Chapter 15
Evaluating the Effectiveness of Loyalty Programs in the Retail Sector:
The Lebanese Case

Simona Abdo
Lebanese International University, Lebanon

Demetris Vrontis
University of Nicosia, Cyprus

Sam El Nemar
AZM University, Lebanon

Jihan Arraj
Lebanese International University, Lebanon

ABSTRACT

Developing customer loyalty is a significant goal of marketing, and loyalty programs are the means through which practitioners can reach it. Keeping loyal customers is a vital aspect for their success and keeping current customers is cheaper than attracting new ones. Today, loyalty programs are playing an increasingly significant role in organizations' relationships with their customer base across a variety of industries. Towards this direction, the aim of this study was to examine how Lebanese consumers view rewards from loyalty programs and to what extent this reward is meaningful for them. This study is based on a survey among 225 customers that own a loyalty card, of some major retail stores in Lebanon. Based on the findings, key relevant points were obtained and used for further development of loyalty programs, which can be adapted to the consumption behaviour of the Lebanese consumer. Finally, the outcome of this research will help marketers to plan efficiently their marketing plan based on customer's perception toward the reward therefore increasing profits in retail markets.

INTRODUCTION

Developing customer loyalty is a significant goal of marketing, and loyalty programs are the means through which practitioners can reaching it (Evanschitzky et al. 2012).Loyalty programs are playing an increasingly significant role in organizations' relationships with their customer base and they are applied across a variety of industries, such as travel, banking and retailing (Thompson & Chmura, 2015; Zhang & Breugelmans, 2012). For instance, in US alone, businesses spend more than $1.2 billion on loyalty programs every year (Steinhoff & Palmatier, 2016).Following the trend of CRM, organizations have planned the introduction of different loyalty programs, where cardholders obtain distinctive advantages, such as gifts or discounts. In our days, loyalty programs cover different industries such as hospitality sector, airline industry, and the retail sector (Lacey & Sneath, 2006). However, the retail sector is the leader in the creation of such programs covering almost one and half billion of members (Lacey & Sneath, 2006).

From a practical point of view, studies are giving mixed information concerning the effectiveness of loyalty programs (Bodet & Bernache-Assollant, 2011). Some have shown positive impacts while others have obtained negative or mixed consequences. Other studies have demonstrated that the impact of a loyalty program can change over time, especially when competitors imitate a similar program and try to outperform competitors in offering satisfaction to customers (Tsoukatos and Mastrojianni, 2010), while taking into consideration the evolution of loyalty programs in the past ten years (Bodet & Bernache-Assollant, 2011). Therefore, the main objective of this paper is to examine the effectiveness of loyalty programs in the retail sector, from the Lebanese customer perspective. Further studies can conduct research on the benefits of loyalty programs

Research Problem

Loyalty programs are a powerful tool in relationship marketing as it enhances customer retention. Relationship marketing aims to create lifetime customers that do not give any value on what other competitors offer. In the Lebanese case, loyalty programs aim to increase customer loyalty and retention and to enhance customers' purchase intentions. Practitioners are recognizing the significance of creating loyal customers to enhance sales performance (Evanschitzky et al. 2012; Zeithaml, 2000), as it is shown by the number of organizations globally that currently have loyalty programs. However, research on the outcomes of loyalty programs is scarce. For instance, it was found that cultural values influence loyalty program choice (Thompson & Chmura, 2015). Based on this rationale, we focused on the following research question; How Lebanese consumers view the reward from loyalty programs and to what extent this reward is meaningful for them?

Objectives

Researchers have clarified that customer loyalty is associated with consumers' behavior in selecting one product over another. Loyalty programs offer benefits to both parties: consumers and businesses.

But, loyalty cards are systems used by customers to collect points based on their total purchases. In exchange, customers will get rewards, discounts or any other form of incentives. The main objectives of this study are:

1. To evaluate the current offering of the Lebanese retailers

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