

ANALYSIS OF LOYALTY CARD SCHEMES AS STRATEGIC TOOL IN BUILDING CUSTOMER LOYALTY

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ABSTRACT

Businesses understand that having a strong base of loyal customers is a necessary ingredient for their market and financial success. With this acknowledgement, they channel resources towards the design of initiatives and strategies that helps them to secure customers' loyalty. Among these, loyalty card schemes out-shines all others when the number of businesses and customers that have keyed into it is considered. Despite this, scholars and practitioners are divided about the effectiveness of the scheme in encouraging customer loyalty. In this regard, the study analyzes the scheme to determine whether the scheme is truly a strategic tool in building customer loyalty. The study does this exploratively by reviewing various literature on the subject matter and at the end concludes that LCS is a sure need for organizations.

Keywords: Loyalty, Card Schemes, Tool, Customer Loyalty, Businesses

INTRODUCTION

A plethora of businesses and organizations have adopted the use of loyalty card schemes as an essential feature of their customer relationship management. The development of this scheme goes as far back as the 18th century where American retailers issued copper tokens to consumers which they were able to recoup for products on future purchases (McEachern, 2018). But because this was expensive, they transitioned to the use of stamps known as "Green Shield Stamps" which businesses bought and issued customers based on the dollar amount of a purchase. Green shield stamps trended from the late 19th century (1896) to 1938 when the Gold Bond Stamp company introduced the gold bond stamps which traders issued when customers bought an amount of goods which they subsequently recouped for merchandise (Capgemini, 2017). According to a Capgemini report, this was the case until the late 1900s when American Airlines created AAdvantage, a frequent flyer programme and one of the most popular loyalty programmes ever created. They partnered with hotels, car rentals and credit card issuers. Consequently, the success of this programme convinced retailers to adopt the use of card in implementing in-store loyalty because this was easier to monitor than the acceptance of stamps or branded currency. From then on, the use of loyalty cards for customer loyalty spread exponentially globally.

Organizations not only understand that being profitable, remaining in business and growing depends on customers, but that having a substantial base of loyal customers is a necessity. This has been substantiated by several empirical findings which reveal that it costs a business 5-7 times more to acquire new customers than to retain existing ones (Wansink, 2003; Singh & Imran, 2012; McCue, 2013, Magatef & Tomalieh, 2015; Ward, 2018). Therefore, in the bid to encourage loyalty in customers, businesses invest in customer relationship management of which loyalty card schemes (LCS) is an essential feature. Through this scheme, they are able to achieve the ultimate goal of engendering customer loyalty by rewarding customers who fulfil certain requirements—such as obtaining loyalty cards, gathering points, referrals and others—with relevant and valuable rewards that ensures their continued patronage. Even more, businesses are able to get hold of valuable customer information and feedback which they use for strategic marketing, advertising

and brand improvement.

As regards LCS, scholars and practitioners commonly agree about one thing: that it is a structured programme which businesses strategically design to encourage customers to continue to do business with them (Smith & Porter, 2010; Lim et al., 2017; Babu, 2016; Buttle, 2006). Nevertheless, they are divided in their research findings, opinions and views about whether the scheme translates to customer loyalty and retention. The major reason for this contrasting conclusion is the fact that consumers belong to several LCS (Bond Report, 2019; Accenture, 2017; Hewitt, 1998; Mauri, 2003, Uncles et al., 2003; Bunnett & Rundle-Thiele, 2002; Jacoby & Chestnut, 1978 as cited by Noordhoff et al., 2004). In fact, recent survey findings show that the average consumer belongs to 14.8 schemes, but is only active on 6.7 of them (Bond Report, 2019). Despite this disturbing concern and statistics, the number of LCS has continued to skyrocket globally as 90% of companies have some sort of LCS according to a 2016 Accenture report that aimed to find out where and how businesses should invest more wisely in LCS.

In general, loyal customers constitute the backbone of businesses as they improve their market and financial performance through revenue boost and cost saving effectiveness. As a result, businesses design LCS to productively manage and serve their loyal customers by using the data gathered from this scheme to understand customer purchase behaviour, provide personalized services to them, and carry out targeted marketing and advertising that positively influence and reinforce the relationship between the business and its customers. Therefore, this research examines LCS and its effectiveness in building customer loyalty and also shows the impact of this on the organizational performance of businesses. In addition, since the research explores this subject area mostly relying on the experiences of businesses in developed economies, it also sets out to answer the question: should businesses in emerging economies such as Nigeria adopt LCS as a strategic tool for customer loyalty?

REVIEW OF LITERATURE

Businesses and Investments in Customer Relationship Management (CRM)

Ever since the 1990s when the concept of CRM entered the parlance of the business world, it has never ceased to trend because of the critical relationship that exists between businesses and customers (Babu, 2016; Buttle, 2006; Roberts 2005 as cited by Sulaiman et al., 2014). Mahatma Gandhi as far back as 1890 had emphasized the value of customers to businesses by stating that, “a customer is the most important visitor on our premises. He is not dependent on us. we are dependent on him. He is not an interruption on our work. He is the purpose of it. He is not an outsider on our business. He is part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so.” Thus, businesses that desire to survive and thrive invest in building and managing relationships with customers (Bolton & Tarasi, 2007).

CRM is a practice focused on how a business interacts with its customers. According to Buttle (2006), the practice of CSR causes a business to harmonize “internal processes and functions, and external networks to create and deliver value to targeted customers at a profit.” This is in line with Greenleaf and Winer (2002) who also state that CRM is essentially concerned with the selection and management of customers for the optimization of long-time value. Businesses therefore invest in developing strategies and processes that enable them to identify, acquire, retain, expand and partner with customers in order to provide superior value for the customers and also for themselves (Parvattiyar & Sheth, 2001 as cited by Babu, 2016).

In light of this, businesses define their CRM objectives, create a CRM strategy in relation to the objectives and select the most appropriate tool to deploy their CRM strategy. Due to the large

data they collect from numerous customers, businesses usually adopt the use of information and technology tools to drive CRM (Anderson & Kerr, 2002). These tools are generally used to analyze customers' information to understand their behaviour, improve business efficiency and manage communication with customers. The huge investment businesses make on CRM tools proves how relevant CRM is to them. Taylor (2020) asserts that CRM software constitutes the largest software market globally. According to him, CRM is projected to generate more than \$80 billion in revenues by the year 2025.

Proliferation of the Loyalty Card Schemes (LCS)

Loyalty Card Schemes are strategic programmes initiated by businesses, especially supermarkets and retail outlets aimed at furnishing customers with value-added benefits usually in form of savings, discounts, rewards and other perks (Smith & Porter, 2010). Businesses use loyalty cards to generate data from their customers which they use to enhance their CRM programmes and reinforce marketing strategies by understanding customers' buying behaviour (Lim et al., 2017). As a result, they are able to provide services that match the needs and purchasing power of their customers (Singh & Khan, 2012). This ability to predict and influence customers' future purchases explains why 90% of companies have some sort of loyalty programme (Wollan et al., 2017). Troy Ireland, CEO of Digital Current, an SEO agency states that understanding the buying behaviour of a specific customer demography is one of the most significant research information for marketers because since this helps them to understand what the specific demography avoids and what moves them to spend their money, marketers are able to create a strategic plan that enables them present their products in a way that engenders the most purchasing behaviour.

Research shows that LCS have increased exponentially over the years with presence in virtually every country. According to Accenture (2017), there are 3.3 billion loyalty memberships in the US alone mostly because the average customer belongs to as much as 14 loyalty programmes (Bond Report, 2019) and also due to the fast growth of e-commerce which has made it possible for anybody to launch a loyalty programme on their store and issue e-loyalty cards (McEachern, 2018). By implication, as the rate at which businesses consider their customers to be essential assets that they must intentionally invest in and nurture increases, so too the rate of loyalty card schemes will simultaneously increase.

Loyalty Cards look like plastic credit cards with a barcode or magnetic stripe that enables the business to obtain marketing information about the customers which will be used to help a business understand and influence the purchasing behaviour of its customers. These cards are also in electronic forms on the mobile phones of customers such that wherever they go with their mobile phones, they go with their cards. E-loyalty cards are cheaper options especially for small businesses (Berens, 2012).

Customer Loyalty as the Essence of CRM

Customer loyalty is the willingness of a customer to consistently patronize a business over its competitors. This concept has received tremendous attention from scholars and marketing practitioners because its importance to businesses in saturated industries cannot be over emphasized (Abu-Alhaija et al., 2018). To be sure, it is regarded as a long-term asset (Kandampully et al., 2015) and a significant success factor (Ali et al., 2016; Kim et al., 2016). Thus, businesses invest in CRM to strategically maintain positive relationships with existing customers and acquire new ones as several research (Khan, 2013; Abu-Alhaija et al., 2018; Smith

& Porter, 2010; Ranabhat, 2018) show that it costs more to acquire new customers than to keep existing ones.

In explaining CRM, Boadu (2019) states that it is a business strategy designed to reduce costs and increase profitability by solidifying customer loyalty. In other words, customer loyalty is the vestibule to profit maximization. The amount of investment on CRM and the strategies and tools used by businesses may differ. However, the basic fact is that all businesses that engage in CRM do so to secure customers' loyalty, especially in a world where technology has broken the geographical boundaries that limit the customer reach of businesses. As Greenleaf and Winer (2002) state, the essence of CRM is to optimize relationship with customers for the long-time value a business will benefit. What this simply implies is that businesses are concerned about the future repetitive patronage of their businesses by today's customers. Consequently, businesses insert customer loyalty programmes as an integral feature of their CRM strategy (Babu & Sultana, 2017) to encourage customers to buy more, spend more, feel happy about their shopping experience and recommend the business to their families and friends. Loyalty programmes include creating an account for the customers of a business and then issuing loyalty cards that identifies the customer as a participant in the programme. The issuance of loyalty cards goes as far back as the 18th century but became trendy with the advancement of technology in the 21st century (McEachern, 2018).

Why consumers accept and use loyalty cards

This research identifies three major reasons that drive the acceptance and use of loyalty cards:

Saving Money

The hope to save money from discounts and coupons on products is the major reason why consumers accept and use loyalty cards (Graham, 2014; Peterson, 1995 as cited by Mimouni-Chaabane & Volle, 2010). Businesses, especially grocery stores, that engage in LCS usually offer little discounts to card holders which allows customers spend less and make greater financial gains than they would originally have. A Nielsen loyalty study shows that 75% of participants indicated that discounts or free products are what they want the most. Other studies such as the UPS also found out that customers prefer loyalty programs that offer discount products or free items as well.

Extra rewards

Consumers accept and use loyalty cards because of the extra rewards they get from their purchase activities. This includes free products, extra information or any other special treatment the business offers (Noordhoff et al., 2004). To get these rewards, businesses require consumers to build up points up to a certain level. For instance, AAdvantage, one of the most successful LPs rewards customers with either flights to nearly 1000 destinations, upgrades to first or business class on American or select partner airlines, vacations, car rentals and hotels and other retail products when participants of the programme obtain American Airlines co-branded credit card, spend in specific categories, shop on the shopping mall, stay at hotels and others. This is in line with the PDI survey (2019) where 50% of respondents say they joined a loyalty programme to earn rewards on every day purchases.

Recognition

Benefits such as special treatment, VIP membership, customized offers and such others engender customers to use loyalty cards (Mimouni-Chaabane & Volle, 2010) as this makes them feel they are part an elite group. A study conducted by Bond (2018) reports that recognition is a

crucial driver of member satisfaction as 19% of respondents say their loyalty programmes make them feel recognized. For instance, Unique Vintage, a fashion business, recognizes the birthdays of its loyalty programme members and offers special gifts to them every year which the customers can brag about on their social media platforms (Fish, 2019).

Loyalty Card Scheme, Customer Loyalty and Retention

The ultimate goal of LCS is customer loyalty and retention. Businesses design their loyalty programmes in such a way that will engender customers to not only continue to buy from them, but also not defect to competitors by making the cost of switching high. However, scholars are divided when it comes to the effectiveness of LPS in achieving customer loyalty and retention.

As several studies have shown, most customers belong to different LPS because they can easily combine one scheme with another which frustrates the objective of loyalty to a specific business (Smith & Porter, 2010). Ergin et al. (2007) conclude that loyalty cards have no impact on customer's store loyalty based on their study which aimed to find out whether loyalty cards issued by stores impacted customer loyalty among consumers. And just like Smith et al., they also state that customers who use loyalty cards tend to patronize distinct stores with different loyalty cards. Hence, according to Hewitt (1998) & Mauri (2003), loyalty cards do not influence customer loyalty and retention since customers are participants of many LCS, while some other scholars argue that it does not lead to sustained loyalty (Uncles et al., 2003; Bunnett & Rundle-Thiele, 2002; Jacoby & Chestnut, 1978 as cited by Noordhoff et al., 2004).

However, despite the arguments that LCS do not translate to customer loyalty and retention, the scheme has been growing exponentially since the 1990s following the overwhelming success of AAdvantage loyalty scheme. As at 2008, total loyalty programme membership at the US stood at 1.8 billion (Dorotic et al., 2012) which grew by 83.3% in 2017 to 3.3 billion (Accenture, 2017). In their review, "Do Rewards Really Create Loyalty?", O'Brien and Jones (1995) state that rewards create loyalty and that companies were beginning to appreciate the value of loyalty. This can only mean that those companies were enjoying the ultimate goal of LCS: customer retention. The findings of Noordhoff et al. (2004) provide further insight into the link between LCS, customer loyalty and retention. They carried out a comparative survey of 333 grocery store customers in Singapore and the Netherlands and found out that LCS impacts attitudinal and behavioural store loyalty in customers, but only as long as the number of LCS is limited. In yet another study, it was found out that loyalty schemes have a positive relationship with customer lifetimes and share of consumer expenditures (Meyer-Waarden, 2007). And recently, a Bond loyalty report (2019) also reveals that 79% of respondents are likely to continue doing business with brands that have loyalty programmes. The gap between Bond's report and the conclusions of O'Brien and Jones (1995), Noordhoof et al. (2004) and Meyer-Waarden (2007) and the exponential growth rate of loyalty memberships indicate that LCS is still a powerful strategic tool for customer loyalty and retention. Furthermore, businesses in emerging economies such as Nigeria are beginning to take advantage of LCS to boost customer loyalty and retention.

The major reason why LCS leads to customer loyalty and retention is that when customers start accumulating points for extra rewards or are enjoying great discounts from a business, they usually want to complete the points because they think stopping halfway amounts to a waste of time. Also, when businesses offer great discounts, personalized services and recognize their loyal members, the cost of switching to another business becomes high.

Benefits of Loyalty Card Schemes to Organizational Performance

Cost Effective

Businesses spend money to acquire customers and as has been generally agreed on by scholars and marketing practitioners, the cost of acquiring new customers is 5-7 times more than that of retaining current customers (Wansink, 2003; Singh & Imran, 2012; McCue, 2013, Magatef & Tomalieh, 2015; Ward, 2018). In addition to this, loyal customers spend more than new customers because they desire to accumulate benefits in form of points which makes them profitable (Reicheld, 1996, Gupta et al., 2015), reduce cost related to consumer education, marketing, and advertising and others leading to cost effectiveness.

Enhances Reputation

Positive brand image and reputation serve as a competitive advantage to businesses because while they give existing customers good reasons to remain with a business, they attract new ones. LCS are designed to make customers feel special and valued. In turn, these customers recommend it to their friends, family and acquaintances and social media followers through word-of-mouth which remains the most effective marketing tool (Dowling and Uncles, 1997 as cited by Magatef & Tomalieh, 2015; Smith & Porter, 2010). As a reference point, Unique Vintage designed its loyalty programme in a way that gave customers the chance to share their favorite products with their friends and get a 10% reduction off their own purchase cost when their friends bought the product. This share and save programme was so successful in the first few months that the business gained 2,500% ROI through it.

Increase Sales & Profit

Loyalty card schemes have become potent tools businesses use to increase sales and profits. According to the Centre for Retail and Management at Northwestern University, even though only 12%-15% of customers are loyal to one retailer, this small fraction generate 55%-70% of company sales (Sparrow, 2015). Commenting on the impact of loyalty programmes on sales and profit, Markey (2020) states that businesses with leading loyalty programmes grow revenues roughly 2.5x as fast as other companies in their industries. As pointed out above, Unique Vintage gained 2,500% ROI through its loyalty programme.

Provides Vital Market Research

Exceptional marketing and advertising campaigns are driven by solid knowledge of consumer behaviour. Loyalty cards are used to collect vital customer information such as demographics and purchase pattern which businesses analyze to understand customer buying behaviour in order to influence it through personalization of services and target marketing (Magatef & Tomalieh, 2015; Lim et al., 2017). Through this data, businesses also learn about what platforms to invest their marketing budget, where to find their ideal customers and what type of rewards customers appreciate the most. Essentially, businesses use customer data to design effective CRM strategies.

Improves Growth

A crucial aspect of a business growth is having a substantial loyal customer base which is what businesses design LCS to do (Sawyer, 2019). This is because a loyal customer base leads to cost effectiveness, improved reputation, and increased sales and profits; core factors that determine the growth and expansion of a business.

Rewarding Mechanism of the Scheme

Points Acquisition

This is the most popular reward mechanism of the scheme, and it is productive because points are easy to earn and redeem. It requires participants of the scheme to earn points which are converted into rewards such as special offers, free products or services, discounts and so on. In this way, businesses influence repeat purchases and thus, differentiate LCS from a discount offer in which accumulation of points is not required (Sallberg, 2010). The points reward mechanism can be managed by either a physical or digital card that allows a business to collect detailed customer information that increases with each new purchase. According to Bernazzani (2020), this mechanism is best suited for businesses that stimulate regular, short-term purchases.

Tier-based Reward Mechanism

This is an extended form of Points-based reward mechanism. Here, participating customers are rewarded with increasing value of rewards as they ascend the loyalty ladder (Magatef & Tomalieh, 2015) which can take the order of bronze, silver, gold, diamond and quartz. It is a much more effective reward mechanism because it sustains the interest and enthusiasm of customers in participating in LCS, and encourages them to continue buying from a particular business for a long time (Kecsmar, 2020). Taylor and Nelson (2005) term this “points pressure” whereby customers increase their purchase frequency the closer they come to the next tier. In other words, it serves the long-term LCS objective of a business better than the Points-based mechanism. Airlines, hotels, and other large businesses usually adopt this reward mechanism.

Equity-based Reward Mechanism

Through this mechanism, businesses reward loyal customers with a fraction of their equity (Hofman-Kohlmeyer, 2016). That is, customers get shares instead of discounts, freebies and other traditional rewards, thus making customers co-owners of a business. In the view of Altinkemer & Ozcelik (2009), businesses gain higher total profits than in cash-back programmes, especially in industries where customers find it hard to switch brands. More so, as shareholders, customers feel obligated to return to the business for continued purchases.

Cash-back

Cash-back cards allow customers to get back a percentage of the amount spent on a product or service. In White's (2020) opinion, this reward mechanism is the simplest as it does not require customers to put in a lot of work before they can redeem their rewards. However, some cash-back reward mechanisms are actually point-based. Customers accumulate points in their account which they can exchange for cash (Resendiz, 2020).

Technological Analysis of the Scheme and Customer Management

Loyalty Card Scheme is an important feature of Customer Relationship Management which relies heavily on the use of technology to operate in line with the objective of enhancing customer loyalty through effective customer management. As a matter of fact, CRM software constitute the largest software market globally (Taylor, 2020) because it is the most effective tool thousands of firms use to establish a seamless customer loyalty programme (Uncles et al., 2002).

The technology such as loyalty cards with barcodes, credit cards and mobile applications are designed to ensure that the scheme works seamlessly. Their chief duty is to facilitate the work of marketing managers and help them to gather data from customers without asking them directly. Apart from this, they save the time of customers and also marketing managers because they make it easy for businesses to track, collect and synchronize relevant data about customers, their frequency of buying, paying capacity and others through their simple means of recognition

(Zikiene & Bakanauskas, 2007). Hence, a business can obtain information from thousands of customers within a short time which they then analyze to understand individual customer purchasing behaviour for personalization and target marketing. Beyond understanding purchasing behaviours, they also use LCS technology to stimulate feedback, social media activities and referrals (Duggan-Herd, 2020).

In the 1990s when LCS gained massive popularity, businesses mostly relied on physical customer loyalty cards as the chief instrument for their loyalty programmes. However, factors such as the rise of ecommerce, digital payment infrastructure and membership of up to 14 loyalty programmes which made it hard for customers to go around with cards in their wallets have compelled companies to adopt the use mobile application technology for their LCS. With this, customers from different locations around the world can easily join a programme and get digital loyalty cards. These mobile applications allow companies to regularly engage with customers effortlessly, give instant rewards to customers, offer timely personalized product recommendations, encourage feedback and sharing of experiences and build powerful customer database (Teter, 2018). Furthermore, businesses do not only provide mobile applications, but also make sure that customers have good experiences while using them through the use of gamification—the integration of game elements and mechanics to the customer experience to improve customers' perception and engagement, increase product/service identification, and build loyalty (Lu & Ho, 2020).

Customer management as a business strategy with the aim of attracting, retaining and partnering with customers for long-term benefits to a business and also customers is hinged on the detailed understanding of customers' preferences and purchasing behaviour (Owolabi et al., 2013). Therefore, businesses' investment in LCS technology enables them to obtain valuable customer information, meet customers' needs and demands and boost customer satisfaction.

Challenges of Loyalty Card Schemes to Businesses and Customers

Ease of use

Reports show that consumers who belong to different loyalty card schemes find it inconvenient to stuff their bags or wallets with loyalty cards. According to a report (Wilbur, 2019), 79% of Americans affirm that they are more likely to join a loyalty programme that does not require them to carry cards, while in another report (Code Broker, 2018), 75% of consumers say they are more likely to join a programme they can access easily from their smart phones. Hoffmann (2013) in trying to explicate this challenge gives an example of the Austrian hyper market chain Mekur, stating that the option of members to use their bank cards as membership cards frees up space in their wallets and makes the programme convenient to use.

Redemption of reward

Businesses usually fix a stipulated period in which consumers are to redeem their rewards or forfeit them. And according to a recent loyalty survey report, 31% of customers point out that their biggest issue with loyalty programmes is that the rewards expire before they can redeem them (Code Broker, 2018). Alongside this, Hoffmann (2013) suggests that customers also prefer to choose from a variety of rewards options than be limited to just one type of reward.

Membership of different programmes

Relying on the literature reviewed so far, critics of loyalty card programmes believe that the membership of different programmes at the same time serves as a constraint to the achievement of the main objective of the programme, which is loyalty. Due to multiple membership,

customers discover that they have several loyalty cards in their wallets which they claim inconveniences them. Consequently, they pass this challenge down to businesses which must find a way to resolve them or lose their customers to competitors.

DISCUSSION OF FINDINGS

This study focused on Loyalty Card Schemes as strategic tool for customer loyalty. It examined the experiences of businesses in developed economies and the outcome of this scheme for them. In addition, it also set out to know whether the adoption of LCS by Nigerian businesses would lead to the successful building of loyal customers based on the outcome of businesses in developed economies. The study, which is exploratory, demonstrates that there exists a positive relationship between LCS and customer loyalty. The major objective of a loyalty programme is to secure the loyalty of customers who believe a business can meet their needs. However, as this study shows, loyalty programmes allow businesses to use the same resources to acquire valuable customer data as well as drive customer loyalty and retention.

The findings suggest that businesses which understand that the success of loyalty programmes rests on how beneficial customers find them, are those who constantly innovate their programmes to suit the current distinctive realities and needs of participating customers. Hence, the data gathered from such programme are used to design personalized services for customers. In this way, customers are treated according to their psychological, social and economic uniqueness. Programmes that achieve this distinctiveness are capable of developing productive relationship with customers, making the cost of switching high and as a result, encourage customers to keep doing business with a business.

Loyalty programmes that offer valuable and relevant rewards to customers, are convenient for customers to use, and have flexible redemption plan not only encourage customers to join them but also induce them to spend more which impacts the market and financial performance of organizations Hoffmann (2013). This is in line with the findings of Daams et al. (2008) who conclude that the combination of these features enables businesses to increase their profit margin because it makes customers less sensitive to price differences and overtime, cause customers to overlook price as a major purchasing criterion. Furthermore, loyalty programmes are different from one-time discounts, and bonanzas because these do not require any form of commitment or effort from customers nor are designed to engender loyalty in customers. And even where this is the case, they are short-lived.

Because the average customer belongs to a number of programmes, it may seem that loyalty programmes do not fulfill their purpose. Where this is the case, businesses are to ensure that they make their programmes distinct from all others and should clearly have measurement criteria on which to measure the effectiveness of a programme. Studies show that several companies have used and are still using loyalty programmes to strategically stimulate loyalty in customers. Furthermore, the exponential adoption of loyalty programmes by businesses indicates that to an acceptable degree, loyalty programmes are strategic tools in building customer loyalty.

CONCLUSION AND RECOMMENDATION

The overwhelming increase in customer loyalty schemes since the 1990s has contributed in customer relationship management and encouragement of loyalty among customers of different businesses. Customer loyalty is crucial to the life of a business, and has caused the rise and fall of many businesses around the world. More than ever, businesses are in a stiff competition to get and retain loyal customers mostly because of the breakdown of geographical borders by digital

technologies that once limited their customer reach.

This increasing stiff competition has compelled businesses to design strategies and programmes aimed at building loyalty in customers. Among these, loyalty card schemes are the most used. Hence, since 1990 when the scheme became deeply rooted in the business world following the success of the AAdvantage loyalty programme, its growth has been explosive. Nonetheless, scholars have contrasting dispositions toward the scheme: some are of the opinion that loyalty programmes do not lead to customer retention and loyalty, some strongly opine that it leads to customer retention and loyalty while others have decided to sit on the fence. To this end, this study deigned to analysis the use of LCS as a strategic tool for customer loyalty. And based on thorough analysis of available literature, reports and surveys, this study concludes that indeed LCS is a strategic tool in building customer loyalty and that local businesses in Nigeria should adopt it. The following recommendations are therefore given:

- Businesses should avoid imitating the LCS of their competitors and instead focus on designing their own unique schemes that fit the individual profiles of customers and raises the cost of switching to a competitor
- Businesses should invest in technologies that make it easy for customers to join and use loyalty cards
- Since customers have issues with the redemption of rewards, businesses should create a flexible reward redemption plan
- The data collected from customers should be optimally to create marketing and advertising campaigns that are in line with customers' preferences
- Businesses in developing countries such as Nigeria should learn from the successes and failures of brands in developed countries that use LCS

Implication for Managers

The study analyzed LCS and its relationship with customer loyalty, and its findings have implications for managers generally, and in particular, those in the area of CRM. Managers can design LCS in line with the findings of this study as it demonstrates important factors that drive LCS and customer loyalty and retention. Managers should fuse LCS into their CRM portfolio as having a strong base of loyal customers has significant impact on organizational performance of companies. In doing this, they should encourage customers' complete involvement. Loyalty schemes can be made more potent by identifying the main pain-points of customers and subsequently creating pain relievers.

Having a good relationship with customers have the triple-fold benefit of improving the image of a business such that customers do referrals on its behalf to friends, families and colleagues, stimulating customer loyalty and retention for long-term benefits and ultimately, impacting profits positively. Hence, businesses must maintain a good relationship with customers by sticking to their promises, adding exciting features to loyalty schemes such as gamification and provide personalized treatment for customers. This is important for a business because as the study highlights, it costs business 5-7 times more to acquire a new customer than to retain existing ones.

The benefits of having loyal customers cannot be overemphasized. In lieu of this, managers should ensure that a great deal of market research is carried out before, during and after the design and implementation of a LCS in order for it to always reflect current business and customer realities.

LIMITATION AND FURTHER RESEARCH

This study relied on secondary data and the experience of businesses and consumers in developed economies. Further studies can therefore use primary data and quantitative survey to find out the level of LCS awareness among Nigerians, Nigerian businesses and its impact on their

organizational performance.

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