

Saimaa University of Applied Sciences  
Faculty of Tourism and Hospitality, Imatra  
Degree Programme in Tourism and Hospitality Management

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# **Loyalty Rewards Program and Membership Holders' Satisfaction**

Thesis 2019

## **Abstract**

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Loyalty Rewards Program and Membership Holders' Satisfaction, 64 pages, 2 appendices

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The objective of the thesis is to analyze different aspects of customer loyalty programs and membership systems, and to measure the bonds between the membership benefits and customers' satisfaction. Therefore, the impact of the membership system towards the customers' emotion and loyalty status is being researched.

Theoretical documents were studied by using both quantitative and qualitative methods. The information and data collected to build the study are mainly from loyalty program books, hospitality and customers' emotion articles, and conducted online-survey.

The results of the survey will assist in measuring the consumers' behaviors as well as the attitude of the segmentation towards enterprise's membership plans and loyalty programs. This helps the author give the initial conclusions to create a preliminary pattern for a good membership program.

The results of the report indicate basically a preliminary pattern of establishing a customer loyalty reward program as well as provide useful theoretical and practical examinations about different emotional impacts that influence the customer purchase behaviors and loyalty. Moreover, at the end of the report, there are different perspectives and opinions about effectiveness, preferences, advantages, disadvantages of customer loyalty reward programs and membership systems given by the members.

Keywords: loyalty reward program, membership system, customers' satisfaction, reward preferences

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- Appendix 1. Semi-structured online survey (English version)
- Appendix 2. Semi-structured online survey (Vietnamese version)

# **1 Introduction**

Nowadays, the purchasing decisions of consumer are constantly changing among various services and products. Within an industry, there are several brands selling similar products or services with different prices, packaging, marketing, advertising and customer-approaching methods. Therefore, long-lasting, loyal and reliable customers are a very valuable asset towards businesses. Subsequently, factors in particular: storytelling, branding, loyalty program and membership system have been emerging and becoming crucial aspects in the business development strategy.

Loyalty program and membership system are specially designed by enterprises in order to create the differences in features, customer care and approaching plan. Moreover, the behavior patterns, emotional reaction of consumer towards rewards in membership system and loyalty program itself play a decisive role in terms of enhancing the purchasing of the existing customers and drawing potential guests.

This thesis focuses on the basis of loyalty reward program and membership system. The theoretical aims are to study the theoretical aspects such as the history, goals, target group, typology, E-loyalty, rewards, benefits and measuring the attitude, emotional elements, impacts of customers towards these programs. The empirical aims of the thesis are to examine the effectiveness, reward preferences and opinions of the customer loyalty reward programs' members, determine the actual bonds between customers' loyalty and company's loyalty program. Following that, the author is able to give the initial conclusions to create a preliminary pattern for an effective membership program. In addition, collecting the customers' usage experiences is planned in order to provide an objective observation about customer loyalty reward program.

## **1.1 Justification for choosing the topic**

The reason for choosing the topic is to discover one of the most important features in the hospitality industry: membership system and customer loyalty. During the period doing the professional placement at Hilton and Hampton, ExpoForum in Saint Petersburg, author has accessed to one of the most

systematic customers' loyalty program of Hilton hotel chains: Hilton Honors. The responsibility of every staff from lowest to the highest position is to understand the loyalty program, learn by heart, inform and invite the customers. A large number of customers concerns about the membership program and require to be registered even though the reward is quite common: free water bottle, one more people stay in the room, etc... Further than that, the customers tend to spend more money and stay more nights in order to achieve the upgrade in their membership title. Normally, people have a tendency to stay and return to their frequent hotels to complete the requirement of staying 20 nights or purchasing the stay 10 times in order to get an upgrade within their loyalty status. Particularly, within Hilton HONOR program, from blue to gold, the customers will come back to that specific hotel to complete their 10 times purchases.

Traditionally, hospitality brands tend to concentrate on inviting the existing consumer to join the loyalty program instead of locating the focal point to attract new customers through the attractive rewards offered within the membership system. E-loyalty has been ignored due to the domination of affiliate travel companies or pages. These affiliate websites offer cheap services and tickets; thus, the traditional travel companies hardly attract direct online-access, purchase and provide loyalty points to the customers. This led to the underestimation of both business and consumer. With that in mind, author desires to explore the effective loyalty program framework of which the rewards and policies are able to actually attract the concerns of customers through measuring their emotional interactions.

## **1.2 Objectives, research questions and delimitations**

There are several aims to be processed and completed during the thesis report writing process:

- a. To investigate the basis of customer loyalty program and membership system.
- b. To comprehend the importance of membership towards consumers.
- c. To examine the level of loyalty program's effectiveness from opinions of customers.

- d. To discover the connections between the membership benefits and customers' loyalty level.
- e. To find out the customers' reward preferences.

In the report, these research questions will be answered: What are the influential levels of current loyalty reward programs? Do current loyalty reward programs have an effective pattern in terms of attracting new customers and keeping the existing members? What are the true reward preferences of customers and members? What are the opinions of customers and members upon the current loyalty reward programs and membership system?

Beside the author's academic benefits, this report will definitely support the hospitality companies to enhance the understanding of the customers and members' emotional impacts and needs through chapter 3, various aspects of customer loyalty reward program through chapter 2 and practical approaches through the conducted online survey. The report has combined several valuable knowledge from diverse sources in order to assist the readers to have a clearer observation of customer loyalty reward programs and customer loyalty.

Delimitations in the theoretical part of the study are made in the loyalty program, customers' attitude towards membership system and the sub-themes of it. Only the basis of loyalty program: goals, objectives, metrics, target group, typology, benefits, E-loyalty and customers' attitude: consumers' emotions, customers' loyalty, reward program in membership system, the link between reward program and loyalty's building and preferred rewards from customers' point of view are covered in the study.

Delimitation in the empirical part is to focus on the customers' satisfaction and opinions of the memberships they are holding. Due to the differentiation in purchase behaviors and salary, the author will conduct an online interview in both Vietnamese and English with the same questions for international consumers and Vietnamese consumers.

### **1.3 Research methods used in the empirical part**

The thesis work would be a research type combining both theoretical and empirical parts. The theoretical part is to analyze, study different factors in loyalty program, then interpret the link between the program and customers' satisfaction. The survey questions of the empirical part are planned to concentrate on the customers' satisfaction towards their registered loyalty program and membership. Within the customers' observation, the objective views of preferred reward, general opinion and satisfaction will be shown. The results of both parts would be the base for understanding the core of expectations of customer towards loyalty program, and through that, be able to create an effective loyalty program and membership system.

The research methods used would be mixed using both qualitative and quantitative methods in a whole. However, the quantitative methods are expected to be the priority. The questionnaires are expected to have a mix of closed ended questions (both dichotomous and multiple choice questions) and open-ended questions.

### **1.4 Structure of the report**

Chapter 1: Introduction clarifies the justification for choosing the topic, presents the aims, objectives and delimitation; followed by the research methods, then the structure of the study.

Within chapter 2: Customer Loyalty Program, goals and metrics of the loyalty program are interpreted. Furthermore, author is going to elucidate several standard elements such as goals, objectives, target group, typology, developing a loyalty program, and a new approach: E-loyalty in loyalty program.

In Chapter 3: Customer satisfaction and member's interaction towards loyalty program and membership system are conducted. There are inquiries of consumers' emotions, the core of customer loyalty, emotional and cognitive dimensions in customer satisfaction, the link between emotions and customer satisfaction, and reward programs. Subsequent, the link between reward

program and customer loyalty's building, customers' preferred rewards are exposed.

Chapter 4: Methodology of online survey such as the structure, and data collection process are interpreted in this chapter.

Chapter 5: The results of the online survey are discussed, specifically: Demographic and profile of the participants, customers' usage-frequency, loyalty programs' register, holding rates, customers' satisfaction level towards loyalty reward programs, customers' retention behavior while holding loyalty reward programs and reward preferences.

Chapter 6: Discussion and conclusion.

## **2 Basic guidelines for companies to build an effective customer loyalty program and membership system**

### **2.1 A brief history of loyalty programs**

In the 1930s, S&H Green Stamps were officially distributed as a part of the rewards program conducted by Sperry & Hutchinson company, founded in 1936 by Shelley Byron Hutchinson and Thomas Sperry. The company offered small stamps whenever customers made a purchase to encourage the return. Customers had to glue these stamps into pages of the specific booklets and were able to redeem them for particular product when the stamps reached a certain amount. The program gained significant success, proven by one time S&H issued stamps with triple the number of stamps issued by US Post Office. This is considered as the first recorded loyalty program in history. Figure 1 on the next page will illustrate the Green Stamps and the booklet (Friend n.d.; Greg 2013.)



Figure 1. H&S Green Stamps (Carriker 2011).

People believed that the truly deep roots of the customer loyalty program initiated with the so called “premium marketing” 300 years ago. In approximately 1700, American retailers started to hand customers copper tokens for every purchase. These tokens could be used for redeeming the products on later purchases. This led to an innovation considered as an alternation for redeem tokens: in-store currency. This in-store currency was introduced to the customer membership club who frequently buy items in that specific store. Loyalty program has proved its effectiveness, there is an increasing number of companies which tried to engage in this tactical strategy by different innovative plans and approach. For example, back in 1929, “Box tops” program was introduced by Betty Croker, this program offered customers the opportunities to redeem points for kitchenware from catalogs. Box tops were authentic coupons printed directly onto the package of the products, the redeem system is quite similar to the Green Stamps or copper tokens. As the story progressed, it all began with the collectible teaspoons tucked into Wheaties’s boxes in 1931, followed by General Mills putting paper coupons into the packages of Gold Medal Flour and other brands. Optimizing, point coupons were printed at the box’s outside. (Friend n.d.; McEachern 2018.)

The outstanding mark is that the “Box tops” is much more than accumulating redeem points. In American households, this became a habit. As the report on Minnesota Public Radio, the University of Minnesota’s Carlson School of Management’s chair of the department of marketing: Mark Bergen, there were two special characteristics of Betty Croker program: longevity and the emotional

impacts towards its enthusiasts, devotees. This directly accesses to the fabric of family in America. The result is Betty Crocker officially receded the catalog in 2006, the loyalty program that lasted for 75 years. (Friend n.d.)

Within the modern area, numerous loyalty programs have arisen. Specifically in 1966, American Express issued their first gold card for upper profile travelers as the initiate approach to the business travel. Later in 1984, the platinum card for elite customers was introduced, followed by the most popular loyalty program ever: Frequent Flyers. This is considered as the first complete and well-known loyalty program in the world. American Airlines proceeded its frequent flyer program in 1981. This has been developing to AAdvantage program with more than 50 million members globally. The first idea of American Airlines is a unique “loyalty fare”, the program has enlarged to offer discount on coach tickets, free upgrade to first class seat for companions or even offer free first class tickets. In the same week, United Airlines introduced the Mileage Plus loyalty program. Subsequently, there has been an explosion in developing airline’s loyalty program and membership system till nowadays. Many brands in the other industries have adapted and developed their own loyalty program; for example, Subclub card offered free subway with every 8th stamp in 1985, Discover introduced the “cash back” program returning money based in total amount of customers’ purchases in 1986, McDonald’s sweepstake has been widely known since 1987, there was a rise of card-based membership system with the representative of Tesco’s card. (Friend n.d.; Umanidhi 2016; McEachern 2018.)

Nowadays, with the emergence of e-commerce, e-payment and mobile-payment, enterprises are locating their loyalty programs mainly into e-loyalty, cloud database, loyalty mobile application. Starbucks Rewards program founded in 2011 has been noticed as the most optimized program for customers’ mobile phone. The app manages the purchasing system, provides payment methods and accumulates reward points. Additional, the “Visit us again” loyalty program of Starbucks which offers reward points for frequent visit customers was proved significantly effective in 2009. There are several trends for loyalty programs and membership systems that could definitely happen in the future such as: card-less program, individualized rewards based on personal database. People believe

that customer loyalty programs and membership systems will continuously evolve, become more flexible, customer-journey centric, variable and competitive. (McEachern 2018.)

## **2.2 Goals, objectives and metrics of the loyalty program**

In the opinions of Berman (2006), there are several potential positive results of one effective loyalty program; for example, increasing customers' loyalty, access to marketing-tactical information of customers and popular trends, lowering the price sensitivity and enhancing brand attitude, having advantages to encounter special customer segments, increasing sales based on up-selling and cross-selling opportunities. To achieve these results, company initially might be able to enlarge the data pool, draw new members, reduce the attrition of existing members, generate positive return on the investment of loyalty program, gain valued market research data, increase the member profit by growing both purchasing and purchase frequency of customers.

The ideally eventual goal for every loyalty program is to enhance revenue, profit and market share. Accordingly, the company is able to strengthen its stability and existence. Standard goals of a loyalty program combine stabilizing margins, profits, sales levels, increasing the loyalty and enhancing the potential value of existing consumers; eventually, the company may increase the cross-product purchases. Within the loyalty program, there are primary goals and secondary goals, primary goals are described as mid-term and intermediate goals while secondary goals are defined as long-term achievements. (Arantola 2000; Butscher 2002, p. 39.)

### **2.2.1 Primary customer loyalty program goals**

The first primary purpose of an effective loyalty program is to form a powerful relationship between company and customers. The mission is to turn guests into loyal, long-term consumers, who ideally develop a lifetime demand for the specific products or services from the company conducting the loyalty program. However, effort and cost used for turning guests into loyal consumers should be taken into account due to the small demand of certain type of customers whose life-time generated revenue is quite humble. (Butscher 2002, p. 39.)

The second primary goal is to allure new and potential customers through the customer loyalty program. The notion happens in two methods. First, the word-of-mouth advertising from satisfied loyalty program's members based on the loyalty program's activities. Beside the fact that satisfied customers continuously discuss the loyalty program, the increased quantities of contacts between customer and dealer, manufacturer through the loyalty program's communication ensures that the services, products and program itself have a higher profile towards customers and markets. Second, potential members might be gained from the true value of company's loyalty programs and the offered benefits. The advantages and rewards of the membership system are so attractive that non-customers join the loyalty program. (Butscher 2002, pp. 39-40; Berman 2006.)

The third main objective is the collection and creation of loyal customer database. In the 4.0 marketing era, a regularly updated database is a significant powerful tool for a wide range of different marketing activities. Many enterprises have access to a very detailed customer database, even at the individual and personal level of consumers' data. However, the enterprises are not utilizing it. In practice, companies in the hotel industry have collected an incredible mass of data from the bookings, frequent sleeper, great spender, etc and hardly any of the data is optimized for personal customer service or individualized rewards. (Butscher 2002, p. 40; Reason, LØvlie & Flu 2016.) In author's opinion, the way that specific company applies professionally the database will define and create a clear advantage of that company in comparison with others.

With clever collecting method, the idea database not only comprises socio-demographic type of data, but also particular, detailed information on spending behavior and preference data. The purchasing behavior data usually contains: purchase frequency, preferred brand, spending volume and the switching, simultaneously using among products. The obtaining process of this information is generally difficult, the data could be collected whenever customers purchase services, products with the enterprise's own credit card or identify themselves in any other way with point's purchases. Then, the information of purchase pattern is linked to the owner's name or household supporting the future marketing activities and future analysis. Currently, there is a significant growing number of

companies enhancing their membership cards with the function of credit or payment. (Butscher 2002, p. 40; Reason et al. 2016.)

Usually, the members have already confirmed themselves as holding a special interest towards the products or services of the company by registering in the customer loyalty program. This is normally proven by the initial joining fee or several actions needed to take, such as downloading the application, first time purchase. Then, companies are able to filter the non-interested consumers and reduce the cost of the redundant membership slots. In contrast, there are still many loyalty programs that do not require any actions, efforts or formal processes. The membership comes instantly and automatically with the purchases or by email from the customer. Therefore, the company will have the access to the general database and easily approach the customers, conduct a detailed survey collecting consumers' purchase motivation, purchase behavior, product perception, satisfaction, attitude, beliefs and trust. (Butscher 2002, p. 40; Reason et al. 2016.)

This strongly supports the fourth primary goal of a membership system and customer loyalty program, which is using the information from the database to assist the analysis processes, R&D, market research, brand development, company and product marketing of other departments. This data is considered a connection, communication channel between consumers and the company itself. It is the perfect segment to be listened, then the improvements of products, services and even the company are more valuable. This helps the company to locate the problems, finding solutions and improvements, seeking potential ideas for new services or products that match the markets and a huge amount of other issues. However, the loyalty program owners represent a quick and small-scale research. This data should not be considered full-scale market studies that comprise product's non-users and customers of competitor companies. (Butscher 2002, pp. 40-41.)

The fifth main goal is to establish communication opportunities among members, community and company which leads to the increase of various contacts. This makes the transferred interaction easier, more direct, personalized and impactful; In contrast, companies without loyalty program normally interact with customers

through mass communication methods like TV, newspapers, online advertising or direct mail. (Butscher 2002, p. 41.)

### **2.2.2 Secondary customer loyalty program goals**

Other than the primary objectives, customer loyalty programs might have the ability to achieve further aims and targets:

- Increasing the frequency of visits by drawing customers to physical shops through events, promotions and sales.
- Raising the usage of products or services by regular interaction and communication methods.
- Enhancing the image of company, brand and product through positive influences from loyalty programs and the activities.
- Assisting public relations activities of the company through updating status, posts on company's social media.
- Maintaining and aiding the dealer network or franchise point of sales by attaching separate displays supporting the dealer's local advertisement or promotion campaigns, etc.
- Developing a channel for customer service and support, which finds solutions for a specific problem of the members, explains the details of the services or products, informs the advertising campaigns, etc.
- Other specific goals

(Butscher 2002, p.41; Berman 2006)

Figure 2 on the next page summarizes the hierarchy of objectives. These objectives might differ in context, situation and content based on the industry or company's targets (Butscher 2002, pp. 41-42). For example, the social entrepreneur usually aims to the social goals and community benefits as the core goals instead of revenue, the primary goals would be the impacts towards the stake holders, governments and environments. Profit and revenue in this context are considered a tool to operate the company, not the ultimate goals.

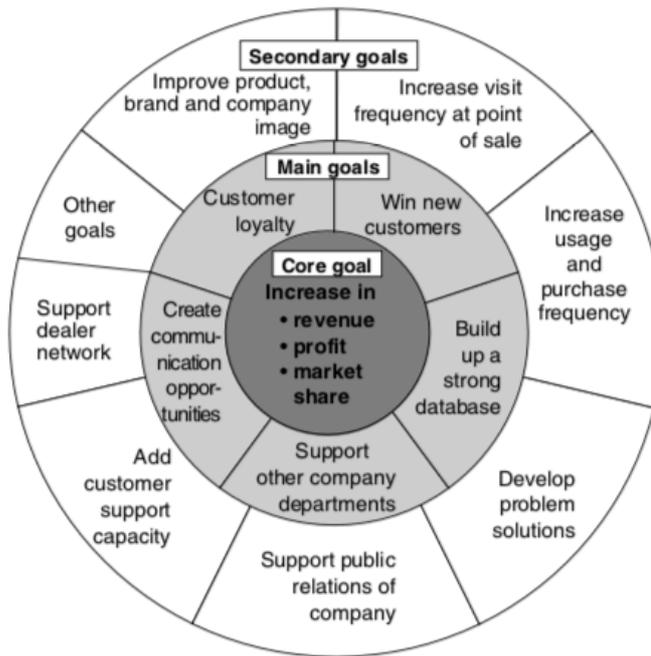


Figure 2. Hierarchy of objectives of customer loyalty programs. (Butscher 2002, p. 42.)

### 2.3 Target group of the loyalty program

The target groups of a loyalty program are normally defined as the consumer target with whom the sponsoring company wants to establish long-term relationships. It is a central issue in terms of locating the benefits offering to the customers. Every target group has separate preferences, value-driving elements. Therefore, there are two results:

- Minor variances in the definition of the specific target groups could lead to a different set of benefits to be offered; loyalty program service center then needs to be built up differently; for example, creating several external partners. All of this will drive up the setting cost eventually.
- When company targets a larger segment, it must provide bigger benefits. Subsequently, the cost will be heightened.

Therefore, the exact definition of target groups and loyalty program benefits have to be wisely given. Usually, there are two questions concerning this element:

- Will the company focus on existing and or potential consumers?
- Will the company target all of the existing, potential target group or only the specific segments?

(Butscher 2002, p. 45.)

There are two majors of thought concerning whether companies focus on the existing members or on the potential consumers. One side states that the members, with which the company has already established a bonding relationship, have shown the loyalty without extra, additional incentives or benefits. Thus, the loyalty program should pay more attention to the potential consumers, un-explored markets and seek methods to enhance their purchase volume and usage. The other side's opinion is that loyal member is the most important segment. According to the 80/20 rule, twenty percent of customers contributes to 80 percent of all sales; hence, the loss of loyal members will significantly reduce the profit and revenue. Therefore, companies must please the core members rather than the potential consumers. The suggestion is that the loyalty program of a company should refer the primary members as the primary target group. There are several reasons: core customers lively maintain the business, the revenue generated from them is major and the relationships between the company and the core customers is critically valued. The opinion from this segment is extremely useful in terms of enhancing the performance and quality of the products, solving problems and seeking potential improvements. (Butscher 2002, p. 46.) Moreover, according to Reichheld, Markey and Hopton (2000), a 5% increase in the retention rate of customers could generate a 25-95% increase in revenue.

Depending on the strategy of company's customer loyalty program, there will be a few variances in selecting the target group. If the company's main goal is attracting a massive amount of members, target group setting will be mainly potential customers. If the primary objectives are establishing the customers' database, both existing and potential consumers have to be focused. It is necessary to have a strategic promotion such as special events, gifts and discounts. However, discounts have a huge drawback in terms of attracting new and potential customers. Customers would take the offers by the company once,

then move on to the competitor's discounts or special events next time. The results show that these customers are the most difficult to keep. (Butscher 2002, p. 46.)

## **2.4 Typology of loyalty program**

Open and limited typology system of Butscher (2002) and the four types of Berman (2006) are chosen due to the high flexibility and easy-to-apply feature of them.

According to Butscher (2002, pp. 50-51), customer loyalty program could be classified as two categories: open or limited. The limited loyalty program is not available for just anybody, customers must register through a formal process so as to become a member. The formats might comprise filling in an application form, paying a registering fee or monthly or annual loyalty membership fee. Additionally, certain conditions ought to be met for the purpose of being admitted as the loyalty member; in particular, annual purchase volume, specific-software user or reaching a certain membership length. Companies would be able to mark these members as the primary target group.

Besides, open loyalty program, which does not require any formal procedure, is available for everybody. The customers instantly and automatically become a loyalty member when buying items. In some cases, the emotional and satisfaction base of the company's product is not firm enough to establish a limited loyalty program around it. On the next page, table 1 illustrates the key differences, benefits, rewards and advantages.

Limited loyalty programme	Open loyalty programme
<ul style="list-style-type: none"> <li>• Membership fee helps cover costs.</li> <li>• Membership prerequisite helps channel membership/focus on target groups.</li> <li>• Limited access makes membership more valuable.</li> <li>• Clearly defined membership structure makes communication more effective.</li> <li>• Membership prerequisite keeps number of members, and thus cost, down.</li> <li>• Database includes only members with an above-average interest in the product.</li> <li>• Membership payments raise expectations, so the loyalty programme management is constantly forced to improve value.</li> </ul>	<ul style="list-style-type: none"> <li>• A wider number of customers can be reached.</li> <li>• Database more complete.</li> <li>• Potential customers and competitors' customers can be reached more easily.</li> <li>• Completeness of database could, after further analysis, lead to segmentation and segment-specific communication.</li> <li>• Larger number of members helps to reach critical mass, which makes loyalty programme become more cost-effective sooner.</li> </ul>

Table 1. Advantages of open and limited loyalty programs (Butscher 2002, p. 51.)

Moreover, there is another technique to classify the loyalty programs. This refers to loyalty program's typology as the most basic and fundamental format and divides it into four types. Type 1, members receive a specific discount for purchased products based on swiping or applying the membership card at the point of sales, shops, smart counters or terminals. The limitation of this type is that the loyalty program does not reward or advantage the loyal purchasing behavior. This does not encourage frequent and repeat purchases, require cards, no database and all members have the same benefits. (Berman 2006, pp. 124-125.)

Type 2 loyalty program is considered as redeem membership system. Consumers have the rights to manage the loyalty program by themselves, they are given a record-card or ticket saving every purchase. The members are able to redeem or exchange the points for a free product or service whenever they reach a satisfied number of redeem points (Berman 2006, p. 125). For example, the reward might be a complimentary sandwich in Subway restaurants. Berman also refers to the limitation of this format; first, it is very easy to be copied by competitors. Second, there is no record of customers' data and marketers can not interact or communicate with loyalty program's customers. Third, the benefit is repetition; the rewards are usually the same items.

Type 3 gives the customers loyalty points based on their previous purchases. This method requires an intermediate database to track the purchases and points of program's members. Normally, type 3 program stimulates consumers to raise their frequency and purchase volume, the rewards will increase according to the tiers owned by customers. For example, Hilton Honors program increasingly offers benefits due to customers' tiers. Hilton also co-operates with airlines in order to make the rewards more attractive. This is comparable with other companies, which also partner with several stake-holders such as airlines, restaurants, coffee shops, hotel chains, taxi or car rental companies to facilitate the accumulating redeem points. This increases the variety of reward and benefit options. Type 3's limitation is that loyalty program's sponsors and marketers tend to communicate with the similar message to all tier-members, close relationship might not be bonded. Type 4 loyalty programs are usually based on similar points as type 3; however, they offer personalized communication and individualized promotions to their members. Sponsors and marketers using this strategy have to establish and maintain a complete database, have the ability to administer complex interactions and reward programs. The figure below will summarize and give specific examples of the Berman's typology. (Berman 2006, p. 126.)

Program Type	Characteristics of Program	Example
<b>Type 1:</b> Members receive additional discount at register	<ul style="list-style-type: none"> <li>• Membership open to all customers</li> <li>• Clerk will swipe discount card if member forgets or does not have card</li> <li>• Each member receives the same discount regardless of purchase history</li> <li>• Firm has no information base on customer name, demographics, or purchase history</li> <li>• There is no targeted communications directed at members</li> </ul>	Supermarket programs
<b>Type 2:</b> Members receive 1 free when they purchase n units	<ul style="list-style-type: none"> <li>• Membership open to all customers</li> <li>• Firm does not maintain a customer database linking purchases to specific customers</li> </ul>	Local car wash, nail salon, SuperCuts, Airport FastPark, PETCO
<b>Type 3:</b> Members receive rebates or points based on cumulative purchases	<ul style="list-style-type: none"> <li>• Seeks to get members to spend enough to receive qualifying discount</li> </ul>	Airlines, hotels, credit card programs, Staples, Office Depot
<b>Type 4:</b> Members receive targeted offers and mailings	<ul style="list-style-type: none"> <li>• Members are divided into segments based on their purchase history</li> <li>• Requires a comprehensive customer database of customer demographics and purchase history</li> </ul>	Tesco, Dorothy Lane Markets, Wakefern's ShopRite, Giant Eagle Supermarkets, Harris Teeter, Winn-Dixie, Harrah's, Hallmark

Figure 3. Typology of Loyalty Programs (Berman 2006, p. 125.)

## 2.5 Loyalty program concept and the elements of loyalty program's value

Establishing the loyalty program and membership system is comparable to creating a new service or product. Detailed, careful planning, concentrated operation are the core demands. In this context, concentration means that loyalty program should be a whole company-scale project. Not only the personnel in charge directly devotes to the program but also the managers, C.E.O need to be engaged. (Butscher 2002, p. 31). For example, Hilton Honors loyalty program conducted in Hilton hotel Saint Petersburg is one excellent example. While working there, the author had an opportunity to witness the thoroughly full-scale loyalty program in the hotel, the top managers organize a monthly meeting with the front office department to update the statistic and the effectiveness of Hilton Honors loyalty program. They hold a “registering-contest” in which the receptionist team will try their best to gain as many members as possible by collecting emails and agreement to join the program from check-in customers. The rewards will be granted to the employee who has the most registered customers. Figure 4 below illustrates the basis of loyalty program concept, there is a combination of several focused aspects founding the fundamental bases of the loyalty programs.

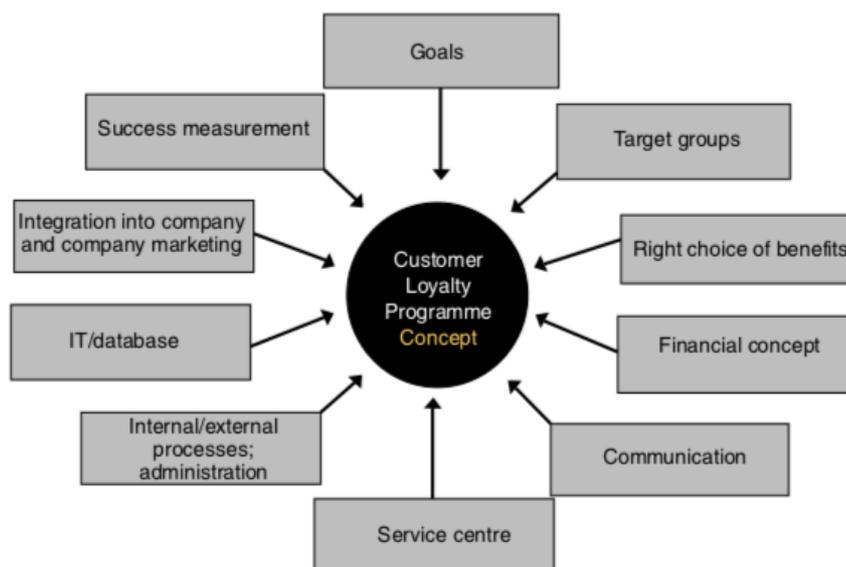


Figure 4. Fundamental bases of loyalty program concept (Butscher 2002, p. 32.)

Butscher (2002) has also stated that the hidden keys for an effective loyalty program are detailed design, observation of customers' views and being wholly tested. The quality of the products or services and relationship marketing are crucial factors in customer loyalty program. Utterly, designing the loyalty program and membership system equal to involve in a long-lasting commitment. Subject to different industries, the effectiveness of the running loyalty program might not be shown within a short period of weeks or months. For example, car manufacturer's customers normally buy a new car after 2, 5 or even 10 years. If a company wants to develop a customer loyalty program that lasts long and offers true value, there are two important questions to be answered: "Is the product and/or service's quality and value great enough?" and "Is the product/service really worth the loyalty program's investment?".

## **2.6 E-loyalty**

Butscher (2002) claims that there are two types of online loyalty programs, the first one is business operating completely online, rewarding their members with redeem points from online activities. Customers can earn points and rewards by remaining on the site, participating in different activities, etc. The second type of online loyalty program is ordinary loyalty program operating partly-online to offer some of online benefits and communication. Thus, hospitality companies are more focusing on the second type of E-loyalty.

Towards the company's view-points, E-loyalty offers a wide range of advantages and also a few of disadvantages. On the one hand, online customer loyalty program is cost-effective by replacing direct mailings or membership magazines by emails and E-newspapers, member-friendlier by providing a forum or a group of customers in the same segmentation or sharing the same interests in the company's products, more interactive by increasing the quality of communication, reducing the reply-time, instantly updating news and posts and effective as the E-members usually hold the above-average level of product's interest. On the other hand, E-loyalty will probably increase the security risks by having the chances of getting accessed to the information, database by the competitors, problems of protecting customers' information and requires a higher level of maintenance. If the competitor-companies get access to the database and are

able to detect the price advantages, they might neutralize the market by lower their prices. Therefore, the Internet both increases the competition and stabilizes the market situation simultaneously. (Butscher 2002, pp. 111-113.)

Within the customers' side, Butscher (2002) states that the Internet grants loyalty members the access to a better source of information. This supports the customers in taking their time choosing the products and having a wide range of selections. After "The 1-to-1 Marketing concept" of Pepper and Rogers (1993), closer interaction and contact with the customers are more interesting to the companies. The information technology benefits companies in acquiring the member's preferences in order to enhance the repeat purchase. Therefore, the consumers will enjoy the easier transaction further on (Pitta 1998, pp. 468-480). In usual services, for example, customers checking in the hotels are supposed to answer a list of questions. These questions might enable the companies to comprehend the true preferences of the customers through different software and hardware. However, the preferences should be updated regularly in order to ensure the accuracy of the database (Pitta, Franzak & Fowler 2006).

### **3 Understanding the customer loyalty, customer satisfaction and member's behaviours in order to create a suitable reward system in loyalty programs.**

#### **3.1 The core of customer loyalty**

According to Pitta et al. (2006, p. 423), there are several factors playing the core roles in customers' loyalty: trust, perceived value, privileged value, participating costs and subsequently, emotional attachment.

Trust has been indicated as a determinative factor towards the loyalty of a customer. In addition, trust is more crucial in the context of the information received by customers being insufficient. Trust might lead to the effect of customers believing the companies are surely able to "make things right". Usually, prior history is not needed to form the initial transactions and after one or some successful transactions, the consumers would have the evidences of the product and/or service delivered as promised or not. Subsequently, faith is

supplanted to the customers by these evidences as the basis of interactions. In the early stage, the company's brand, name, story and perception are influential (Pitta et al. 2006). There are three underlying and fundamental components of trust: integrity, dealer's ability to supply and benevolence (Schlosser, White & Lloyd 2006). Therefore, the level of customers' trust will increase if the companies are able to provide customers with the appropriate amount of information about the security, products or services, policies, prices, privacy, supplier's practices and procedures (Reichheld et al. 2000; Smith 2002). In addition, Pitta et al. (2006) state that the brand's trustworthiness, reasonable pricing, appropriate delivery time, transaction's security, performance of product and/or service and follow-up support will definitely generate trust in customers' mind-set.

Following trust in establishing the loyalty is the member's perceived value received from the purchase, customer loyalty program or relationship. As definition, in marketing, perceived value is described as an estimation or evaluation of customers towards the benefits versus the costs and benefits transferred by the supplier versus the competitors. In some cases, customers find the product and/or service itself is valuable while others consider the financial aspects. Moreover, there are customers' value time factor or the convenience of purchases and transactions. The costs mentioned in the formula "benefits versus costs" are demonstrated not only as the monetary cost such as the prices of service and/or product but also as the effort, uncertainty, period of time and worry (Pitta et al. 2006, p. 423.)

Since a vendor could establish the trust with its customers and members, deeper relationship is prepared to be built. Brand loyalty is not only the repetitive discords of transactions or purchases but also the under motives of these behaviors. Customers' motives would distinguish the differences between pseudo loyalty which is located in inertial members and true loyalty. Customers with true loyalty imply the certain commitment to the vendor or loyalty program owner. In contrast, the inertia might definitely stop the commitment whenever there is a fluctuation in the market or in the selling condition. Inertia could be based on the purchase habits and routines. In addition, the inertias purchase company's items repeatedly to reduce the mental work, for example, product or company

comparisons and physical work such as searching for new stores. According to the research of Gallup organization, emotion play a critical role in customers' decisions and there are four vital states in the emotional status of consumers: confidences, integrities, prides and passions. These states indicate the strength and force of the emotional connection between the customers and the companies. First, the customer would be required to have the confidence about company's products and/or services in order to make the purchase decisions. Then, the brand's integrity is formed in the believe of customers. After several successful purchases, customers develop a pride which reflects the contribution and tend to feel the appreciation of the company. Final, the passion of customer reflects the faith that the company's products and/or services are irreplaceable and seemingly portrays the products and/or services as the perfect fit of their needs (Pitta et al. 2006, pp. 423-424.)

### **3.2 Customer satisfaction and expectation**

Customer satisfaction is an emergingly popular term in business, Güngör (2007, p. 13) states that there were 72,000,000 links to it on Google Search back in 2006. Nowadays, there are more than 450,000,000 results on Google Search for the phrase "Customer satisfaction" in just 0.52 seconds (the term was searched at Google.com on 07-04-2019 by the author). According to Oliver (1997), the satisfaction word is originated from two Latin words: satis and facere which orderly mean enough and to do or make and customer satisfaction is the customer fulfillment response. Furthermore, expectation is also a crucial element of the satisfaction processes. Mihelis, Grogroudís, Siskos, Politis and Malandrakis (2001) state that customer satisfaction is considered as the dynamic parameter of a business, enterprise or loyalty program owners, the satisfaction statistics might be affected by the fluctuations of consumers' expectations and preferences. Engel, Blackwell and Miniard (1990) also emphasize the importance of expectation aspect within customer satisfaction in their definition of consumer satisfaction: Consumer satisfaction is specified as a post-consumption estimation that the chosen vendors at least fulfills or even exceeds the customers' expectations. In contrast, dissatisfaction is the result of expectations being negatively confirmed. Figure 5 and table 2 on the next page

demonstrate the elements and sub-elements of customer satisfaction. Zeithaml and Bitner (2003) designate three core dimensions of customers' satisfaction: Service quality, product quality and pricing. There are three sub dimensions of service quality: physical environment quality, outcome, result quality and interaction, communication quality. Furthermore, these three sub-elements are interpreted by five other factors SERVQUAL: Reliabilities, empathies, tangibles, assurances and responsiveness. (Zeithaml and Bitner 2003.)



Figure 5. Customer Satisfaction Elements (Güngör 2007, pp.13-17.)

Dimensions of Service Quality (SERVQUAL) (Parasuraman, Zeithaml, & Berry, 1988; Zeithaml & Bitner, 2003)	
<i>Responsiveness</i>	Willingness to help customers and provide prompt service.
<i>Assurance</i>	Employees' knowledge and courtesy and their ability to inspire trust and confidence.
<i>Empathy</i>	Caring, individualized attention given to customers.
<i>Tangibles</i>	Appearance of Physical facilities, equipment, personnel, and written materials.
<i>Reliability</i>	Ability to perform the promised service dependably and accurately.

Table 2. Explanation of SERVQUAL (Güngör 2007, p.15.)

In other sources, Robinette, Brand and Lenz (2001, p. 37) have specified five value and customer satisfaction dimensions in Emotion Marketing: Money and

product dimensions as the rational values, experiences (relation), energy (convenient) and equity (trustworthy) as the emotional values. In “The Discipline of Market Leaders”, three valuable disciplines are set:

1. Excellence in the operation: conveniently delivering reliable services and/or products to the customers at competitive and reasonable prices. (For example: McDonalds, KFC and KingBurger)
2. Product leadership: delivering the products and/or services that continuously redefine the dominant quality, style or consuming-methods in the market (For example: Starbucks)
3. Consumer intimacy: delivering the best solutions instead of the product and/or service it-self (For example: KotiPizza delivered the solution for the combination of fast-food and home-made food) (Robinette et al. 2001)

Moreover, there are several elements that have been proven to be critically value to the customers: product features, quality, pricing, conveniences, support services, reliability and the expert advice (Treacy & Wiersema 1995).

### **3.3 Emotional and Cognitive Dimensions In Customer Satisfaction**

Due to the variable aspects of customers’ emotions and opinions, emotional and cognitive dimensions are considered as the nearest complete formula to measure the level of customer satisfaction.

Cognitive satisfaction is defined as customers’ evaluation, estimation and calculation towards the delivered services or products. This dimension is strictly parallel with the context of perceived value, which is mostly associated with the objective product values and attributes such as quality, delivery-time, price and follow-up services, etc. Consumers and members will constantly evaluate the benefits of their loyalty program and experiences from using the services or products. Thus, the assumption of product-cost’s worth would be given generally by the consumers. In contrast, emotional satisfaction is the experience of receiving the hedonic benefits and would not be accumulated or measured objectively. Customer who values emotional satisfaction will focus on trust, excitement, relationship, social status and pride. For example, it could be the atmosphere of a restaurant, the feeling of belongingness to the vendor, the

pleasure of enjoying a cup of coffee, the joy of being a member. (Güngör 2007, p. 18.)

Apparently, when a company is able to provide both cognitive and emotional dimensions, customer loyalty is strongly formed by occurring effective synergy. In further researches, effective (emotional) dimension is somewhat stronger than calculative (cognitive) commitment. Functional conditions such as competitive prices, convenient purchase or perfect location creating cognitive commitment might rapidly disappear once alternative competitors emerge. However, a bond, honest and balanced relationship with the consumers and members generating emotional commitment will establish a persistent, profitable relationship for both sides. Table 3 below indicates customer loyalty levels based on cognitive and emotional dimensions, according to Güngör (2007, p. 19).

Cognitive & Affective Satisfaction in Loyalty (cf. Oliver 1997, Wetzels, 1999)			
<i>Cognitive</i> (e.g., price)	Satisfaction	Partial satisfaction; vulnerable to competitive offers	Full satisfaction; strong loyalty
	Dissatisfaction	Disappointment; likely to switch	Partial satisfaction; vulnerable to competitive offers
		Dissatisfaction	Satisfaction
		<i>Affective</i> (e.g., service friendliness)	

Table 3. Customer Loyalty Level Based On Cognitive and Emotional Satisfaction (Güngör 2007, p. 19.)

### 3.4 The link between emotions and customer satisfaction

Emotions are the moderately new topics in customer behavior. Within understanding the consumers' experiences, emotional impact has played a crucial role since the last decade. In addition, there are the links among emotion, customer satisfaction (direct) and re-purchase decisions (indirect). (Oliver 1997, pp. 291-292.) Therefore, consumer satisfaction research and evaluation, as usually applied, presently requires researchers to proceed with the next stages, considering the unique and specific customer emotional impacts and emotional

knowledge structure which comprises the diversity and richness of the consumption experiences (Edwardson 1998, p. 18).

There are three main research lines referring to emotions and satisfaction:

- Satisfaction is on its own viewed as a product and/or service's emotional response.
- Emotions are interpreted as a mediator among cognitive evaluations.
- Emotions are patternized as the independent element that contributes to the perceived satisfaction's level.

(Liljander & Bergenwall 1999, p. 8.)

As the result of the research, emotions that customers, members associate with the product or service play a vital role in shaping customer satisfaction, and positive emotional impacts enhance customers' satisfaction (Liljander & Bergenwall 1999, p. 2).

Mood and emotion have been analyzed as part of both the consumption stages and service purchase, the results show:

- Consumers are willing to engage in extra behaviors that support service encounter's success when they are in the positive moods.
- Emotion and mood magnify and enhance the experiences constructing them either more negative or positive.
- Service consumption and service-memories are affected by emotions and moods.

(Zeithaml & Bitner 2003, p. 42.)

Therefore, customer satisfaction is contributed negatively or positively depending on customers' positive or negative emotions (Dolen, Lemmink, Mattsson & Rhoen 2001, p. 369). Table 4 on the next page demonstrates the link between emotions and expectancy disconfirmation framework. The table indicates that higher performances are required by higher expectations in order to create the positive emotions and effects (Oliver 1997, p. 315). Oliver claimed that positive encounters would result in positive expectation; this will increase the likelihood of

participating and interpreting the following encounter as positive (Oliver 1997, p. 389).

(Oliver, 1997:315)	DISCONFIRMATION		
EXPECTATION	<i>Negative</i>	<i>Zero</i>	<i>Positive</i>
<i>Low</i>	Disgust, anger, withdrawal	Tolerance, resignation, despair	Hope, promise, gratitude, relief
<i>Average</i>	Disappointment, dismay	Contentment, unemotion, indifference	Glee, pleasant, surprise
<i>High</i>	Disappointment to anger, resentment, betrayal	Happiness, pleasure	Delight, elation, ecstasy

Table 4. The link between emotion and expectancy disconfirmation framework (Oliver 1997, p. 315.)

There are two scales ranked in the table: expectation (low to high) and disconfirmation (negative to positive). According to the variation of expectation and disconfirmation, the result will be different. For example, if a customer has a low expectation towards the services, products or loyalty program's benefits and rewards plus the company is able to deliver them positively, the combination of emotions: hope, relief, gratitude and promise are triggered within the customers' feelings. (Oliver 1997, p. 315.)

### **3.5 Rewards in loyalty program and membership system**

#### **3.5.1 Preferred rewards from customers' point of view.**

In spite of the popularity of loyalty programs and membership systems in hospitality industry, the offered reward's attractiveness from customers' view point is quite little-known and obscure (Jang & Mattila 2005, p. 403). For that reason, this chapter would expose the preferences of customers towards rewards in loyalty programs and customers' motivations within loyalty reward programs. Different types of loyalty rewards such as redeem versus immediate rewards, necessary or basic rewards versus luxury ones, non-monetary versus monetary rewards are all examined in detail (Jang & Mattila 2005, p. 403).

Within hospitality and tourism industry, service providers offer rewards for customers based on their loyalty is progressively common (Kim, Shi & Srinivasan 2004, pp. 99-120). Consequently, loyalty program's members are currently able to purchase goods or services with the new currencies; for example, frequent flyer miles and Diner's Club Rewards (Dreze & Nunes 2004, pp. 59-71). Even though "frequent user" programs are increasingly popular, both famous articles and academic literature have some doubt about the effectiveness of them (Dowling & Uncles 1997, pp. 71-82; Fournier, Dobscha & Mick 1998, pp. 42-44). Specifically, an academic study of frequent members of a gambling company indicates that only one third of the loyalty program's members are truly loyal to the service provider (Baloglu 2002, pp. 47-50). Considering all of the opposing observations above, it is crucial to comprehend what types of rewards consumers prefer (Jang & Mattila 2005, p. 403).

According to Dowling and Uncles (1997), within customers' perspective, the first element that indicates a customer loyalty program's value is the timing of received rewards. Mattila (2001) claims that the majority of frequent-dining loyalty reward programs offer financial benefits and/or rewards based on redeem points. Moreover, delayed rewards or redemption may reduce the effectiveness and strength of customer loyalty reward programs.

Another element driving consumers' reward preferences is the sum of effort needed to reach one or many requirements of redeeming or gaining the rewards (Jang & Mattila 2005, p. 403). Generally, the receiving and usage of luxury rewards is quite difficult for members due to the guilty feelings and experiences (Kivetz & Simonson 2002). Moreover, Kivetz and Simonson (2002) indicate that if the redemption requirement is relatively high, consumers seem to fancy luxury benefits and rewards; for example, luxury wines instead of necessary benefits and rewards such as gas coupons. Restaurants normally tend to offer customers necessary rewards rather than luxury ones; however, the increased attempts and efforts lead to greater preferences for expensive or luxury reward-items (Jang & Mattila 2005, p. 403).

Further more, there is a research showing that members and consumers prefer luxury items if the required effort is high. The increased efforts tend to decrease

the guilty emotions of customers while receiving and consuming the luxury rewards. The study also indicates that there is still a blue ocean for developing membership systems and loyalty programs in the hospitality industry, especially in restaurant segment. In loyalty program, the improvements needed to be made are reducing the complication of showing loyalty cards, easier receiving processes and clear communication of program's benefits and rewards. Beside financial aspect, customers are searching for the convenience, entertainment and quality in the loyalty programs and membership systems they are holding (Jang & Mattila 2005, p. 407).

### **3.5.2 The links between customer rewards and loyalty program**

Michael Rothschild and Gaidis William (1981, pp. 70-78) have utilized the theory of behavioral learning to indicate that several types of rewards offered by existing customer loyalty programs might influence the customers' loyalty to the program it-self rather than the company, core services or products. Thus, loyalty program owners should focus on the involvement of customers in the center products and/or services. This can generally be accompanied by the small rewards and the core products, services. Companies should avoid emphasizing the incentives as the primary reward. Customer loyalty program could be defined by whether or not its incentives directly relate to or support the proposition of service's value or product's value offering to the members. For example, a hotel could offer one free night-stay or a free plane ticket. (Dowling & Uncles 1997, p. 10.)

Several psychologists were researching the importance of incentives in learning, behavior customization and behavior modification. Various cognitive theories that offer the insight observation of achieving loyalty to the service, product instead of the program have been developed. Five elements determining the loyalty reward program value are proposed in the literature. These elements are the value in cash of the redemption incentives, the width of reward choosing range, the value of aspirational aspects of the reward, the situation of using the incentives and the perceived probability of acquiring the rewards. (Dowling & Uncles 1997, p. 11.)

The attractiveness of a loyalty reward program may not only be originated from the reward's value, but also from the availability of the rewards. Several

psychological researches suggest that once loyalty reward program's redemption system is delayed or problematic, less powerful motivation will occur. Table 5 below illustrates different types of rewards based on whether the loyalty program's incentives support the service and/or product value proposition and the reward's timing. In the table, instant rewards are clearly preferable to delayed incentives and loyalty program owners might establish customer loyalty around the core services or products, not just the loyalty program by delivering the rewards that support directly core product's value proposition. (Dowling & Uncles 1997, p. 11.)

		<i>Timing of Reward</i>	
		<i>Immediate</i>	<i>Delayed</i>
<i>Type of Reward</i>	<i>Directly Supports the Product's Value Proposition</i>	<sup>1</sup> Retailer/Brand Manufacturer Promotions (Price Promotions)	<sup>2</sup> Airline Frequent Flyer Clubs, Coupons & Tokens
	<i>Other Indirect Types of Reward</i>	<sup>3</sup> Competitions & Lotteries (Instant Scratchies)	<sup>4</sup> Multi-product Frequent-buyer Clubs

Table 5. The different types of rewards based on the timing and product value proposition support (Dowling & Uncles 1997, p. 12.)

## **4 Methodology of the research: loyalty reward program member's satisfaction and opinions**

### **4.1 Research method**

The applied research methods for the research would be quantitative as the priority. The reason of prioritizing quantitative research method is the availability of collecting "rich data" from the relatively limited answers. "Rich" data is described as participants' subjective notions, emotional impacts, experiences and feelings. In contrary to quantitative research method, qualitative method tends to gather limited data from numerous samples. (Veal 2006, p.193.)

Due to the aim of targeting not only the purchase behavior and reward preference percentage but also every individual opinion upon benefits and disadvantages of the loyalty reward program, it is necessary to use both quantitative research as the primary and qualitative research as the secondary for gathering and interpreting the emotional factors, subjective opinions and useful statistics (preferences, usage behaviors) of international consumers and loyalty program's members. Quantitative research is required to be conducted carefully based on several statistical rules.

Prior to designing the online questionnaire aiming to gather the data, the current theories of the subject need to be well comprehended. The online questionnaire ought to be planned in detail and carefully tested in order to obtain usable data. Then, the research is conducted to collect the data, the results would be clarified according to the statistical rules. Consequently, the report is cautiously written. (Kananen 2011, pp. 72-73.)

Quantitative research methods are based on the variables. These variables may contain numerous attributes and give a specific name to the factor or the subject. The variables could now be divided into both qualitative and quantitative. Then, the measurement is carried out by selecting the appropriate and proper means of measurement, which comprises measurement units. (Kananen 2011, pp. 76-77.)

## **4.2 Data collection tool**

### **4.2.1 Questions formation**

The author had studied the questions' topic and found out the appropriate centers for the semi-structured online survey: demographic, customers' preferences upon provided services, customer loyalty program, reward system, customers' feelings and opinions. The questions were formed straight after the completion of the theoretical part. According to the precise targets of the study, the questionnaire is divided into three separate parts:

1. Demographic and background of the participants: consists of 4 questions which indicate participants' age group, net salary, residence and gender; since these sectors are related to customers' purchase behavior, spending, preferences and opinions.
2. Customers' preferences upon the services, customer loyalty programs and its incentives: consisting of 5 questions, investigating the frequency of service's usage, quantities and the level of satisfaction of loyalty reward programs that customers are holding, retention rate and incentives' preferences.
3. Opinions and feelings of customers towards existing customer loyalty reward programs: consisting of 2 questions which inquire both the favorite, interesting elements and the drawbacks, or disadvantages of customer loyalty reward programs.

At the end of the report, appendix 1: Semi-structured online survey in English and appendix 2: Semi-structured online survey in Vietnamese are shown.

### **4.2.2 Designing the semi-structured online survey**

The approach method that the author used is a semi-structured online survey including two open-ended questions. The surveys were designed in English and Vietnamese and comprised mostly quantitative questions. The only difference between English survey and Vietnamese survey is the salary question. The author used Euro (EUR; €) currency in English survey and Vietnam Dong (VND) in Vietnamese survey due to the variance of salary amount in Vietnam and other

parts of the world. For example, the lowest option for salary of English version is lower than 1,000 Euros/month, then the following average option is 1,000-2,000 Euros/month. While the lowest option of Vietnamese version is lower than 4,000,000 VND (approximately 152 EUR according to Google search engine on 20/04/2019), then the average options are 4,000,000 – 6,999,000 VND and 7,000,000 – 11,999,000 VND (approximately 152 – 267 EUR and 268 – 459 EUR according to Google search engine on 20/04/2019). These average options are formed based on the average salary of a graduated student in Vietnam (for Vietnamese survey) and in Finland (for English survey).

The designed questions aim to figure out the research issues. The demographic part comprises quantitative questions that outline the background of the participants. Closed-ended structure was used for most of the background related questions, except the question of residency. Within the “customers’ preferences upon the services, customer loyalty programs and its incentives” part, a closed-ended question’s form of multiple-choice grid is used for several questions. The form consists of different rows and columns that display as a table and the participants may choose one option within one specific row and column. For example, in “What kind of services do you usually use” question, there are different options in the rows: “Catering Services (Restaurant, café, etc...)”, “Accommodation (Hotel, resort, home-stay, etc...)”, “Transportation (Flight, bus, metro, etc...)”, “Others” and in the columns: “I’m not using the service”, “1-2 times per year”, “1-2 times per 6 months”, “1-2 times per 3 months”, “1-2 times per week”, “Everyday”. The participants may choose a combination of their own within every row and column such as “Catering services – I’m not using the service”, “Transportation – Everyday”. The author found that this method would be easier for displaying two different type/set of options together and easier for the participants to answer.

There are also different types of questions in the survey, for example: a measurement scale from 1 to 5 in the level of satisfaction question, which is designed to avoid neutral responses. Check-box style questions are designed for behavior related questions such as retention behavior, reward preferences in order to bring the comfort feelings for the participants when giving them the

availability to choose one or many options, they are also able to write other options that are not listed. In the final part: “Opinions and feelings of customers towards existing customer loyalty reward programs”, there are two open-ended questions about the customer opinions towards the customer loyalty reward program’s favorite elements and drawbacks. This encourages participants to freely express their opinions about the given topics with their own words. (Edwards, Thomas, Rosenfeld & Booth-Kewley 1997, p. 26.

In this study, Google Form online survey platform was chosen to create and conduct the survey due to the availability, cost-efficiency and fast interpretation. Furthermore, it would be easier for the respondents to approach and answer the survey because Google Form can be operated and opened in many platforms and devices such as PC, laptop and mobile phones.

### **4.3 Data collection process**

#### **4.3.1 Sampling method**

Sampling is crucial and extremely necessary due to the impossibility of collecting useful data from every individual in the population and the benefits of being cost-effective, time-saving while carrying out the research (Henry 1990). There are two types of sampling which are probability and non-probability. The quantitative method has priority in the research; therefore, the non-probability sampling style was used. Specifically, the author chose quota sampling as a priority, then convenience sampling and judgement sampling. Quota sampling is based on the demographics like gender, age, family status or socioeconomic group; in this study, quota sampling is based on whether the participants are the service’s consumers and loyal customers or not. Then, the survey was sent to different consumer groups or groups that contain international members on Facebook. Convenience sampling was used when the author posted the survey on Facebook and LinkedIn’s timelines publicly. Judgement sampling method was used as the author sent the survey directly to several friends that were known as consumers or a loyalty reward program’s holders.

### **4.3.2 Invitation process and data documentation**

Invitation for participating in the survey was made via both online method and “word of mouth”. Acquaintances, universities’ friends and professors, Facebook group’s members, Facebook’s friends, professional contacts on LinkedIn were invited to the survey via direct email or message as long as they match the criteria mentioned in the sampling method part. The Facebook group that the author sent the invitations are: Consumer 101 Public Group, International Students In Canada, International Students In Finland Public Group, International Students in Finland, Vietnamese Students In Lappeenranta, Vietnamese Students In Finland. Author started to post the invitation publicly on these groups from April 15<sup>th</sup> 2019. The posting time may vary due to the period of the admins of these pages accept the joining group request of the author. After receiving 67 answers, author has closed and deleted the posts in most of the groups at approximately April 23-26<sup>th</sup> 2019. In the aspect of data documentation, Google Form functions such as storing, analyzing, graphing and interpreting are available for the users. The invitation process and data documentation were done mainly online through Facebook, Facebook Messenger, Outlook Office 365 Mail and Google Form.

## **5 Results of the research: loyalty reward program members’ satisfaction and opinions**

### **5.1 Demographic and profile of the respondents**

In sum, there are 67 participants that answered the online survey. The author promised to not record the participants’ names, addresses, emails and other personal information; only age, net salary, gender and residence were recorded in order to serve the survey’s purposes. Two versions of the survey have been conducted, there are 36 answers from the English version and 31 answers from the Vietnamese version.

The participants’ residences are various, the author has got the responses from 17 different countries. Most of the answers are from Vietnam - 28 answers – 41.79% and Finland - 18 answers – 26.87%. The others are originated from France - 3 answers; USA, England, Italy and Netherlands – 2 answers each

country, Australia, Ireland, Germany, Hong Kong-China, Taiwan-China, Portugal, Brazil, India, Russia, and Canada - 1 answer each country.

Figure 6 below and Figure 7 on the next page are the participants' age group and gender data that have been analyzed from participants' demographic database.

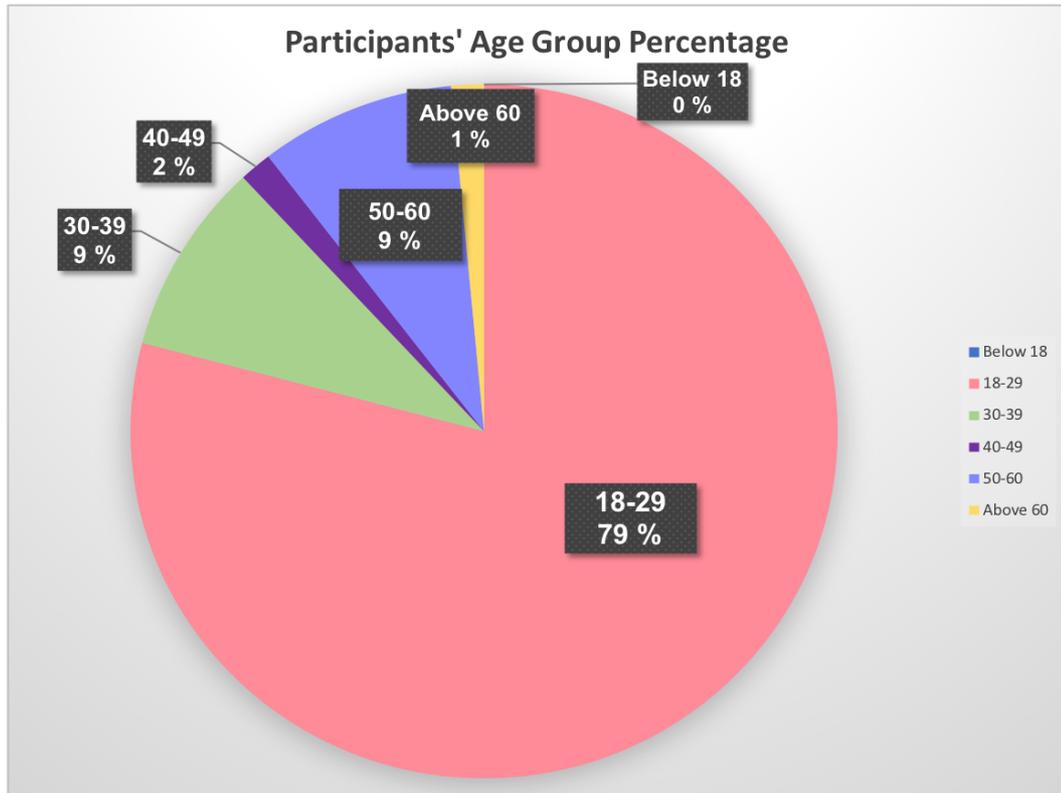


Figure 6. Participants' Age Group Percentage

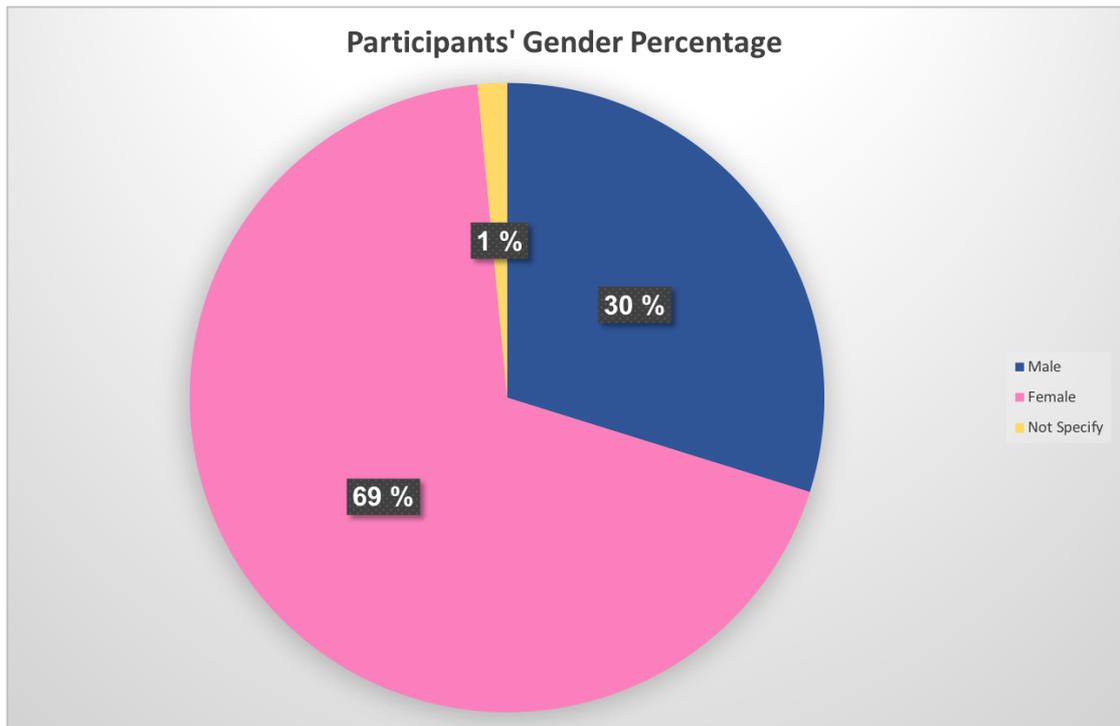


Figure 7. Participants' Gender Percentage

There is a difference in the salary section of the two survey versions. The amount of net salary's options given in the Vietnamese version is lower than those options in the English version due to the low living cost and monthly salary in Vietnam. Therefore, after summarizing the answers from both Vietnamese and English surveys, the author divides all of the answers into four sections: Below average, average, above average and high income.

For example, in English version, "Below 1,000 EUR per month" option is interpreted as "Below Average" due to the international, monthly living costs, "1,000-1,999 EUR per month" option is considered as "Average", "2,000-4,000 EUR per month" and "Above 4,000 EUR per month" are relatively interpreted as "Above Average" and "High Income". However, in Vietnamese version, "Below 4,000,000 VND" (Approximately 153 EUR according to Google search engine on 21/04/2019) is "Below Average" due to the relatively cheap living costs in Vietnam, "4,000,000 – 6,999,000 VND", "7,000,000 – 11,999,000 VND" (Approximately 153 – 268 EUR and 268 – 459 EUR according to Google search engine at 21/04/2019) are "Average", "12,000,000 – 20,000,000 VND" (Approximately 459 - 765 EUR according to Google search engine on

21/04/2019) is “Above Average” and “Above 20,000,000 VND” is considered as “High Income”. Based on that, the data has been analyzed and summarized in the table below.

<i>Salary</i>	<i>Below Average</i>	<i>Average</i>	<i>Above Average</i>	<i>High Income</i>
<i>Percentage</i>	52.24 %	22.39 %	17.91 %	7.46 %

Table 6. Respondents’ Income

## 5.2 Customers’ usage-frequency

In the survey, the question about what kind of services that participant often uses was asked in order to explore the customers’ preferences and usage-frequency upon the provided services: Catering services, accommodation services, transportation services and other services. In addition, this also aimed to clarify the segment of participants before conducting the next series of questions about satisfaction level and register, holding rates of the service providers’ loyalty programs.

As preliminary predictions, 43.28 % of participants claimed that they use the accommodation services 1-2 times per year. The rate indicates that customers rarely make the purchases in accommodation sector within a year in comparison to other services. Specifically, 29.85 % of respondents go to a restaurant, café or any other catering services 1-2 times per week and 28.36 % of the participants use transportation services every day. Other service options are listed in the answer section and nearly half of the respondents’ answers (40.30%) indicate that they do not use any other service within hospitality industry. Figure 8 on the next page will illustrate the customers’ usage frequency.

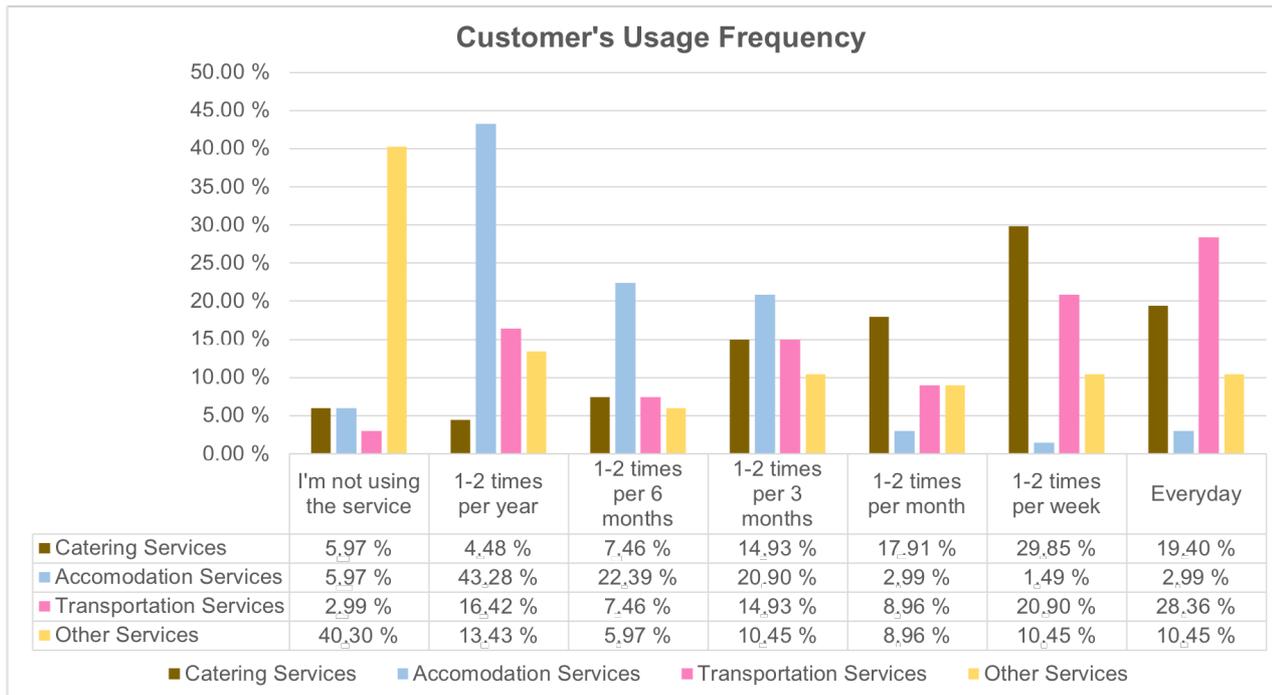


Figure 8. Customers' Usage Frequency

This data not only provides the detailed information on customers' usage frequency but also implies that the services' usage rates of the respondents are ordinary and natural. Which is ideal for the next step of the survey: Collecting the data of loyalty programs' register, holding rates and loyalty programs' satisfaction level.

### 5.3 Loyalty programs' register and holding rates

Based on the normal and natural statistics of customers' usage frequency data, the percentage of loyalty reward programs' register, holding rates of participants should be assembled. The question is about whether customers are in and, if they have registered to one or many loyalty reward programs of service providers in different hospitality industries. The options vary from "Not participating/ having" to "In and/or have registered more than 5 loyalty reward programs". The purposes of this question are to find out: "How attractive are loyalty reward programs of the service providers in different hospitality's industries are to customers?" and "Have service providers utilized the loyalty reward program market?"

Specifically, in the customers' usage frequency section, transportation services are proved to be the dominance of customers' everyday usage while customers

prefer to go for catering services 1-2 times per week. However, 44.78 % of the participants claimed that they are holding and/or have registered to 1-2 loyalty rewards programs of catering service providers in comparison with 31.34 % of transportation services. In addition, 16.42 % of the respondents possess and/or have joined more than 5 catering loyalty reward programs while just 5.97% of them have more than 5 transportation loyalty programs. Moreover, 44.78 % of the respondents stated that they are not participating in any loyalty program of transportation service providers. The particular statistics are exposed in the figure 9 below.

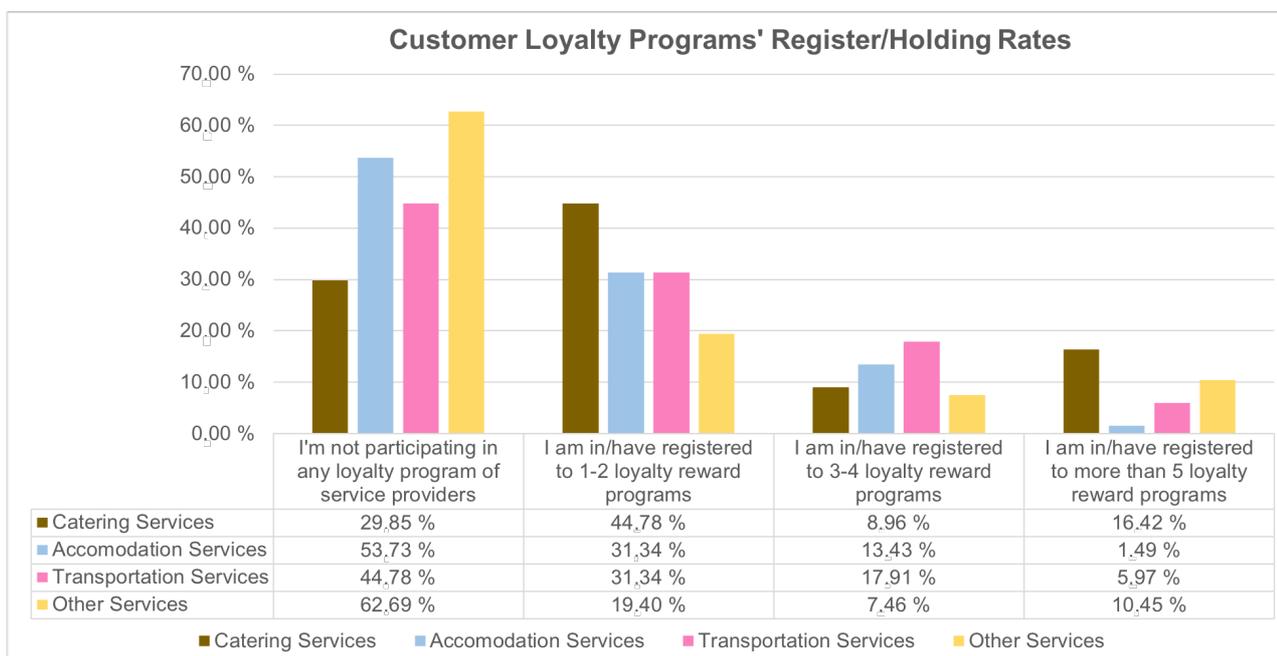


Figure 9. Customer Loyalty Programs' Register, Holding Rates

The data shows that customers tend to join and own catering loyalty reward programs rather than transportation loyalty reward programs although they use the transportation services more frequently. Clearly, the companies in the industry have not utilized the potential of developing customer loyalty programs. In the author's opinion, the reason could be the unattractiveness of the rewards of transportation loyalty reward programs, the lack of updating information and membership cards' appearance.

The customer loyalty programs' register, holding rates of accommodation is quite understandable. Due to the infrequent usage, 53.73 % of the participants claimed

that they are not participating in any accommodation loyalty program of any service provider and just 1.49% of the respondents have more than 5 accommodation loyalty reward programs. Last but not least, the highest loyalty programs holding rate belongs to catering industry while the accommodation industry has the lowest percentage of customers participating in loyalty reward programs.

#### 5.4 Customers' satisfaction level towards loyalty reward programs

In the question of satisfaction level, respondents are asked to rank the level of their satisfaction towards loyalty reward programs provided by different companies in hospitality industry. There is a scale from 1 (Not satisfied at all) to 5 (Super satisfied) for the participants to answer, through this method, the author could avoid vague responses. Figure 10 below demonstrates the loyalty reward programs' satisfaction level.

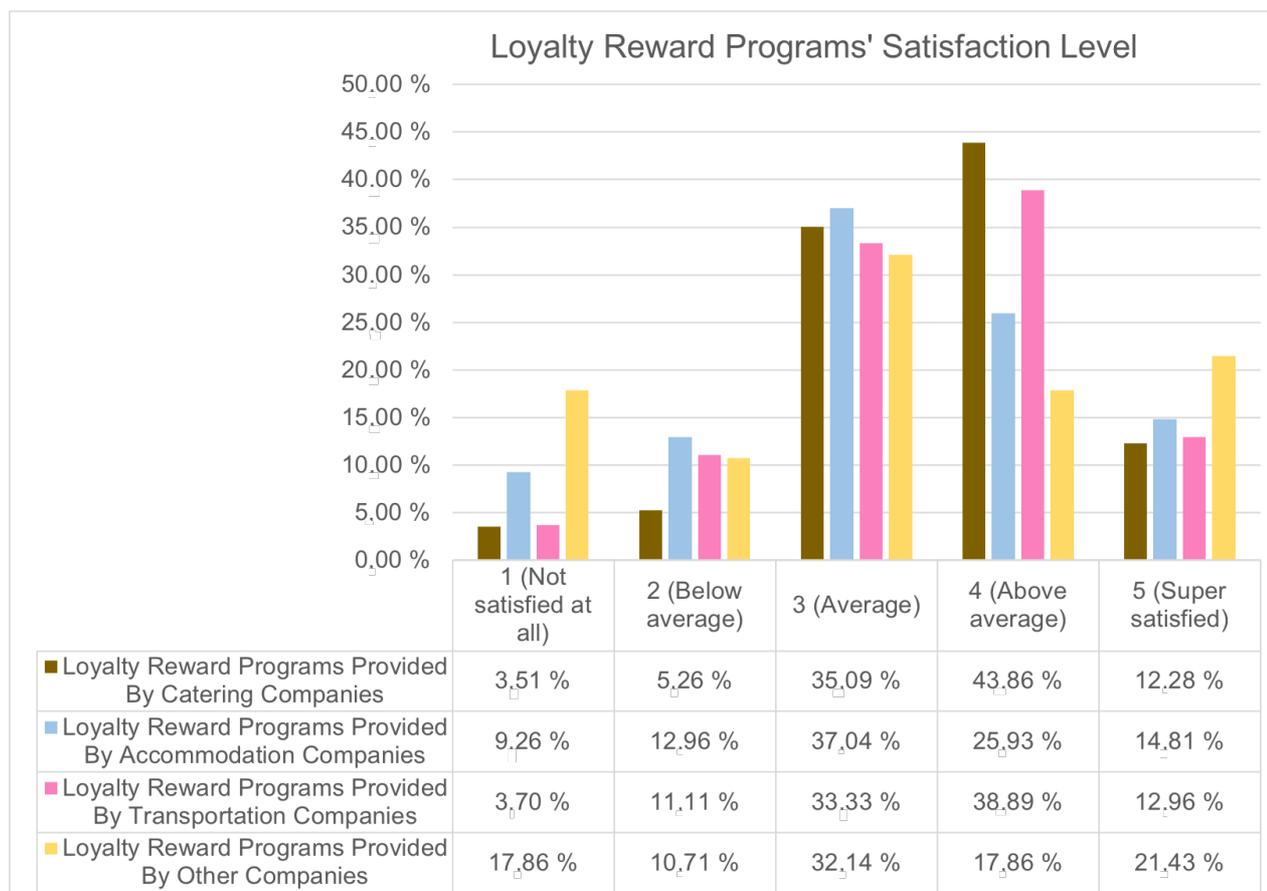


Figure 10. Loyalty Reward Programs' Satisfaction Level

The chart above indicates the satisfaction level of customers/members towards customer loyalty reward programs provided by different companies that they are holding. With the loyalty reward programs provided by companies in other industries, the participants are quite extreme when having the most answers indicate that they are either not satisfied or super satisfied. At the section of level 1 (Not satisfaction at all), 17.86 % of the respondents select loyalty reward programs provided by companies from other industries. Besides, 21.43 % of the respondents claimed that they are super satisfied with the loyalty reward programs provided by these companies. At level 4 (Above average), 43.86 % of respondents choose catering loyalty reward programs and 38.89 % of them select transportation loyalty reward programs. This correlates with the results interpreted from the previous part, catering and transportation loyalty reward programs having the superior holding/register percentage.

Moreover, it is visible that there is a firm link and a strong connection between the customer satisfaction level in this section and customer holding rates from the prior part. From the prior part, the accommodation companies are confirmed to have the lowest rates of customers holding or joining in their loyalty reward programs. As shown in the figure 10, the blue columns, which indicate accommodation loyalty reward programs, are one of the dominance in the options of level 1 (Not satisfied at all) and 2 (Below average). Moreover, the blue columns are the shortest in the section of level 4 (Above average) and 5 (Super satisfied). Statistically, 22.22 % of customers claimed that their satisfaction level towards accommodation loyalty reward programs are 1 (Not satisfied at all) and 2 (Below average) in comparison with the number of only 8.77 % of catering loyalty reward programs and 14.81 % of transportation loyalty reward programs. Furthermore, only 40.74 % of the participants selected that they either have the above average satisfaction level or are super satisfied with accommodation loyalty reward programs while these numbers of catering loyalty reward programs and transportation loyalty reward programs are 56.14 % and 51.85 % respectively.

## 5.5 Customers' retention behavior while holding loyalty reward programs

In the online survey, there is a question aiming to interpret the customers' retention behavior as well as the retention's opinions of customers who are holding the customer loyalty reward programs. The question is designed as semi-structured. The participants are able to choose more than 1 option and/or write their opinions if they select "Other" option.

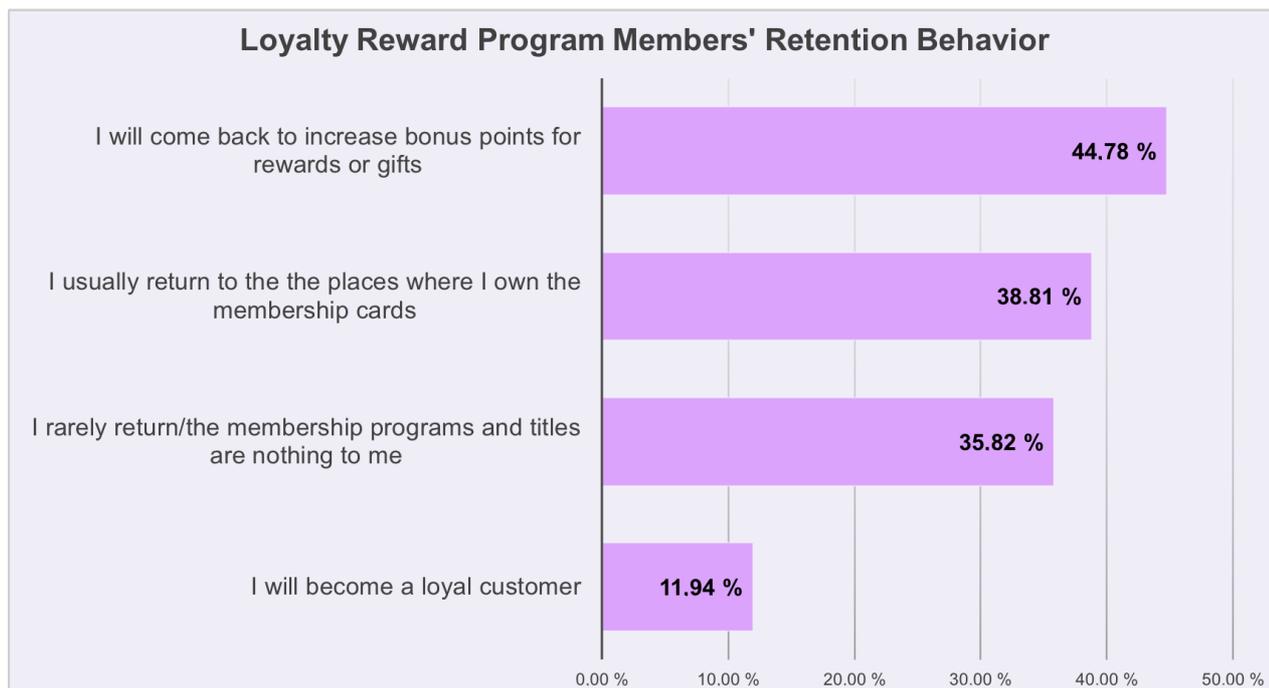


Figure 11. Customers' Retention Behavior

As indicated in the figure 11 above, only 11.94 % of the respondents will become a loyal customer when they are holding the customer loyalty reward programs. With the options of "Members usually return to the service providers that they are participating in the loyalty programs" and "Rarely return, the titles and loyalty reward programs will not affect the retention decisions", there is the approximately even statistics: 38.81 % and 35.82 % respectively. Besides, 44.78 % of the participants claimed that they will come back to the service providers to increase the redemption points for the incentives.

In addition, there are 2 respondents who wrote their own opinions beside the default options. One claimed that only if she/he is satisfied with the companies,

or service providers, then she/he will register as a loyal customer and frequently return. Another stated: “The loyalty reward programs that I am holding do not affect my return, I just usually return to the places that I both participate in the loyalty program and am satisfied with the quality of provided services.” Last but not least, the data shows that holding the customer loyalty reward program of any specific company does not really influence the retention decisions of the members. If the redemption rewards are attractive enough, the members tend to return in order to finish the redemption process and earn the incentives.

## 5.6 Reward preferences

The reward preferences question is also designed to be a semi-structured one which allows participants to freely add their own opinions if selecting the box “Others”. The listed answers are the common rewards that customer loyalty reward program owners usually offer. The participants were allowed to select one or more answers based on their preferences. Figure 12 indicates the data of customers’ preferred reward types.



Figure 12. Customers’ Reward Preferences

As shown above, “Promotional discount coupon”, “Free voucher using products/services from the same service providers” and “Accumulating points to exchange products” are the three most popular answers with 58.21 %, 55.22% and 52.24% of respondents’ selections respectively. There are numerous service providers from different industries using these kinds of rewards as their main loyalty reward programs’ incentives and the interpreted data shows that customers and members actually favor these incentives.

The old school type of reward: “Have a chance to win a big prize (Free holiday trip, 1 year using the services/products or may win a house/car/motor bike when purchasing the products)” is proved to be less effective even though the monetary value of the offered incentives is much higher than other rewards. As mentioned in the theoretical part 3.5: Rewards in loyalty program and membership system, the total effort needed to redeem the incentives is one of the elements driving customers’ reward preferences. The value of this reward type is high but the “Chance and opportunity” words in the incentive’s description create a difficult-to-earn feelings in the customers. In addition, if the loyalty reward programs’ redemption system is problematic or delayed, less powerful motivation would happen. Consequently, members do not considerably prefer this type of reward as only 16.42 % of the participants select big prize option.

Moreover, there is one respondent who indicates that he prefers personalized gifts or rewards instead of the common incentives of loyalty reward programs.

## **5.7 Opinions and feelings of customers towards existing customer loyalty reward programs**

The two final questions were open-ended questions. The participants were able to freely give opinions about advantages and disadvantages as well as their favorite or disliked parts of the existing customer loyalty programs. These 2 open-ended questions were not required when respondents answered the online-survey form.

### 5.7.1 Favorite parts and interesting elements of customer loyalty reward programs.

Forty-four out of 67 respondents answered the question. The answers in English are kept as the original or paraphrased to preserve the authenticity of customers' opinions, the answers in Vietnamese are translated to English by the author. As shown below are the figures representing all received answers; vague and entirely similar answers will be deducted.

What are your favorite parts in the existing loyalty programs (Beautiful membership cards from company A, good rewards from company B, etc...):

- Good rewards.
- Discounts, rewards, V.I.P membership.
- Good rewards, pretty membership cards, receive exclusive/limited edition products.
- The benefits.
- Discounts.
- Useful rewards.
- Good sales, anything to save money basically.
- Special offers only for me, to "show off" to friend that I've got a special status if I was a VIP.
- CITI or Finnair.
- Good rewards and newsletters about upcoming deals and promotions.
- Good rewards from flight service.
- Good rewards/ birthday special promotion.
- Upgrades and access to lounges.
- Having discounts or free products from restaurants/coffee shops.
- A real bonus for old membership and for birthday.

Figure 13. Answers from the participants part 1

- Beautiful membership cards, polite employees.
- I love it when the companies send me cake on my birthday.
- My house is near E-mart so I am a loyal customer of E-mart. The membership card is quite beautiful, the discount is directly calculated from the bills and there is also a program allow customers save points to purchase items with cheap prices.
- Lots of cash back.
- Pretty membership card is the first element driving my impression towards any company, it makes me want to carry in my pocket and happy when I use it. Valued gifts definitely attract the customers and useful gifts will not make customers feel redundant.
- Conveniences.
- I often participate in loyalty programs from online shops such as Tiki, Shopee. In these shops there is a form of saving coins when buying goods and purchase items by the amount of coins I have accumulated. Especially Shopee has organized games to accumulate coins, so it attracts many people to join and buy goods here. In addition, these online shops also have many programs offering discount vouchers, or attractive free shipping codes.
- Direct discounts on the products.

Figure 14. Answers from the participants part 2

- A pet shop that I visit every month has a 5% discount for every purchase when I have a membership card.
- Free trial use for a certain period of time for a registered customer account.
- Starbucks.
- Pretty membership card of Family Mart.
- Cards are elegantly and beautifully designed.

Figure 15. Answers from the participants part 3

Most of the answers are objective opinions about the existing loyalty reward programs and the answers are various. However, a large number of participants

have a special interest in the membership cards' designs beside good, valuable, useful rewards and discounts.

### **5.7.2 The drawbacks and disadvantages of customer loyalty reward programs.**

Forty-two out of 67 respondents answered the question. The method is similar to the prior part. English answers are kept authentic or paraphrased, Vietnamese answers are translated to English by author. The graphs below show all of the received opinions.

What are the drawbacks that you have experienced from the existing loyalty programs (Specific example is strongly appreciated):

- Hotels: few points/rewards per stay.
- Not always fair or useful.
- Spent way too much money to get a loyalty program card.
- Sometimes too many junk mails, leaking email or phone number (privacy matters).
- The expiration time.
- Take time to check the membership.
- Sometimes the loyalty programs cannot provide the customer with the lowest price on the market.
- I didn't get the gift promised (they run out) or the extras promised. The gift was much smaller in size than I expected it to be. The picture was misleading.
- Sometimes, rewards are quite small.
- Too many commercial e-mails - weekly, almost daily.
- Sometimes they send too many emails and notifications. Also the points of some loyalty program will not be transferred to the next calendar year if not fully used for this year, which causes me to lose many points for nothing since I could not make use of them for the time being.
- Tied to one place
- Sometimes hard to redeem reward

Figure 16. Answers from the participants part 4

- Sometimes the necessary technology does not work and I am not able to use the services.
- From my experience, you end up being obligated to use the same service and usually it isn't as good as it is marketed.
- Not receiving anything in return apart from propaganda to keep buying.
- If we lost our card, that can be difficult to benefits bonus.
- The staff did not remember my face even though my membership card has a very high score.
- Useless gift.
- Need more types of promotions
- Little or almost no outstanding activity
- Ugly card.
- Some companies require customers to always carry membership cards every time they earn points. There are cases when guests forget the card and the points will not be counted. At this point, I think each company should be flexible in the process of accumulating points. For example, the possibility to accumulate points based on records stored on the system if guests forget the card.

Figure 17. Answers from the participants part 5

As indicated from the figures 16 and 17 above, the answers for disadvantages in loyalty reward programs are diverse. To summarize, many respondents indicated that the problems are in the accumulating points process (fewer points, hard to redeem, unclear communication about the rewards, showing cards requirements, not remembering the customers' information, etc.). Reward problems (Unrealistic, useless gifts) are also significant drawbacks of the loyalty reward programs. Some customers are concerned about the privacy matters and many of them feel bothered by too many promotional notifications as well as spam e-mails. Based on the encouragement of expressing the personal experiences and stories, every answer is a specific case, which is significantly valuable for the purpose of experimenting the customers' opinions, ideas and emotional factors.

- Need to consult the tastes/preferences of guests before giving the gifts, vouchers ... There are many companies "give gifts" but do not pay attention to the quality of gifts. For example, a colourful t-shirt, bad print. Nobody wants to receive gifts like that.
- Some loyalty programs require customers purchase 9-10 times before exchange these points to get a reward. However, the actual demand of customers for the company or product/service is not much and customers simply cannot reach the number of 9-10 times purchase.
- Lucky Draw
- Few accumulated points and not much valuable to use: membership card of Vin-mart company.
- Requesting a card, not remembering customer information, not too many special benefits compared to other consumers.
- The coupon card I registered at a store branch cannot be used at another store branch.
- There is nothing interesting besides promotion
- The family mart cards allow customer saving points for discounts but the amount of discount is too low.
- Unclear communication.

Figure 18. Answers from the participants part 6

## 6 Conclusion

According to the survey answers, 79% of the respondents are 18-29 years old and 52.24% of the respondents have below average salary. Consequently, the results of the survey may not be massively applicable for companies, enterprises and researchers which are focusing on the target groups that are different from young generation. It is suggested by the author that further research should be conducted in the future in order to gain answers from more various segments. However, the survey met the international requirement due to gaining answers from respondents in 17 different countries. The authenticity of the survey is confidentially guaranteed.

Current influence levels of the loyalty reward programs are not really impressive although the concept has been developed through many decades. In the survey, 35.82 % of the respondents claimed that they rarely return to the points of sales as the members and/or the membership titles have no impacts on the purchasing behaviors of them. Therefore, it is easy to point out that existing loyalty reward programs do not possess an effective pattern in terms of attracting new customers nor holding the current members within the programs.

The results of the research “Loyalty reward program member’s satisfaction and opinion” show that customer loyalty program is a huge market which possesses plenty of exploitable potentials. Although the customer loyalty reward program is not a new concept for companies, existing customer loyalty reward programs in hospitality industry are still quite problematic and the major problem is the lack of flexibility in customer loyalty reward programs.

In the aspect of reward preferences, generally, it is easy to observe from the prior part that every favorite reward option is related to the core products or services and the disfavored reward options are usually something not related to the core products/services. This links to the theory mentioned in the “Rewards in loyalty program and membership system” part: the incentives should support the value’s proposition of the core services or products and the service providers ought to pay attention to the connection of the core products/services and the offered incentives. Those methods not only make the customers more loyal to the core products/services instead of the loyalty program it-self but also enhance the attractiveness of both the incentives and loyalty reward programs.

The opinions of the customers and members are various. The two open questions are designed to collect as diverse opinions as possible. In the “favorite parts in the existing loyalty programs” section, there are four main aspects that attract and please the members as well as the potential customers:

- Financial benefits such as discounts, saving, free products, cash back, direct discounts on the products, free trial usage, free shipping codes, etc. (20.45 % of the answers)

- Rewards related such as good and useful rewards, etc. (18.18 % of the answers)
- Special, V.I.P or personalized treatment, follow-up (18.18 % of the answers)
- Well-designed membership cards (13.63 % of the answers)

Most of the current loyalty reward programs solve the financial problems for the loyalty programs' members. Although big data is a huge advantage for business in this era, the personalized treatment and follow-up adaptations and application are quite limited currently in hospitality companies. Hotels normally provide the mass loyalty reward programs which basically offer the same rewards and benefits for the members in every specific tier.

These programs treat the people as their tiers, not the personal characteristics. In addition, the companies rarely pay attention to the well-designed membership cards factor. Customers tend to carry the cards that are more beautiful in their wallet and consequently, this leads to less consumption and attention to the companies that provide ugly membership cards. As the result, the level of satisfaction of loyalty reward programs provided by the accommodation companies are quite low even though they seem like a pioneer in the hospitality's loyalty reward program sector.

In spite of numerous answers about the drawbacks, disadvantages of the existing loyalty reward programs have been collected, they can be summarized as two main problems:

- The operations and/or functions of the loyalty reward programs are problematic; for example, redeem points convert system, lack of technology, simple and monotonic types of promotions, unclear communication, requesting cards, privacy matters, etc. (38.63% of the answers)
- The offered benefits are not attractive or are not worth the effort of the members; for example, acquiring loyalty reward program card requires excessive spending, the usage experiences are not as good as the

marketing, few accumulated points and not valuable to use, etc. (22.72% of the answers)

It can be indicated that the operation and performance of the existing loyalty reward programs are still quite problematic. Thus, the customer loyalty reward programs have not fully utilized the potentials of the current market. The offered reward is recommended to be carefully consulted in order to match the demand of the customers and members.

## **7 Discussion**

The research has interpreted several aspects as the basic guidelines for companies to build an effective customer loyalty program and membership system. Before building a customer loyalty program, the enterprises should clearly define the goals: primary and/or secondary and metrics of the loyalty program, target the consumers' group and segment. Following, the typology of the loyalty program is chosen based on the financial potential and companies' ability. Then, the loyalty reward program would be established, implemented and maintained. Currently, the customer loyalty program market is quite competitive and the companies' loyalty reward programs ought to be regularly updated. In addition, new technology and method is recommended to be adapted such as E-loyalty, mobile phone application, etc.

Developing a customer loyalty reward program is a long-term path which requires the owners and developers to understand the purchase behavior, emotional impacts and customers' loyalty. It is a cycle of providing the loyalty service and collecting and interpreting up-to-date and precise customers' data. It is necessary that the loyalty programs' developers can comprehend the core of customer loyalty, customer satisfaction and expectation as well as the emotional and cognitive dimensions in customer satisfaction. Consequently, accurate decisions of developing the loyalty program patterns, reward system, benefits and appropriate marketing plan are given in order to establish a long-lasting and effective loyalty program.

The survey has interpreted different opinions from the respondents and provided various approaches in terms of analyzing the empirical results with the theoretical parts. The theoretical and practical parts went well together in the report. Table 7 below represents the synchronization of empirical part and theoretical part in the report.

Theoretical Parts	Empirical Questions	Purposes and explanations
<p>2.2. Goals, objectives and metrics of the loyalty program.</p> <p>2.3. Target group of the loyalty program</p>	<p>Questions 1, 2, 3 and 4: Age group, salary, residency and gender.</p>	<p>Understanding the respondents' segments of the survey then interpreting it with the theoretical parts in order to help companies find out how to define their target groups and target goals in designing customer loyalty reward programs.</p> <p>Supporting the researchers to clearly determine the methods of defining the basic goals, objective and target group of a customer loyalty reward program.</p>
<p>2.4. Typology of loyalty program.</p> <p>2.5. Loyalty program concept and the elements of loyalty programs.</p> <p>2.6. E-loyalty.</p>	<p>Questions 10 and 11: "What are your favorite and interesting parts in the loyalty programs?" And "The drawbacks and disadvantages you have experienced while using the loyalty programs"</p>	<p>The author has mentioned specific interpretations of the results of questions 10 and 11 in the part 6: Conclusion. Respondents' opinions about advantages and disadvantages in terms of functions, typology, concept, rewards, elements are interpreted in the conclusion part. As a result, readers, researchers and companies are able to understand the practical notions in comparison with the theoretical knowledge presented in part 2.4, 2.5 and 2.6.</p>
<p>All of part 3: Understanding the customer loyalty, customer satisfaction and members' behaviors in order to create a suitable reward system in loyalty programs.</p>	<p>Questions 5, 6, 7, 8 and 9: Customers' service preferences, return and purchase behaviors while holding customer loyalty reward program, reward preferences, loyalty reward programs' holding percentage and satisfaction.</p> <p>And question 10, 11.</p>	<p>The questions 5, 6, 7, 8, 9 and theoretical part 3 support each other in terms of interpreting the most important features in this report: Customers' service preferences and loyalty, customer satisfaction, return and purchase behaviors while holding customer loyalty reward program, reward preferences, loyalty reward programs' holding percentage and satisfaction. As a result, readers, researchers and companies are able to understand what the real needs of the customers and members are. Thus, create an effective pattern for a loyalty program as well as a suitable reward system.</p>

Table 7. Synchronization of theoretical part and empirical part.

The author firmly advises the companies to locate the right awareness in their customer loyalty reward program. The service design should be customer centric and the loyalty reward programs need to surround the companies' image and core services/products, not the loyalty program itself. Further research and examination on customers' feelings and satisfaction towards every aspect of loyalty reward program must be conducted in order to continuously develop the modern system, pattern and methods of customer loyalty reward program in the future. With the future solutions, there will definitely be great increases in customer loyalty programs' usage-frequency, register/holding rates and satisfaction level. The attractiveness of a customer loyalty program could be enhanced by a practical reward system in which the provided rewards are schemed to support the core products and services.

Throughout the writing report process, the author has accumulated various useful knowledge which serve the future career path. However, there are some minor points that could be done better in the report or the author would like to re-do it if was possible to turn back to the beginning. In the author's opinion, the total number of survey responses: 67 answers, is not really satisfactory but it is due to the lack of time conducting the research. Moreover, all of the questions just covered 85-90 % of the total theoretical part, questions about or for companies should have been conducted in order to cover some first chapters of part 2. However, the amount of provided academic knowledge and practical information from the survey and from various sources is properly interpreted and nicely done. The structure of the report is logical, easy to follow and reader-friendly. Last but not least, it is a great experience to conduct the thesis and the author is satisfied with the report as a whole.

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28/04/2019

Survey: Loyalty Program and Membership System

## Survey: Loyalty Program and Membership System

Hello,

I am Châu Chiêu Phúc, a third year student at Saimaa university of applied sciences in Finland, my faculty is Tourism and Hospitality, degree program in Tourism and Hospitality Management. I am currently writing a thesis within loyalty program and membership system and need to conduct a survey about frequency and customer's satisfaction towards the customer loyalty program that they are participating.

Survey response time is approximately 15 minutes including 10 questions. Your name and personal information will not be recorded, only age, average salary and gender will be saved for research purposes.

Thank you so much for taking the time to participate in the survey.

**\*Required**

### 1. What is your age? \*

*Mark only one oval.*

- Below 18  
 18-29  
 30-39  
 40-49  
 50-60  
 Above 60

### 2. Please specify your net salary. \*

*Mark only one oval.*

- Lower than 1000 Euros/month  
 1000-1999 Euros/month  
 2000-4000 Euros/month  
 Higher than 4000 Euros/month  
 Other: \_\_\_\_\_

### 3. Where is your residence? (City and Country)

\*

\_\_\_\_\_

### 4. What is your gender? \*

*Mark only one oval.*

- Female  
 Male  
 Others

# Appendix 1. Semi-structured online survey (English version)

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Survey: Loyalty Program and Membership System

**5. What kind of services that you usually use? \***

*Mark only one oval per row.*

	I'm not using the service	1-2 times per year	1-2 times per 6 months	1-2 times per 3 months	1-2 times per month	1-2 times per week	Everyday
Catering Services (Restaurant, café, etc...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accommodation (Hotel, resort, home-stay, etc...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Transportation (Flight, bus, metro, etc...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Others	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**6. What kind of services that you are holding/have registered as a loyal customer? (For example, participating in loyalty programs of any service provider, having membership cards, etc...)\***

*Mark only one oval per row.*

	I am not participating in any loyalty program of service providers	I am in/have registered 1-2 programs	I am in/have registered 3-4 programs	I am in/have registered more than 5 programs
Catering Services (Restaurant, café, etc...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accommodation (Hotel, resort, home-stay, etc...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Transportation (Flight, bus, metro, etc...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Others	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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Survey: Loyalty Program and Membership System

**7. As a customer, do you satisfy with the loyalty programs/membership system of the service providers? With the scale from 1 to 5, please specify your satisfaction level towards different kind of service providers. \***

Scale from 1 (Not satisfied at all) to 5 (Very satisfied)  
 Mark only one oval per row.

	1 (Not satisfied at all)	2 (Below average)	3 (Average)	4 (Above average)	5 (Super satisfied)	I am not participating in any loyalty program of service providers
Loyalty programs provided by catering companies (Restaurant, café, etc...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Loyalty programs provided by accommodation companies (Hotel, resort, home-stay, etc...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Loyalty programs provided by transportation companies (Flight, bus, metro, etc...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Loyalty programs provided by other companies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**8. How frequent will you return to the service provider if you have registered as a loyal member. \***

Tick all that apply.

- I rarely return/ the membership program and title are nothing to me
- I usually return to the the places where I own the membership card
- I will come back to increase bonus points to rewards or gifts
- I will become a loyal customer
- I am not participating in any loyalty program of service providers
- Other: \_\_\_\_\_

**9. Your preferred types of rewards \***

Tick all that apply.

- Accumulate points to exchange products
- Promotion discount coupon
- Gift from the same supplier
- Gift from different suppliers
- Free voucher to use products from the same supplier
- Free voucher to use products from different suppliers
- Have a chance to win a big prize (A free holiday trip, 1 year using the products, have a chance to win a car/motorbike when purchasing the product, etc...)
- I am not participating in any loyalty program of service providers
- Other: \_\_\_\_\_

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Survey: Loyalty Program and Membership System

**10. What are your favorite/interesting parts in the loyalty programs (Pretty membership cards from provider A, good rewards from flight service providers, etc...)**

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**11. The drawbacks/disadvantages you have experienced while using the loyalty programs (it would be great if you give the specific examples)**

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28/04/2019

Khảo Sát Về Chương Trình Khách Hàng Thân Thiết

## Khảo Sát Về Chương Trình Khách Hàng Thân Thiết

Xin Chào,

Mình là Châu Chiêu Phúc, học sinh năm cuối của trường đại học khoa học ứng dụng Saimaa tại Phần Lan với chuyên ngành quản trị nhà hàng khách sạn và du lịch (Tourism and Hospitality Management). Hiện tại mình đang viết luận án với chuyên đề Loyalty Program and Membership System (nghiên cứu về những đặc tính của các chương trình khách hàng thân thiết và chương trình khách hàng thành viên).

Thời gian trả lời khảo sát sẽ rơi vào khoảng 15 phút. Nhóm câu hỏi dưới đây bao gồm mười câu hỏi. Tên và những thông tin cá nhân của bạn sẽ không được lưu trữ, chỉ có độ tuổi, mức lương trung bình và giới tính sẽ được lưu lại cho mục đích nghiên cứu.

Mình cảm ơn rất nhiều vì các bạn đã dành thời gian tham gia khảo sát.

**\*Required**

### 1. Vui lòng chọn nhóm tuổi của bạn \*

*Mark only one oval.*

- Dưới 18
- 18-29
- 30-39
- 40-49
- 50-60
- Trên 60

### 2. Mức lương trung bình của bạn \*

*Mark only one oval.*

- Dưới 4.000.000 VND
- 4.000.000 - 6.999.000 VND
- 7.000.000 - 11.999.000 VND
- 12.000.000 - 20.000.000 VND
- Other: \_\_\_\_\_

### 3. Nơi cư trú (Thành phố, quốc gia) \*

\_\_\_\_\_

### 4. Giới tính của bạn \*

*Mark only one oval.*

- Nam
- Nữ
- Không muốn nêu cụ thể

## Appendix 2. Semi-structured online survey (Vietnamese version)

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Khảo Sát Về Chương Trình Khách Hàng Thân Thiết

### 5. Bạn thường sử dụng loại hình dịch vụ nào \*

Mark only one oval per row.

	Tôi không sử dụng dịch vụ này	1-2 lần mỗi năm	1-2 lần mỗi 6 tháng	1-2 lần mỗi 3 tháng	1-2 lần mỗi tháng	1-2 lần mỗi tuần	Mỗi ngày
Dịch vụ ăn uống (Nhà hàng, quán cà phê, v.v...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Dịch vụ nhà ở (Khách sạn, resort, home-stay, v.v...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Dịch vụ đi lại (Máy bay, xe buýt, metro, v.v...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Khác	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

### 6. Bạn có hoặc đã từng đăng ký làm khách hàng thân thiết/sở hữu thẻ thành viên của các nhà cung cấp dịch vụ không? (Ví dụ như thẻ/app tích điểm, đăng kí những chương trình khách hàng thân thiết) \*

Mark only one oval per row.

	Tôi không tham gia bất kỳ chương trình khách hàng thân thiết nào của loại hình dịch vụ này	Tôi có tham gia 1-2 chương trình khách hàng thân thiết	Tôi có tham gia 3-4 chương trình khách hàng thân thiết	Tôi có tham gia hơn 5 chương trình khách hàng thân thiết
Dịch vụ ăn uống (Nhà hàng, quán cà phê, v.v...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Dịch vụ nhà ở (Khách sạn, resort, home-stay, v.v...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Dịch vụ đi lại (Máy bay, xe buýt, metro, v.v...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Khác	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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Khảo Sát Về Chương Trình Khách Hàng Thân Thiết

7. Với tư cách là khách hàng, bạn có hài lòng với những chương trình khách hàng thân thiết của những nhà cung cấp dịch vụ không? Với thang điểm từ 1 (Rất không hài lòng) tới 5 (Rất hài lòng), bạn hãy vui lòng cho biết mức độ hài lòng của bạn đối với các dịch vụ nêu dưới đây. \*

Scale from 1 (Not satisfied at all) to 5 (Very satisfied)

Mark only one oval per row.

	1 (Rất không hài lòng)	2 (Dưới mức trung bình)	3 (Trung bình)	4 (Trên mức trung bình)	5 (Cực kỳ hài lòng)	Tôi không dùng các chương trình khách hàng thân thiết
Chương trình khách hàng thân thiết được cung cấp bởi các công ty dịch vụ ăn uống	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chương trình khách hàng thân thiết được cung cấp bởi các công ty dịch vụ nhà ở	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chương trình khách hàng thân thiết được cung cấp bởi các công ty vận chuyển	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chương trình khách hàng thân thiết được cung cấp bởi các công ty khác	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

8. Mức độ thường xuyên quay lại sử dụng dịch vụ khi bạn sở hữu thẻ thành viên \*

Tick all that apply.

- Mình ít khi quay lại/ thẻ thành viên không quyết định việc sử dụng dịch vụ của mình.
- Mình thích chọn những nơi mà mình sở hữu thẻ thành viên hơn
- Mình sẽ quay lại để tăng điểm thưởng/tích điểm thành quà tặng
- Mình sẽ trở thành khách hàng thân thiết
- Tôi không dùng các chương trình khách hàng thân thiết
- Other: \_\_\_\_\_

9. Bạn vui lòng chọn một hoặc nhiều loại hình quà thưởng mà bạn thích được nêu dưới đây. \*

Tick all that apply.

- Tích lũy điểm để đổi sản phẩm
- Coupon khuyến mãi theo phần trăm
- Tặng kèm sản phẩm không cùng nhà cung cấp
- Tặng kèm sản phẩm của cùng nhà cung cấp
- Voucher miễn phí sử dụng sản phẩm của cùng nhà cung cấp
- Voucher miễn phí sử dụng sản phẩm không cùng nhà cung cấp
- Quà thưởng lớn như trúng thưởng xe hơi, xe máy
- Tôi không dùng các chương trình khách hàng thân thiết
- Other: \_\_\_\_\_

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Khảo Sát Về Chương Trình Khách Hàng Thân Thiết

10. Vui lòng cho biết những điểm bạn thích hoặc ấn tượng thông qua những chương trình khách hàng thân thiết của những công ty cung cấp, thật tuyệt khi bạn đưa ra ví dụ cụ thể. (Có thể thành viên đẹp từ công ty dịch vụ A, quà thưởng tốt từ tất cả những công ty cung cấp dịch vụ cả phê, vv...)

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11. Vui lòng cho biết những điểm hạn chế mà bạn thấy trong những chương trình khách hàng thân thiết đang dùng, thật tuyệt khi bạn đưa ra ví dụ cụ thể.

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