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A LITERATURE STUDY ON CUNSUMER BEHAVIOUR

(1978-2003)

(A RESEARCH ARTICLE)

Showket Mohd Mir

ABSTRACT

Loyalty programs are initiated by businesses with two main goals. The primary goal for most loyalty programs is the acquisition of information relating to their customers' spending habits, while the secondary goal is to actively cultivate loyalty amongst customers to ensure they continue patronizing the business. Therefore this paper is an attempt to find out the literature study on consumer behavior. This paper is divided into three parts. Part one represents introduction, part two represents review of literature, and part three represents conclusion.

KEY WORDS: impact, loyalty, programs, consumer behavior, retail.

INTRODUCTION

Loyalty programs are initiated by businesses with two main goals. The primary goal for most loyalty programs is the acquisition of information relating to their customers' spending habits, while the secondary goal is to actively cultivate loyalty amongst customers to ensure they continue patronizing the business. While some companies do reverse these priorities, the above hierarchy holds true for most. Muncy (1996) examined in his study that brand loyalty exist as a result of the interaction between a customer‘s relative attitude to a special brand, and also their repeat purchase behavior for that brand. Brand loyalty may, therefore, exist as a result of repeat purchase or due to the absence of perceived differences between brand alternatives. It could also exist as a result of simple habitual purchase behavior. In which could mean long or short-term involvement on repeat purchasing of a market offering or brand. Knowledge of brand loyalty is, therefore, necessary as according to Wood brand image is tailored to the needs and wants of a target market so as to facilitate brand loyalty. That is customer involvement in repeat purchase behavior on a brand and the success or otherwise of this process determines the degree of brand loyalty and will probably have influence on consumer long-term loyalty.

Loyalty programs may offer benefits in a number of different ways. Many loyalty programs offer a sustained discount (such as 10%) for a period of time - perhaps a year, perhaps for the life of the business. Rogers‘ (1983) paradigm of adopting a product or service, when consumers first become aware of a provision and even grow to become familiar with its working, they may not yet comprehend the relevance of the service or facility‘s benefits. At this stage consumers may or may not have formed a favorable or unfavorable attitude towards what the facility offers. At best, when signing up as members of a loyalty program, consumers mentally imagine how satisfactory the loyalty program might be to them in some anticipated future-use situation, perhaps the loyalty program a vicarious trial in their mind, as averred by Antill. Others offer a discount once certain criteria have been met for example, a 20% discount on a single purchase once a customer has spent $200 at the business. Still others offer points which may then be redeemed for products which may or may not be directly related to the business. Loyalty cards are the most common form of loyalty programs found throughout the world today. In the United States, almost seventy-five percent of consumers own at least one loyalty card, with over a third of all shoppers owning two or more. Petty and Cacioppo (1981) suggested that the more relevant the consumers perceive a facility (like a tie-up between supermarket and the specialty store‘s loyalty program) in meeting their needs (like being satisfied with shopping experience), the more likely they will be influenced by stimuli (similar to the conversion possibility of loyalty points from grocery purchases to specialist merchandise) that are contextual to that facility. Nonetheless, these consumers may still not avail of the loyalty program because of a variety of obstructive anticipatory mechanisms, which are specific to them selves or to a situation. Major supermarket chains, such as Safeway and Albertsons, nearly all have loyalty cards, also known as rewards cards or benefit cards. These supermarket loyalty programs usually operate by offering a discount on certain products, usually marked throughout the store, to those who have a loyalty card. In exchange for this discount, customers are giving the store access to itemized receipts of their buying habits in the store, allowing the business to better cater to their needs and build product purchasing and discounting to help retain their most profitable customers.

REVIEW OF LITERATURE

KELLEY ET AL. (1978) suggested that a loyalty program allows a relationship between supplier and customer to be built, that favors the concept of trust and commitment. They explained that loyalty programs cause switching costs to consumer as a result of rewards offered by them and also costs arising from the evolution of the relationship established with the retailer. The increase in the number of contacts between both parts coming from participation in loyalty programs leads to an improvement in the customer knowledge, which translates into an increase in consumer trust and commitment to the retailer.

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ROGERS (1983) examined in his study that when consumers first become aware of a provision and even grow to become familiar with its working, they may not yet comprehend the relevance of the service or facility‘s benefits. At this stage consumers may or may not have formed a favorable or unfavorable attitude towards what the facility offers. At best, when signing up as members of a loyalty program, consumers mentally imagine how satisfactory the loyalty program might be to them in some anticipated future-use situation, perhaps giving the loyalty program a ―vicarious trial in their mind, as averred by Anthill.

NARASIMHAM (1984*)* examined in his study that more price-sensitive buyers who tend to engage in more extensive search, clip coupons and redeem more rebates. On the other hand, with its complex rules, a loyalty card program often discourages the redemption of rewards by more price-insensitive purchasers, so the firm may sell to a broader range of customers (i.e. both price-sensitive and price- insensitive buyers) without significantly lowering its price to price-insensitive buyers. Overall, the Loyalty program provides gratification to those who require rewards for purchases and avoids additional costs for those who would buy even without them.

PARASURAMAN ET AL. (1985) suggested that customers should be able to trust in service suppliers, to be sure about the behavior maintained with them and to have the certainty that data transmitted to them will have a confidential nature. All these considerations are crucial to obtain customers‘loyalty and they mean a positive contribution so that any company has a stable customer portfolio.

EHRENBERG (1988) examined in his study that customer repeat purchase a view that if interpreted may suggest that customer loyalty only exist whenever customers embark on a do again (second buying journey) on a market offering. Whereas there is a connection between repeat purchase and loyalty, in that for a customer to be seen as loyal, it may be expected that such customer will continue with the act of buying a market offering repeatedly. It is, however, necessary to note that such view does not provide one with deep practical understanding of the concept as a customer may repeat purchase not necessarily because of a continues feeling of satisfaction or as a result of real intent to stay with a brand. But could be as a result of strong necessity for a market offering at that point in time and, therefore, may not necessarily imply the expression ―loyal to a market offering and or brand as there may be limited alternatives. Other authors like Hess and Story seem to view loyalty as preference and commitment, respectively. While preference may represent an attribute of loyalty, there may be strong difficulty in accepting loyalty to directly mean commitment in that both concepts follow similar principles but are indeed different.

RAM AND SETH (1989*)* have identified various obstructions, such as value barriers, usage barriers and risk barriers, some of which could well contribute to consumer inhibitions in actively seeking the awards of the loyalty program. The contention of Ram and Seth appears to be predicated by the principle of volition control enunciated by Janzen and Fishbone, which argued that when consumers believe that they lack the opportunity to perform the behavior of their own desire or will, they are not likely to form strong intentions to perform that behavior.

BEARDEN ET AL. (1993) examined in their study that customer loyalty was operationally defined for study to have six characteristics. The first characteristic is based on the deterministic philosophy of purchasing being more than a random event, that purchases are biased or preferred in favor of one alternative over another. The second characteristic related to a behavioral response or a purchase. It is insufficient to study attitudes in isolation of purchase behaviors within a marketing context. The third characteristic related to purchase behaviors being expressed over a period of time. Expression of intention of purchases over a period of time will give a temporal indication of the customer‘s loyalty to that supplier. The fourth characteristic is that the research must focus on a decision making unit, in this case individual customers. The scale aimed to measure the development of a customer‘s loyalty and in doing so the fifth characteristic related to whether a customer‘s loyalty develops in a sequential manner through four phases. The last characteristic is at the core of the research, that the decision to purchase is a function of an evaluative psychological decision-making process.

UNCLES (1994*)* examined in his study that the rationale behind the modern loyalty program is no Different to that of its predecessors. The underlying aim is to ``build lasting relationships with customers, and to do so by rewarding loyal and heavy or frequent buyers" This is in contrast, say, to a price promotion, which indiscriminately rewards any buyer who happens to notice the promotion and who chooses to act on it. Loyalty schemes can also differentiate parity brands" adds.

SPANNED (1996) examined in his study that the customer card scheme, however, seems to be almost a synonym for customer loyalty schemes. This is understandable for numerous reasons. The scheme requires a tool to identify the frequent or loyal customers in the scheme. Even though ``loyalty card" is not perhaps the correct term to call many of the cards in use, it is easy to understand why, despite this, it is widely used. As more retailers realize the potential to strengthen loyalty schemes by expanding into payment options and others choose to add loyalty benefits to existing payment cards, the distinction between traditional loyalty cards and store cards is becoming increasingly blurred. As such schemes are directed towards generating loyalty, it is not totally incorrect to classify them as loyalty cards. Despite the apparent appeal of loyalty schemes, there appears to be no consensus in the literature regarding the importance of loyalty schemes in determining choice of store. It does to a certain extent depend on your definition of customer loyalty and your criteria for success, but an increasing amount of research and analysis is calling into question the notion of ``loyalty.

REICH HELD (1996) examined in his study that loyalty program might have two possible effects on purchase behavior: differentiation loyalty and purchase loyalty. Differentiation Loyalty decreases the degree of sensitivity customers have towards competing offers or Prices and thereby prompts Customers to pay higher average prices for goods they usually purchase buy them in higher quantity or choose better quality products and/or more expensive brands. Muncie (1996) examined in his study that brand loyalty exist as a result of the interaction between a customer‘s relative attitude to a special brand, and also their repeat purchase behavior for that brand. Brand loyalty may, therefore, exist as a result of repeat purchase or due to the absence of perceived differences between brand alternatives. It could also exist as a result of simple habitual purchase behavior. In which could mean long or short-term involvement on repeat purchasing of a market offering or brand. Knowledge of brand loyalty is, therefore, necessary as according to Wood brand image is tailored to the needs and wants of a target market so as to facilitate brand loyalty. That is customer involvement in repeat purchase behavior on a brand and the success or otherwise of this process determines the degree of brand loyalty and will probably have influence on consumer long- term loyalty.

SHARP AND SHARP (1997) examined in their study that The loyalty card is a dominant tool in many retailers ‘loyalty programs From a retailer‘s perspective, the loyalty card is the prime interface between the retailer‘s database and the customer. From a customer‘s perspective, the card is a tool that generates extra rewards. Typically, loyalty-card programs serve three purposes. First, customer cards perform an identification function. Cards of this type have no magnet bar, bar code, or chip and consequently have no database supporting the loyalty program. These types of cards merely function as recognizers. Second, customer cards serve a memory function linking Information to the retailer‘s database. Cards with a limited memory function generally contain a magnet bar registering static information and transferring it to the database. More advanced memory cards register and transfer dynamic information enabling retailers to follow consumer‘s buying behavior over time. Third, customer cards are used to reward. Customers can benefit from participation in loyalty-card programs in several ways. Programs offer customers free products, percentage/price reductions, savings, credit facilities, a feeling of belonging, extra information, or any other special treatment sponsored by the retailer.

Retailers‘adoption of instruments that aim to increase loyalty has been driven by increasingly advanced technologies that enable companies to obtain and maintain customized relationships with their customers at a reasonable price.

Dowling and Uncles (1997*)* examined in their study that customer loyalty program promise delayed, accumulating economic benefits to those who buy the brand or from the store. Usually, this takes the form of points that can be exchanged for gifts, free products, or inspirational rewards such as air miles.

They nonetheless aver that a number of loyalty program are surprisingly ineffective. They believe that in order to stand the best chance of success in tough market conditions, program must enhance the overall value of the product or store and motivate loyal buyers to make or upgrade their purchase.

SHARP AND SHARP (1997) examined in their study that The aim of loyalty programs is to create a win-win situation for the initiating company and its customers. The customers receive monetary and non-monetary benefits for proven loyalty, which is supposed to increase their satisfaction and their inclination to engage in further loyal customer behavior. The providers benefit from positive effects on turnover and profits of loyal business relationships. These supposed benefits for both market partners result only when customers find participation in the program to be rewarding and have no negative experiences.

CONLEY (1998) examined in his study that loyalty-card program is the wealth of information it provides to the retailer. Loyalty cards make individual purchase history information accessible, enabling sophisticated segmentation that can lead to very precise targeting and enhance the ability to build customer relations. Another advantage of participation in loyalty programs is the potential to fill unused (service) capacity. Wright and Sparks (1999) examined in their study that the majority of consumers polled declare that they purchased regularly in the retailer before belonging to the reward program. Customers go beyond recognizing their intention to continue purchasing in the future in the retailer, regardless what happens with the loyalty program.

AHLUWALIA ET AL. (1999) examined in their study that attitudinally-loyalty customers are much less susceptible to negative information about the brand than non-loyal from loyal customers. Also, where loyalty to a brand is increased, the revenue-stream from loyal customers becomes more predictable and can become more predictable and can become considerable over time-as analyses of cases such as federal express.

OLIVER (1999) suggested in his study that ultimate customer loyalty is a function of perceived product superiority, personal fortitude, social bonding, and their synergistic effects. Further analysis of Oliver‘s discussion tend to suggest not that loyalty is commitment, but that loyalty is an aspect of commitment called attitudinal or emotional component of commitment. Uncles viewed customer loyalty from a 3 dimensional perspectives, an approach that seems to originate from Meyer and Allen study on employee commitment; where loyalty is referred to as favorable attitudes or beliefs for one brand which could seem to be an emotional attachment to that brand. Second, loyalty can be seen as a behavioral factor, for example, the purchase behavior to one special brand and loyalty as an accident approach that presumes the correlation between attitudes and behavior.

HANSEN (2000) examined in his study that customer-value-oriented differentiation in loyalty programs may be perceived by customers as discriminatory and unfair. In a recent study Gustafson provide some indications that operational problems in collecting promised incentives for loyal behavior and complicated operational procedures of a telecoms company‘s customer club are perceived negatively by customers.

BOLTON ET AL. (2000) argued that a reward program, along with excellent service and quickly earned rewards, will help take consumers‘minds off the price; results from both studies include program‘impact on customer purchasing and resistance to counter-persuasion. By patronizing an outlet more often and more regularly, the consumer is confronted with competitors‘price less frequently; because he or she therefore lacks a comparison, the consumer naturally becomes less sensitive to it.

BOLTON ET AL. (2000) examined in their study that participants of a loyalty program of a financial service provider actually tend to realize increased revenues and higher service usage levels and to overlook negative service experiences. Several studies reveal the importance of a careful program design.

BENEVENTO ET AL. (2000) examined in their study that promotional actions related to loyalty programs encourage to users of these programs to have smaller inter purchase times than those lacking this incentive. In support of the positive impact of participation on loyalty programs on the purchase volume in the retailer, Benevento concludes that owners of loyalty cards purchase more than people without them. The goal of loyalty programs is achieving a bigger income thanks to the cross selling and recruitment of new consumers with lesser cost through word of mouth advertising. For this reason, customer commitment to the retailer can be presumed.

ROHM ET AL. (2002) demonstrated that the loyalty of customers of packaged goods brands increase when the incentives are closely connected to the brand. Another aspect of successful program design is elaborated by Civets and Simonson. They provide evidence that by heightening the level of effort required to receive benefits, the attractiveness of loyalty programs can be increased.

DIVERTS AND SIMONSON (2002) examined in their study that Loyalty program can induce feelings of intelligence and pride about having achieved or won something without having to pay the normal price as well as a sense of appreciation among customers who relate rewards to being a preferred or special customer. Those who become members of loyalty program likely identify more strongly with the company which is especially beneficial in industries in which consumers purchase frequently and distinctions among suppliers are low.

MEYER-WARDEN (2002) observed that the time between purchases and purchases spread between retailers hardly vary from card‘s possession and that the program only modifies the behavior of a small part of consumers: the large consumers of the retailer.

BELL AND LOLL (2002) recognized that the program can obtain an increase in sales although they believe that plans should be addressed just to a limited group of consumers who may change their behavior due to their participation in them. Loyalty programs cannot modify behavior patters in most consumers taking part in them. It is possible that some consumers change their purchase behavior in one program and other consumers participate in programs rewarding purchasing patterns already established.

TIETJE (2002) focused on the role of rewards offered by loyalty programs, and concludes that obtaining certain rewards can generate positive feelings towards the retailer implementing the program. These feelings linked to the purchase experience involve a greater satisfaction leading to higher purchase intentions.

MAURA (2003) examined in his study that retailers face certain advantages and disadvantages of the adoption of loyalty-card programs. Barriers for retailers can be divided in two sub-groups. The first includes concerns about the effectiveness of the program. For example, argue that loyalty has nothing to do with loyalty-card programs, as customers join many programs simultaneously. Second, retailers may doubt the degree of return on investments. Some researchers state that most loyalty programs are in fact saving programs in disguise that do not contribute to the attitudinal component of loyalty and thus do not create sustained loyalty.

LACEY‘S (2003) examined in his study that Loyalty card programs are incredibly data-rich environments for exploring relational outcomes. When loyalty cards are scanned at the point of purchase, data are captured automatically cataloguing consumer, time, day, products bought, prices, and a variety of other pieces of information. Analysis of these datasets over time can yield invaluable insights into consumer shopping processes, reactions to marketing efforts, and long-term patterns of behaviors.

ALL AWAY ET AL., (2003) examined in their study that loyalty program is an attempt, in essence, to reduce the importance of distance on consumer patronage by asking cardholders to drive by more proximate competitors to shop at the store where their patronage is rewarded. Customer-location-specific drivers of patronage for a particular store include such measures as distance to the store, distance to competing stores and the number of competitors nearby, distance to marketing efforts such as billboards, and even the presence of other customers of the store for word-of-mouth effects.

UNCLES ET AL., (2003) examined in their study that technology frequently is the driving force behind these loyalty programs which are increasingly individualized. On the basis of advanced database management and analysis, loyalty programs can be optimized at the level of the individual customer (efficacy), directed to the most relevant customers (efficiency) and evaluated on the basis of the individual customer‘s behavior.

CONCLUSION

This paper looks at the literature on establishing a unique field of study, reviews the foundational research in consumer behavior from 1978 to 2003, of published consumer behavior research found in several outlets. We find that consumer behavior research is becoming increasingly sophisticated and rigorous. This bodes well for the development of an independent field for consumer behaviour.This paper discusses their most important contributions to scholars' current understanding of consumer behavior. By identifying common themes among those studies, the authors are able to provide directions for future research in the field.

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