix of rewards offered depending on trends) or by adapting the content of the communications.	No gap.
Performance of loyalty programs	Although it may be difficult to measure the return on investment of such a marketing tool, it is important to establish indicators to monitor the performance of the loyalty program to see if the program is on track and to be able to show stakeholders the evolution or the benefits yielded by the loyalty program in order to garner and sustain their buy-in. The most common performance indicators employed by the organizations studied are: the results of control groups, the number of program members, the percentage of transactions or sales processed with the loyalty program, and the percentage of offers used.	No gap.

Scientific Implications

All in all, the managers that were interviewed confirmed that the theoretical benefits of having a loyalty program could be seen in practice. They expressed how a loyalty program could be a key element of an organization's customer relationship management (CRM) strategy and play an important role in customer identification, retention and development. Moreover, what the theory supports in terms of recommended practices of launching and managing loyalty programs are mostly confirmed, with the exception of using the loyalty program as a main client acquisition tool. The gaps that were uncovered concerned additional elements that were not explored in depth in theory. For example, the respondents conveyed how a loyalty program is an instrument that permits an organization to obtain valuable consumer data that can help in future CRM initiatives (as it is presented in theory) and also in many other decisions for the organization such as the choice of store locations or how to delist product or service items (which is more or less explored in theory).

With the information we gathered during interviews regarding what is or was done in practice in the creation and management of loyalty programs in Canada, we propose the following revised conceptual framework (see Figure 5.1).

Figure 5.1: Revised model representing the elements to consider when creating and implementing a loyalty program



Managerial Implications

During our search for gaps between theory and practice in the creation and management of loyalty programs, we found four key implications for managers.

The first implication concerns the value of loyalty programs and the choice to implement one. The benefits of having a loyalty program are clearly enumerated in theory and it was confirmed in practice that a loyalty program can add substantial value to the organization. However, what managers need to retain is that a loyalty program may not be necessary for their particular organization or for their particular situation. Managers must verify

what the objectives of the organization are, first, (as it is presented in the revised conceptual framework), and then validate if the loyalty program is appropriate and if it will be able to contribute to the attainment of those objectives. As previously mentioned, loyalty programs represent an important (additional) cost for organizations, hence the decision to implement a loyalty program should not be carried out hastily or mindlessly.

The second implication for managers relates to the choice of loyalty program type and the importance of setting expectations. As it was mentioned in theory, there are disadvantages and advantages tied to every type of loyalty program (whether proprietary, coalition or venture types). Hence, managers need to understand the implications related to each type before the choice of type of loyalty program is decided, as this decision has long term repercussions for the organization. Once the choice of program type is determined, managers need to set clear expectations in terms of the implementation timeline and the resources required for everyone involved in the loyalty program at its inception if the program is to succeed.

The third implication for managers concerns the organizational support needed for the loyalty program, and more specifically, the buy-in. Having the buy-in from all employees in the organization, and especially from the president and executive team, is a main requirement for the success of a loyalty program. Managers can obtain the buy-in from all stakeholders by keeping them informed of the progress of the loyalty program and showing the results and benefits of having such a program. Furthermore, it must be noted that buy-in at the creation or implementation phases of the loyalty program from everyone in the organization is crucial for the program's success, but it also needs to be sustained through time.

The fourth implication for managers relates to the fact that a loyalty program's effectiveness is influenced by the amount of resources dedicated to the program's management. Managers need to find a way to use the loyalty program in conjunction with other complementary resources and capabilities. In fact, although it may be difficult and there may be communication and collaboration barriers, managers need to establish

processes that will enable collaboration with other departments and sharing of information obtained through the loyalty program.

Research Limitations

There are many possible limitations to this research study. We have identified three main limitations that could have an impact on the quality of our findings and in our ability to effectively answer our research question which was to identify the gaps between the theory of loyalty programs and the actual practices of launching and managing loyalty programs.

The first limitation to our research relates to the sample. With our limited time and resources, our sample was determined based on the availability of respondents and on their willingness to participate in our research. We interviewed a total of 9 respondents and our findings were restricted to Canadian companies. Although we answered the criteria we had set for ourselves (see chapter 3 methodology, section a - ideal sample), our findings may be biased. For example, we only interviewed managers who were working or had worked in the marketing departments, with the exception of one manager who was the vice-president of finance for his organization. Thus, we did not obtain the perspectives of managers in other departments whom could have had a role in the creation or management of loyalty programs such as managers in the operations or information technology departments. Moreover, even if we were able to collect a good amount of information from different industries, a bigger sample would have allowed us to have a better impact on the validity of our findings.

The second limitation of our research concerns the research method employed. We used qualitative research for this study as it allowed us to obtain complex textual descriptions of how and why managers created and managed loyalty programs. Although it is an appropriate research method for our situation, it has its disadvantages as well. Qualitative findings could be difficult to interpret and analyze. It could have been interesting to also

obtain quantitative results to see if they can support our findings or not (e.g., obtain empirical evidence on the retention rates and sales lift due to specific loyalty program issued initiatives).

The third limitation of our research relates to the experience of the researcher. This study was only piloted by the main researcher and her thesis director. Perhaps different interpretations of the results could have been made. Furthermore, the information gathered through the interviews with respondents could have been influenced by the way questions were asked because of the limited experience of the researcher. Some respondents may have felt uncomfortable sharing their honest opinions and perceptions.

Avenues for Future Research

There may be many different avenues for future research in the area of loyalty programs. For example, as mentioned in the limitations section, it may be interesting to verify the validity of the findings of this study with a quantitative research. A research could be done to identify the impact of various factors relating to the management of loyalty programs on the sales lift or retention rates for instance.

Another idea for future research can be in relation to the types of loyalty programs. We have seen through the interviews that there are advantages and disadvantages associated with the different types of loyalty programs and the choice of loyalty program type can have long term repercussions for the organization. It would be interesting to be able to construct a model to help managers in this important decision when creating a loyalty program.

Also, another avenue for future research could be on finding an optimal way to integrate the loyalty program with the ever-evolving technology. As aforementioned, a loyalty program has the ability to help an organization stay relevant vis-à-vis consumers and the importance of doing so. However, current managers expressed that they are not able to keep up and adapt to the technology. For instance, current loyalty programs are not able

to gather data from the multitude of different touch points available to consumers (e.g., organizations would like to be able to attribute and link the Facebook “likes”, comments on Twitter and in-store or online sales of a specific individual).

Annexes

Annex 1: Sample Email to Respondents

Bonjour Monsieur X,

Je m'appelle Audrey et je suis une étudiante à la maîtrise (M.Sc.) à HEC Montréal. Je suis présentement en train de rédiger ma thèse portant sur les programmes de loyauté au Canada. Plus particulièrement, je m'intéresse à la gestion organisationnelle de ces programmes, donc à comment les programmes de fidélisation sont créés et gérés par les entreprises canadiennes.

Je vous écris parce que je sais que (nom de l'entreprise) possède un programme de loyauté et que vous jouez un rôle important dans sa gestion. Dans le cadre de ma collecte de données pour ma thèse, j'aimerais pouvoir vous interviewer (en anglais ou en français). L'entrevue sera d'environ 1 heure. Je pourrai vous rencontrer à votre bureau ou nous pourrions faire l'entrevue à HEC Montréal.

Sachez que le comité d'éthique de la recherche de HEC Montréal a statué que la collecte de données liée à la présente étude satisfait aux normes éthiques en recherche auprès des êtres humains. Votre nom, votre titre et le nom de l'entreprise ne seront pas divulgués au cours de la diffusion des résultats de la recherche. Votre nom sera remplacé par un pseudonyme et votre domaine de responsabilité sera mentionné de manière générale (par exemple, "un directeur de marketing" ou "un cadre"), afin de protéger votre identité.

Par ailleurs, les formulaires de consentement et de confidentialité ci-joints devront être signés avant l'entrevue. Je m'occuperai de fournir tous les documents à signer lors de la journée d'entrevue sauf pour le formulaire de demande d'autorisation pour effectuer une recherche dans une organisation. Ce formulaire, ci-joint intitulé « EN_authorization_for_organization », devra être signé avant la journée d'entrevue par un signataire autorisé.

N'hésitez pas à me contacter par courriel ou par téléphone au 514-865-3814 si vous avez des questions.

Je vous souhaite une excellente journée,

Audrey Yung

Candidate M.Sc. Stratégie
HEC Montréal

Annex 2: Sample CER forms attached to email sent to respondents

3 forms:

- Confidentiality agreement
- Interviewee agreement
- Organization agreement

ENGAGEMENT DE CONFIDENTIALITÉ

Titre du projet : Les programmes de loyauté au Canada

Identification du membre ou des membres de l'équipe de recherche :

Chercheur principal : Audrey Yung

Directeur du mémoire ou de la thèse : Gary Gebhardt

Conditions de l'engagement :

Nous, soussignés, qui réalisons la collecte de données dans le cadre du projet de recherche mentionné ci-dessus, nous engageons formellement :

- A. À assurer la protection et la sécurité des données que nous recueillerons auprès des répondants ou celles concernant des sujets humains consultées dans des banques de données;**
- B. À ne discuter des renseignements confidentiels obtenus auprès des répondants ou des données consultées concernant des sujets humains qu'avec les membres de l'équipe de recherche;**
- C. À ne pas utiliser les données recueillies ou consultées dans le cadre de ce projet à d'autres fins que celles prévues par le Comité d'éthique de recherche de HEC Montréal, soit la réalisation du projet de mémoire ou de thèse de Audrey Yung, et la publication de présentations, cahiers de recherche et articles scientifiques qui pourraient en découler;**
- D. À prendre les dispositions nécessaires pour protéger la confidentialité des répondants, la confidentialité des données concernant des sujets humains et en empêcher l'identification accidentelle tout le long de la collecte de données.**

Prénom et nom du chercheur	Signature	Date (jj / mm / aaaa)
Audrey Yung		
Gary Gebhardt		

FORMULAIRE DE CONSENTEMENT À UNE ENTREVUE EN ORGANISATION

1. Renseignements sur le projet de recherche

Vous avez été approché(e) pour participer au projet de recherche suivant :

Les programmes de loyauté au Canada

Ce projet est réalisé par :

Étudiante à la maîtrise à HEC Montréal :

Audrey Yung

Courriel : audrey.yung@hec.ca

Directeur :

Gary Gebhardt

Tél : 514-340-6868

Courriel : gary.gebhardt@hec.ca

Résumé : La littérature sur les programmes de loyauté indique que ces derniers sont des outils de marketing qui peuvent ajouter de la valeur à une entreprise. Par l'entremise d'entrevues auprès de gestionnaires qui ont eu un rôle important lors de la création d'un programme de loyauté ou qui ont présentement un rôle dans la gestion d'un programme de loyauté, nous essaieront de comprendre comment les programmes de loyauté sont gérés au Canada.

2. Aspect d'éthique de la recherche

Votre organisation a accepté de participer à ce projet de recherche. Votre participation à ce projet de recherche doit être totalement volontaire. Vous pouvez refuser de répondre à l'une ou l'autre des questions. Il est aussi entendu que vous pouvez demander de mettre un terme à la rencontre, ce qui interdira au chercheur d'utiliser l'information recueillie. Le comité d'éthique de la recherche de HEC Montréal a statué que la collecte de données liée à la présente étude satisfait aux normes éthiques en recherche auprès des êtres humains. Pour toute question en matière d'éthique, vous pouvez communiquer avec le secrétariat de ce comité au (514) 340-7182 ou par courriel à

cer@hec.ca. N'hésitez pas à poser au chercheur toutes les questions que vous jugerez pertinentes.

3. Confidentialité des renseignements personnels obtenus

Vous devez vous sentir libre de répondre franchement aux questions qui vous seront posées. Le chercheur, de même que tous les autres membres de l'équipe de recherche, le cas échéant, s'engage à protéger les renseignements personnels obtenus en assurant la protection et la sécurité des données recueillies, en conservant tout enregistrement dans un lieu sécuritaire, en ne discutant des renseignements confidentiels qu'avec les membres de l'équipe de recherche et en n'utilisant pas les données qu'un participant aura explicitement demandé d'exclure de la recherche.

De plus les chercheurs s'engagent à ne pas utiliser les données recueillies dans le cadre de ce projet à d'autres fins que celles prévues, à moins qu'elles ne soient approuvées par le Comité d'éthique de la recherche de HEC Montréal. **Notez que votre approbation à participer à ce projet de recherche équivaut à votre approbation pour l'utilisation de ces données pour des projets futurs qui devront toutefois être approuvés par le Comité d'éthique de recherche de HEC Montréal.**

Toutes les personnes pouvant avoir accès au contenu de votre entrevue de même que la personne responsable d'effectuer la transcription de l'entrevue, ont signé un engagement de confidentialité.

4. Protection des renseignements personnels lors de la publication des résultats

Les renseignements que vous avez confiés seront utilisés pour la préparation d'un document qui sera rendu public. Les informations brutes resteront confidentielles, mais le chercheur utilisera ces informations pour son projet de publication. Il vous appartient de nous indiquer le niveau de protection que vous souhaitez conserver lors de la publication des résultats de recherche.

- **Consentement à l'enregistrement audio de l'entrevue :**

- J'accepte que le chercheur procède à l'enregistrement audio de cette entrevue pour des raisons d'analyse de données.**

Votre nom et votre titre ne seront pas divulgués au cours de la diffusion des résultats de la recherche. Votre nom sera remplacé par un pseudonyme et votre domaine de responsabilité sera mentionné de manière générale (par exemple, "un directeur de marketing" ou "un cadre"), afin de protéger votre identité.

Le comité d'éthique de la recherche de HEC Montréal a déterminé que la collecte de données liées à la présente étude répond aux normes d'éthique pour la recherche avec des sujets humains.

Vous pouvez indiquer votre consentement par signature, par courriel ou verbalement au début de l'entrevue.

SIGNATURE DU PARTICIPANT À L'ENTREVUE :

Prénom et nom : _____

Signature : _____ Date (jj/mm/aaaa) : _____

SIGNATURE DU CHERCHEUR :

Prénom et nom : Audrey Yung

Signature : _____ Date (jj/mm/aaaa) : _____

DEMANDE D'AUTORISATION D'EFFECTUER UNE RECHERCHE DANS UNE ORGANISATION

Votre organisation a été approchée pour participer au projet de recherche suivant :

Les programmes de loyauté au Canada

Ce projet est réalisé par Audrey Yung qui étudie à la maîtrise à HEC Montréal et que vous pouvez joindre par téléphone au 514-865-3814, ou par courriel à l'adresse suivante : audrey.yung@hec.ca. Ce projet est réalisé sous la supervision du Gary Gebhardt que vous pouvez joindre par téléphone au 514-340-6868, ou par courriel à l'adresse suivante : gary.gebhardt@hec.ca.

Les renseignements recueillis au cours de ce projet seront utilisés pour la préparation d'un document qui sera rendu public. L'ensemble de la collecte de données sera fait par l'entremise d'entrevues avec des gestionnaires qui ont eu un rôle important lors de la création d'un programme de loyauté au Canada ou qui ont présentement un rôle dans la gestion d'un programme de loyauté au Canada. Les informations brutes resteront confidentielles, mais le chercheur utilisera ces informations pour son projet de publication.

Chaque participant doit nous indiquer le niveau de protection qu'il souhaite conserver lors de la publication des résultats de recherche. Toutefois, les répondants seront informés que leur anonymat ne pourra être garanti.

Nous vous demandons l'autorisation d'effectuer notre collecte de données dans votre organisation.

Pour toute question en matière d'éthique, vous pouvez communiquer avec le secrétariat du Comité d'éthique de la recherche de HEC Montréal au (514) 340-7182 ou par courriel à cer@hec.ca. N'hésitez pas à poser au chercheur toutes les questions que vous jugerez pertinentes.

J'accepte que cette recherche soit conduite dans l'entreprise que je dirige.

- Oui**
- Non**

Nom de l'entreprise	
---------------------	--

Adresse du siège social	
Nom et fonction du ou des signataires autorisés	
Numéro de téléphone	
Courriel	
Signature	

Annex 3: Interview Guide

Interview Protocol

Prior to meeting with the interviewee, the researcher would explain the purpose of the meeting. The location of the interview will be determined by the interviewee.

Up front administration:

- 1) Explanation of the project
- 2) Explanation and Signing of :
 - a. The authorization for organization form
 - b. The consent for interview inside the organization form
 - c. The confidentiality agreement

Background and warm-up questions:

- 3) How long have you been at *XYZ Corporation*?
 - a. Were you here since the creation of the loyalty program?
- 4) What departments have you worked in since you came to *XYZ Corporation*?
 - a. What did you do in those departments?
- 5) How did you end up in this job?

Perceptions about loyalty programs in general:

- 6) Since the 1980s, more and more companies have loyalty programs. Why do you think companies create loyalty programs?
- 7) Do you think loyalty programs add value to their companies?
 - a. Do you think they have the power to change consumers' behaviors?
 - b. What behaviors do they wish to encourage?
 - c. How does a loyalty program achieve this?

- d. Is there a return on investment?
 - e. How is the return on investment calculated? (i.e., what metrics are used to calculate it?)
- 8) The average Canadian is member of around 8 loyalty programs. Are you a member of many loyalty programs?
- a. How many?
 - b. Are you active in them?
 - c. Do you think they changed your consumption patterns? Shopping behavior?
 - d. What are the incentives that work?
- 9) Do you think there is a “dark side” to loyalty programs? (i.e., negative impact)

The Creation Process:

- 10) Can you describe in what environment the idea of creating a loyalty program emerged?
- a. How did people “come together” to start the creation process?
 - b. Was it a corporate “dictate” that everyone had to follow?
 - c. Can you describe the void that the loyalty program was created to fill?
 - d. Do you think other people would agree that is when the idea emerged?
- 11) What was the purpose of the loyalty program at its inception?
- a. Did you examine what your competitors had? (i.e., did your organization start developing your own loyalty program in response to a competitors’ loyalty program?)
 - b. How did the loyalty program fit in the company’s (marketing) strategy?
- 12) What was the process of creation?
- a. Who was involved?
 - b. Who in the organization was aware that a loyalty program was in the works?
 - c. What were the steps?

- i. How was it determined if it should be an independent program or an associated program (i.e., with partnerships)?
 - ii. How was it determined if it was going to be a paid-membership program or a free one (i.e., no participation fee)?
 - iii. How was the decision made about the type of loyalty program (between a loyalty card or a reward card)?
 - iv. How were the loyalty program rules determined?
 - 1. Rule clarity (points system)
 - 2. Rewards (value and type)
 - 3. Hierarchy system (tiered system)
 - 4. Delivery (approach and time horizon)
 - d. How long was this process?
- 13) Were there objections about the creation of a loyalty program, from *your* viewpoint?
- a. Why?
 - b. How did the organization overcome these objections?
- 14) How was the launch of the program planned?
- a. What was taken into consideration?
 - b. What was the goal?
 - c. Was the launch progressive?
 - d. Who was the target?
 - e. Can you describe the diffusion rate?

Managing the Loyalty Program:

- 15) Since its launch, how has the loyalty program been managed?
- a. Is there a team designated to its management?
 - i. Who are they?
 - ii. What are their roles?

iii. Who do they report to?

16) Has the loyalty program evolved since its inception?

- a. Do you think the loyalty program remains relevant to the consumers?
- b. How is it staying relevant? (pertinent)
- c. Have the rewards changed?
- d. Has the structure changed?
- e. Has the target changed?

17) How do you perceive the loyalty program?

- a. Do you think it is successful? Is it worth it to continue investing in the program?
- b. Does the company believe it is successful?
- c. *Probe to see if corporate players "defined" the loyalty program as having worked – or if it was obvious...*

18) Does the company monitor the performance of the loyalty program?

- i. What is monitored? (i.e., what are the performance metrics used?)
- ii. Who monitors the results?
- iii. Who are the results reported to?
- iv. Are the results shared with different departments?
- v. Do you evaluate the return on investment?
 - 1. If so, how?
 - 2. How do you calculate the cost of running the loyalty program?
 - a. What is included?
 - 3. How do you calculate the return?
 - a. What is included?

19) What impact do you think the loyalty program has on its target?

- a. Do you evaluate the impact on the target?

- b. Do you believe that the loyalty program has rendered your customers “more” loyal?
 - i. Loyal to the program?
 - ii. Loyal to the brand?
 - iii. Loyal to the store?
- 20) What impact do you think the loyalty program has on its bystanders?
- a. Do you evaluate the impact on the bystander?
- 21) What impact do you think the loyalty program has on the social status of the consumers?
- a. Have you evaluated the impact of the loyalty program on the social status of the consumers? If so, how?
 - b. How has this been managed?
 - c. Have status promotions or demotions been taken into consideration?
- 22) How has the loyalty program “interacted” with the company’s other marketing initiatives?
- a. Is there synergy between the loyalty program and the company’s other marketing initiatives?
 - b. If so, how?
 - c. Is the data collected by the loyalty program analyzed? used?
- 23) What are the next steps for the loyalty program? (i.e, future of the loyalty program)

Closing:

- 24) Are there any questions you believe I didn’t ask?
- 25) Is there anything else about the company’s loyalty program that you want to share?
- 26) Do you have any questions about what we discussed, the project or anything else?
- 27) Thank you very much for your time. It’s been wonderful to have the opportunity to have met you. I know you are busy. I couldn’t do my research project without people like you...

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