

Chapter 19

Mobile Loyalty Programs: Relevance for Relationship Management and Consumer Acceptance

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ABSTRACT

Mobile loyalty programs hold various advantages to companies compared to traditional card-based programs. Mobile customer cards enable companies to precisely assign advertising reactions and purchase data to individual customers. For this reason customer retention activities can be adjusted to individual preferences and the situational context. However, any successful implementation of mobile technologies in consumer contexts depends primarily on consumer acceptance. In this chapter, we begin by illustrating characteristics of mobile loyalty programs, particularly as it relates to relationship management. Following that we identify and analyse drivers affecting the acceptance of mobile loyalty programs and present our results of an exploratory survey on consumer acceptance by using a fictional mobile customer card offer.

INTRODUCTION

Customer loyalty and customer relationship management (CRM) represent for many businesses important tasks and demands in order to ensure survival in saturated markets with no growth potential and increasing competition. CRM is a matter of retaining customers, especially valuable ones, for a long time and being able to fully satisfy their needs. The successful implementation of a customer

loyalty program, however, requires knowledge of the customer. This knowledge serves to assess the value of individual customer relationships and is simultaneously the basis for a more refined customer segmentation and target group formation (Cortiñas, Elorz, Múgica, 2008). In the so-called *Analytical CRM* customer address and reaction data are therefore prepared in Customer Data Warehouses and evaluated for the continuous optimization of all customer-related business transactions. The use of IT-supported CRM-systems makes it possible for companies to precisely x-ray the relationship and to

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purposefully employ resources in the management of business relationships (Payne, Frow, 2006).

The basis for the analytical evaluation of customer data is the targeted generation of the data. The challenges here are particularly large for suppliers carrying out anonymous transactions with consumers because they have practically no relevant information about their customers. This is very often the case with business-to-consumer transactions performed via stationary distribution bases. Card-based loyalty programs represent for them an important opportunity to gain essential customer data, because each customer has to provide his/her basic data, such as name and contact details, upon registration as a program member. At the same time purchase behaviour data is collected with each purchase made by the program member. Only by presenting the customer card is the program member entitled to make use of services provided by the card-based loyalty program (Wübker, Schmidt-Gallas, 2003). Purchases can thus be assigned to individual customers. Problems arise in practice, however, partly as a result of the customer card's often being used collectively by various people known to the customer. In this case the assignment of the "collective" purchasing behaviour to an individual customer card holder can lead to false customer data profiles, which becomes problematic if they are used to derive customer retention measures.

Due to the increasing number of these programs it is becoming increasingly difficult for participants in traditional card-based loyalty programs to carry all of these cards in their wallets. In view of the growing number of plastic cards and the limited capacity of card slots in wallets, a "struggle" is beginning to develop among the various cards for a place in the wallet (Demoulin, Zidda, 2007). The average wallet of the German consumer today already contains between four and five of these cards (e.g. EC-, credit, rail, and medical insurance cards) (TNS Emnid, 2006).

A new possible way of gaining customer data in loyalty programs is offered by mobile marketing. Due to the increasing diffusion of high speed mobile data connections and decreasing prices for mobile data transfers, the cell phone turns out to be a powerful platform for multiple communication and information access applications (Wais, Clemons, 2008, p. 12). This enables companies to use mobile communication technologies not just for push advertising messages but also in the context of customer loyalty programs. For that purpose, cell phones can take over functions of traditional customer loyalty programs and become a kind of mobile customer card holder.

In the following chapter, we will present mobile customer card functions and their importance for relationship management. Afterwards, we develop a model of the consumer acceptance of mobile customer cards, because acceptance among consumers represents a major challenge for the successful implementation of such a program (Bauer et al., 2005a). In addition to the conceptual considerations, results of an exploratory acceptance study will be presented (see also Mann, Prein, 2008). We conclude the chapter with practical implications of the results.

BACKGROUND AND RESEARCH MODEL

Characteristics and Special Features of Mobile Customer Cards

Today, traditional card-based customer loyalty programs have several functions for relationship management. This section points out how the cell phone can assume the main program-functions and how companies can benefit from the implementation of a mobile customer card program (see also Mann, Prein, 2008). Figure 1 depicts the functions of mobile customer cards graphically.

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