Customer Club Membership Cards Management In Contemporary Food Retailers

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As the most dynamic retail form, food retailers have maintained rapid development in the early 21st century. However, growing potential of contemporary food retailers create and develop new market places and opportunities. Saturation level and an increasing homogenization also causes more competition. Surviving at the market scene and develop in a growing competitive environment has become a serious problem for food retailers and brought customer relationship management into manner. This paper aims guidance on how to deepen customer relationships contemporary food retailers of Turkey. To make a connection with your customer and deepen the relationship requires time, patience, and commitment, but building those relationships is the cornerstone of an enjoyable career as well as a business strategy that works.

What they would do to deepen customer relationships on rivalry food retailer system? As a result of to help contemporary food retailers in their efforts to deepen customer relationships management strategy, it would be done by these recommendations; product bundling and relationship pricing, cross-lob data sharing and building a 360-degree customer view, sophisticated customer segmentation, real time cross –selling/up –selling - innovative reward design, automating customer care, digital revolution, big data and as a finally multi-channel seamless experience. In the context of a customer relationship strategy these tips have been examined in detail for contemporary food retailers.

Keywords: Groceries, customer behaviour, tips to deepen customer relationships,

Introduction

Businesses planning to serve their customer better and forestall their deflecting to competitors due to dissatisfaction need superior strategies to support their business processes. These advances are directly or indirectly connected to the services rendered by firms to get the best value from their customers (Owolabi et al. 2013). Implementing a business-wide approach to customer management that coordinates tailored treatment of customers based on their value and needs, among other groceries strategies, has been widely recognized as enhancing the value of customers. Customer retention can be achieved in two fundamentally different ways (Patterson & Smith, 2003). Firstly, in a service context, Bendapudi and Berry (1997) make a distinction between constraint and dedication-based loyalty toward a service provider. Secondly in a retailing context, great interest in customer store loyalty prevails as reflected in ongoing academic exploration as well as in the increasing strategic importance of loyalty for retailers (Sopanen, 1996; Flavia’n et al. 2001). Groceries’ adoption of instruments that aim to increase loyalty has been driven by increasingly advanced technologies that enable companies to obtain and maintain customised relationships with their customers at a reasonable price (Sopanen,
1996). In fully developed groceries markets, the customer club membership card has become an important instrument to increase loyalty (Sharp & Sharp, 1997). It is very important for groceries to build retail customer relationships through customer club membership cards. Customer club cards provide a source of customer data and the ability to profile for the organisation, facilitating classically conditioned reinforced purchase behaviour. They offer the consumer a source of reward, communicate group affiliation status by allowing membership of an exclusive club and provide progressive value to the brand. The impact of these strategies typically represents about 1% of sales (Worthington, 1998). Nevertheless, Woolf has indicated that the emphasis is now on developing profitable loyal customer’s not just loyal customers (1996): “Greater success comes from a marketing strategy based primarily on understanding customer economics and only secondarily on customer loyalty”.

It is known that a customer club membership card program is an incentive plan that allows a retail business to gather data about its customers. Customers are offered product discounts, coupons, points toward merchandise or some other reward in exchange for their voluntary participation in the program. A secondary goal of a customer club membership card program is to build repeat business by offering participating customers something that isn't available to non-participating customers.

The objective of this paper is to examine the Customer Relationship Management (CRM) practices of the Groceries in Turkey with particular emphasis on the tips to deepen customer relationships of turkey groceries to retain and grow customer value. We believe that the results can provide important information for the groceries, retailers to help them to understand building retail customer relationships through customer club membership cards.

Material and Methodology

The material of the study comprises one of the biggest contemporary food retailers’ customer club membership application in Turkey. We used to exploratory research method to explain customer club membership application and the customer loyalty by outlined below (Anonymous, 2017a):

**Repeat Business:** Loyal customers will purchase your goods or services again and again over time. Depending on what type of business you have and what the sales cycle is like, you may end up selling more to one loyal customer in a year than you might to even 10 first time customers.

**Greater Volume:** Similarly, you build relationships with your loyal customers; it will become increasingly easy to sell to them in higher volumes. This may happen naturally, or you may choose to incentivize the process for your customers. In any case, higher volumes mean greater sales, which translate to higher overall profits.

**Cross-selling Opportunities:** Customers who show brand loyalty have a relationship with your business. They trust you to provide quality products and customer service. This creates a great opportunity to fulfill more of your customers' needs than the traditional ones you currently meet. What does this mean? You can make sales to loyal customers across product lines and thus increase your overall sales volume without needing to focus so much on attracting new customers.
Protects You From the Competition: The more loyal your customers tend to be, the safer you will be from the draw of the competition. Establishing strong brand loyalty can make you practically immune to competitive forces. This is especially important in places where new players enter the marketplace often.

Word-of-Mouth Marketing: Loyal customers can also bring you new customers. Customers that have great relationships with businesses tend to talk about it. Happy and satisfied customers who keep coming back to you are very likely to refer others who may need your product and/or services.

Benefit of the Doubt: Let's face it; things go awry sometimes—even in the best businesses. Sometimes we get an order wrong, don't meet a deadline, or aren't able to deliver on promises made to customers. These types of mistakes can damage your business' reputation in the eyes of a new customer. A scheduling error can make your firm seem disorganized and unreliable. This is a very easy way to lose customers. The good news is loyal customers are much more likely to give you the benefit of the doubt and/or overlook errors. If you maintain the level of customer service and quality that it takes to achieve brand loyalty in the first place, your customers will be willing to forgive you when bad things happen.

Results and Discussion

To build and maintain relationships with its customers draws on the themes of all three of these perspectives and argues that Migros utilises all four of the customer loyalty strategies. It can be devised a ‘Purchaser-Purveyor Loyalty Card Model' which lists five types of loyalty card:

![Figure 1](Purchaser-Purveyor Loyalty Card Model Types)

Push loyalty card: This involves encouraging customers to try new shopping experiences. Examples include providing 24 hour opening times, online shopping channels and the ability to accumulate ‘points’ to save towards a higher purchase. Used by multiple retailers but benefits accruing from the card-issuing retailer. Often used by number 2 or 3 retailers who are keen to attract new primary customers and retain existing customers.

Pull loyalty card: Pull loyalty implies attracting the customer with offers and incentives, such as ‘buy one, get one free’ and loyalty card rewards. Various Visa or MasterCard applications such as GM (General Motors) or Garanti Banks Visa cards are often used by smaller players in a narrow market or bit players in a broad retail market. Bonus Card made ‘loyalty’ rather than ‘credit’ the focus, enabling customers to collect points when
they purchased goods and services from one merchant and to spend them again with another. Participating merchants ranged from retailers.

**Purge loyalty card**: Purge loyalty is to operate a price discounting strategy, whereby customers are first attracted and then retained to a company by the promise of lower prices. Where no customer club membership card scheme exists (such as SOK store purchases) and benefits are offered in other ways. The Money Club Card is an amalgam of all these elements and allows the customer to decide how the customer club membership card works both in terms of the places and the way the card is used, and the benefits redeemed (including Migros, Macrocenter, MigrosJet, 5M Migros and Virtual market).

**Pure loyalty card**: This means creating a sustainable bond between the customer and the retailer, adding value to the customer experience and giving the customer what the customer wants. With Tesco’s “Every little helps”, a mutual understanding and lasting relationship is formed (Mollah, 2014). Spending and accruing benefits with the card-issuing retailer. Quite often market leader led. These are often aimed at retaining customers.

**Purchase loyalty card**: Spending and benefits accrue across many retailers as with American Express. These encourage spending through building transactions and are often used by payment companies.

**Building retail customer relationships through customer club membership cards for groceries**

- *Product bundling and relationship pricing*: Groceries need to think beyond ‘one-size-fits-all’ strategy to cater to customer’s increasing demand. Customers also will leave an institution for another based on getting the services they want and the best price available for it, so relationship pricing and product bundling become ever more important. Groceries should look at products and pricing based upon a total customer view and respond to the value that customers bring to the bank across the spectrum of rates, fees, features and services.

- *Cross-lob data sharing and building a 360 degree customer view*: Though there are many challenges in integrating cross-lob data like extracting data from multiple disparate systems, existence of duplicate records in business applications/databases and data sharing impediments due to opt-out policy/other regulatory requirements, it is crucial to have a 360 degree view of customer which will help to get a holistic picture of a customer’s demographics, engagement, need and preferences. This knowledge enables organizations to precisely target products and services to current customers, acquire more profitable customers, reduce marketing costs, improve customer satisfaction and maximize lifetime value.

- *Sophisticated customer segmentation* is the key to cater to individualized needs and should be based on standard groceries metrics – tenure with the groceries, frequency of interaction with the groceries, channel preferences along with psychographic (values, attitudes, lifestyles), behavioural (usage rate, price sensitivity, brand loyalty, and benefits sought) and demographic variables (occupation, income, and family-status).
Real time cross-selling/up-selling: Groceries can use real-time events and deep customer insight to offer cross-channel marketing campaigns where “moments-of-truth” (special days, religious holidays, new year etc.) are acted on as a way to deepen customer relationships-to determine the next best action, be it an offer, channel, message, piece of content etc. The more customized product/service offering, the higher are the barriers to switching groceries.

Innovative reward design: In today’s hyper-competitive market, groceries need to move beyond a “one-size-fits-all” reward model particularly for the most profitable clients. They need to design a system which let profitable customers enjoy premium benefits and redeem rewards points easily and in various ways (for gift cards, merchandise, events and experiences).

Automating customer care: In the digital age, customers demand more self-service options and any-time, anywhere service. So expanding customer self-service, case management, dispute management and event-based decision-making can be perceived as better customer care, while lowering operational costs and increasing effectiveness. However, Groceries should continue to make compelling offers as incentives for customers to use lower cost channels.

Digital revolution: It might just be feasible that what social media is really doing today is more than socializing the web. It might be possible that this drive towards great usability, human interaction design, multi-touch, augmented reality, geo-location and connectedness is actually creating a digital service platform that could revolutionize the ability of an organization to look after customer. Groceries should try to engage consumers through digital channels and advance its leadership in the digital space as well as expand its social media engagement on Facebook, Twitter, Pinterest and LinkedIn. Though there can be several roadblocks and complications—like online account opening is expensive on per-account bass-however, prices for new delivery channels always commoditize as usage grows. It is a myth that importance of branches will diminish as the digital channel usage will increase on the contrary, if branches are tightly integrated with other channels, that promote and support them and that quickly finish transactions started there will be more successful than ever.

Big data: The big data is the new disruptive technology for changing the game. Big data capabilities provide groceries the ability to understand their clients at a more granular level and more quickly deliver targeted personalized offers. Being able to anticipate customer needs and resolve them before they become problems allows groceries to deliver timely, concise and actionable insight to contact centres agents. This can lead to increased sales, improved customer satisfaction and a reduction in operating costs.

Multi-Channel seamless experience: Groceries should seek to attract and retain customers with a compelling multi-channel experience across all touch points (branches, online, etc.) Technology continues to rapidly change the way consumers behave and interact. Virtual channels are becoming more relevant, with the increasing penetration of high-speed Internet connectivity and Web-enabled mobile devices allowing consumers to spend more time online.

Customer Club Membership Card Applications

Customer club membership cards often resemble plastic credit cards but they can also be keychain fobs or stickers. Typically a customer club membership card has a barcode or
magnetic stripe that's scanned at the point of sale (POS). The card identifies the customer and sends information about what the customer bought to a database. The information in the database is used to help the retailer understand and influence his customers' buying habits. As one Metro manager states it: “Ten years ago, we knew nothing about our consumers, the manufacturers told us how to attract customers into the stores. Today this situation has totally changed by us collecting systematically information on inventory and consumers through loyalty cards, purchase and market data.” (Kraff and Mantralla, 2006). Technologies such as customer club cards, electronic media at the point of sale, and electronic shopping assistants are likely to have an impact on how retailers use promotions, e.g. to better target consumers.

The findings of the KPMG’s Global Strategy Group research into retail customer club membership cards carried out in 10 European countries across 10 different retail sectors were that: 33% used pure schemes, 14% push, 31% pull, and 22% were purchase card schemes (Dahlen et al., 2010). Grocery retailers mainly used pure schemes; mixed retailers (like Marks & Spencer) adopted either push or pull; financial services used purchase; and retailers like petrol stations operated mainly pull card schemes. Initially, stamps were collected for application of loyalty cards. The first card-based schemes were anonymous, i.e. they carried no personal data, not even the name of the participant (Buttle & Maklan, 2015). Then magnetic stripe cards were introduced, followed by chip-embedded cards that carried a lot of personal and transactional data. Innovators developed their own individual schemes. Eventually, these transformed into linked schemes, in which, for example, it was possible to collect air miles from various participating companies such as gas stations, credit cards and food retailers. Current schemes are massively different from the early programmes.

Customer clubs have been established by many groceries. A customer club can be defined as follows:

A customer club is a company-run membership organization that offers a range of value-adding benefits exclusively to members. The initial costs of establishing a club can be quite high, but thereafter most clubs are expected to cover their operating expenses and, preferably, return a profit. Research suggests that customer clubs are successful at promoting customer retention. To become a member and obtain benefits, clubs require customers to register. With these personal details, the grocery is able to begin and services for them. Clubs can only succeed if members experience benefits they value. Club managers can assemble and offer a range of value-adding services and products that, given the availability of customer data, can be personalized to segment or individual level. Among the more common benefits of club membership are access to member only products and services, alerts about upcoming new and improved products, discounts, magazines and special offers.

For example, Nectar (Nectar is a loyalty card scheme in the United Kingdom, run by Aimia) is a consortium loyalty scheme operating in the UK managed not by the participants, but by an independent third party. Its core retail participants are all number one or two in their respective markets: Sainsbury's, Barclaycard, Debenhams and BP. Shoppers register with the scheme, then carry a single magnetic stripe card and collect points that are converted into vouchers redeemable in a wide range of retailers, including supermarkets, liquor stores, catalogue retailers, restaurants, hotels, cinemas, travel outlets and tourist attractions. Each of the major retail participants had been a member of another
loyalty programme, and customers were able to convert their existing credits to Nectar points.

One another example of Metro in Germany participates in the “Payback” loyalty program administered by the company Loyalty Partners. Consumers can collect Payback points in many Metro stores, such as Real (grocery), Kaufhof (department store). Once consumers have collected a certain number of points they can exchange them for a cash payment or a premium.

In Turkey, Money Club Card is one of the widest ‘Customer Loyalty Card’ program which belongs to Turkey’s the biggest retail chain Migros Turk A.S. There are 1 Million cards have been registered so far and used actively since 2004. Also, Money Club Card has 538,000 Facebook fans (November 2014). Money Club Card wanted to trigger the card holders to use their cards on its Facebook page for creating lead generation and gaining social data insight. Create a Facebook application (called ‘Tıkla Kazan’ means ‘Click and Win’) which works with click & win mechanism, takes place every Tuesday for becoming an addiction, giving limited free & discount products and all cards numbers integrated with clients’ Facebook: ID. The period of 2014, there were 36 campaigns and 3 announcements posted on the Facebook wall about the application. During this period, 69,300 free or discounted products send out to Money Club card holders’ cards ID and it generates 7,284 likes, 6,178 comments and 289 shares in total. Most importantly, there are 3,160 new Money Club Card ID matched with clients Facebook ID in this period and the matched clients’ data numbers reach to 87,786 in total. You can send out free or discounted products to clients’ cards’ ID was aiming to trigger them to go to the retail points and give a reason for shopping.

The collected social data of clients gave groceries a chance to compare their social media and shopping habits and lead us for planning campaigns and brand collaborations for future plans according to their brand, community and other social preferences.

Retail customer club membership cards carried out another application mobile payment (m-payment) is the point of sale (POS) or point of purchase (POP) transaction made or received with a mobile device. Mobile payments are gaining popularity with consumers not only for their convenience but also for their security, because with many types of mobile POS systems, credit card data is not saved on the merchant's POS terminal. The consumer's mobile device actually becomes a security token that generates a random code for each transaction. Depending upon the technology used, the token may be transmitted over the air (OTA) or entered manually into a keypad by the consumer.

Besides, groceries with customer databases and new digital touch points should make their own investments into changing the way they do business and provide “preferred status” to brands which partner and provide content for those initiatives.

On presentation of your card, the groceries can see how often you've visited, with how many guests, what you've ordered before and how much you spent – information to help those who serve you deliver a more personal expenditure experience. While the company will use this information to send customers relevant expenditure-related content, club members can enjoy a wide range of benefits – a free yogurt for every party member each visit; an additional treat, which changes monthly; birthday goodies and free entry into a monthly draw for can't-buy prizes. Extra benefits are also available to the 100 customers per branch who either visit most often or spend most.
"Non-club customers normally visit us a couple of times a year, with a certain average spend. Gold Club customers typically visit us four times more – five-and-a-half to six times a year – and their average spend is higher," As one grocery director say: "With the information we can gather about our customers, we can now accurately predict what the impact of the marketing that we do will be on bums on seats, and adjust what we do and when we do it to better manage the number of covers we can get during our quieter times" (Anonymous, 2017b).

Brands should continue to embrace “shopper marketing” for it’s true and practical benefit. That is, they should work through, not around, retailers with incentives and resources to enhance their targeting initiatives, thus drawing dollars and resources away from mass initiatives such as sweepstakes, case discounts that content to the retailers who are willing to use it to reward their customers, not filling their financial funding buckets.

Conclusion

As a conclusion that the process of collecting and analyzing a groceries’ information regarding customer interactions in order to enhance the customers’ values to the groceries may be analytical or by personal interactions or both. There’s no avoiding it in order to have a successful business, you need to have loyal, repeat customers. They’re the groceries who keep your lights on and doors open, and are most likely to advocate for own brand. In current marketing landscape, loyalty is the new currency. That’s why it’s so important to have an excellent customer experience, across all channels, all the time.

It should not be forgotten building customer loyalty gives groceries a high return on the time, effort and money you invest in providing good customer service. Loyal customers buy more, more regularly, and the cost of selling to them is low. And they will frequently recommend your groceries to others.

Nowadays as a result of continuously expanding awareness towards Customer club membership card program is an incentive plan that allows a retail business to gather information about its customers. Customers are offered product discounts, coupons, points toward merchandise or some other reward in exchange for their voluntary participation in the program (Anonymous, 2017c). Finally, this paper results provide interesting new insights for the building repeat business by offering participating customers something that is not available to non-participating customers.

References


