

Consumer Perceptions and Effectiveness of Loyalty Programmes in Food Retail Chains

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Abstract: The use of mobile apps in retail has become an inherent part of today's consumers' shopping experience, not just for groceries. Loyalty is what links the name of the grocery chain very closely with the loyalty member (shopper) and what the retailer prides itself on. Our study focuses on consumer perceptions and the effectiveness of retail chains' use of loyalty programs, with close attention to the aforementioned mobile applications. The Net Promoter Score (NPS) and System Usability Scale (SUS) metrics were used to assess consumer satisfaction and loyalty. The aim of the study was to compare the effectiveness and perception of loyalty applications of selected retail chains from the perspective of their active users. The analysis further highlights the importance of user experience when interacting with apps and their impact on long-term customer loyalty. The results provide insight into how differences in app design and functionality can affect the success of loyalty programs.

Keywords: consumer behaviour, mobile applications, loyalty programs, retail

JEL Classification: M31, M37, M39

1 Introduction

A loyalty program is a tool that companies use to reward loyal customers and strengthen the relationship with them. These are marketing initiatives that aim to increase customer loyalty to a brand by offering them benefits and rewards for repeat purchases or use of services. Loyalty programs have become a part of today's customers of various retail chains, as suggested by the term "polygamous loyalty" i.e., a customer is enrolled in several loyalty programs at the same time (Dowling & Uncles, 1997), such as Lidl, Kaufland, Tesco. The reason for the use of loyalty programmes is mainly due to the use of a system of collecting points (Khodakarami, Petersen & Venkatesan, 2024), which, in a certain amount, convert their value into monetary or financial rewards.

In their study Bombaij and Dekimpe (2020) discussed how the design of the loyalty program, the retailer's business strategy, and the nature of the country influence the success of these programs. Independently, Agarwal et al. (2022) investigated how customers' perceptions of the benefits of loyalty programs and their satisfaction with these programs are related to customer satisfaction and their overall shopping experience. In their study Gabel and Guhl (2022) compared the effectiveness of traditional loyalty program rewards and personalized coupons on customer shopping behaviour in a German grocery chain. The authors found that the two types of rewards complement each other and contribute to increase the profitability of the program. Hwang et al. (2020), in turn, looked at how airline customers perceive different forms of compensation for service failure. Their results suggest that customers prefer specific and targeted compensation, such as discount coupons. Although these studies have yielded interesting findings, there is still a dearth of research that comprehensively examines the impact of promotions on the effectiveness of loyalty programs in the long run. Customer loyalty has become a key element in the success of many businesses (Chhabra, 2017).

In the retail industry, loyalty programs are often used to build loyalty (Bijmolt & Verhoef, 2017; Leenheer & Bijmolt, 2008). However, a growing body of research questions the effectiveness of these programs (Alshurideh et al., 2020; Belli et al., 2022; Bombaij & Dekimpe, 2020; Hendler, LaTour & Cotte, 2022; Wait, 2022). According to practitioners, these programs often focus on transactions and not on building a real relationship with the customer, which speaks to the need for a new perspective on loyalty (Wallström, Hjelm Lidholm & Sundström, 2024). There is a gap in research that focuses on customer loyalty in the context of brand credibility and place marketing (Reitsamer & Brunner-Sperdin, 2021) as well

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as the emotional aspect of loyalty (Cachero-Martínez & Vázquez-Casielles, 2021; Högberg et al., 2019). Loyalty is not just the result of an exchange of goods and services, but rather a deeper emotional bond between the customer and the firm. However, retailers often use tangible rewards to gain loyalty (Liu, 2007), which is not the happiest choice for their brand, as loyalty forms an emotional bond based on the customer experience. Loyalty programs play a key role in customer retention and building long-term relationships in retail. This study takes an in-depth look at how these programs affect customer loyalty, increase sales and overall satisfaction. The authors combine academic research with practical insights to offer a comprehensive perspective on the topic. The study emphasizes that customer loyalty is a complex concept that goes beyond simple reward systems. While passive brand acceptance plays an important role, the authors point to the need for a deeper understanding of what truly motivates customers. Based on a three-step strategy that includes customer journey analysis, program design, and use of technology, the study offers practical recommendations for implementing successful loyalty programs. Research (Ahsan et al., 2022) suggests that intrinsic motivation may not be directly linked to customer loyalty. On the contrary, extrinsic motivators such as rewards have a greater impact on customer retention. At the same time, however, the study highlights the importance of the perceived value that customers attach to the brand. Other research (Gupta & Kim, 2021; Preeta H. Vyas & Piyush K. Sinha, 2008; Hofman-kohlmeier, 2016; Bolton, Kannan & Bramlett, 2000) have confirmed the importance of personalization, relevant rewards, and long-term relationships in building customer loyalty. Thus, it can be argued that loyalty programs have the potential to significantly impact the success of a business, and their effectiveness depends mainly on how they are designed and implemented.

Traditional retailers are facing increasing competition from online retailers who offer more attractive services to customers (Kumar et al., 2023). In response to this situation, many retailers have decided to invest in mobile apps to increase customer loyalty (Akdin et al., 2022; van Heerde et al., 2019). Even though many customers have downloaded these apps, actual usage is often very low (Statista, 2022). This means that even if customers download the app, they do not use it regularly because they forget about it. According to Chen et al. (2020) & Kim et al. (2015), it is challenging for retailers to keep customers' attention in a crowded digital environment. Therefore, it is crucial for retailers to find ways to increase the usage of their apps to retain customers (Darvasi et al., 2024). The reason why people stop using apps may be because our attention span is limited due to information overload (Gabaix, 2019). However, research suggests that advertising can solve this problem by reminding us of the app itself (He & Klein, 2022).

The authors' collective Zhang, Wang & Cao (2024) also confirm the importance of e-commerce in which mobile channels have become an integral part of retail strategies. Optimizing mobile apps and websites for mobile devices offers a different user experience. Mobile apps, as Liu et al. (2019) point out, provide a seamless and intuitive interface, increasing customer engagement. On the other hand, mobile websites, although simpler and cheaper to develop (Wagner et al., 2020), may provide a less immersive experience. The decision whether to invest in a mobile app or a website is a crucial one for companies, as each option has its advantages and disadvantages (Reeck et al., 2022; Xu et al., 2014).

To understand the differences between mobile apps and websites, we can turn to visual attention theory. According to Hüttermann & Memmert (2015) & Streicher et al. (2021), the breadth of visual attention varies, i.e., our attention can focus on a small or large part of a visual scene. Mobile apps with rich content and intuitive interfaces (Akdin et al., 2022; Huang & Chueh, 2022; Kim et al., 2016) tend to broaden our attention and encourage us to explore more deeply. In contrast, simpler mobile websites (Liu et al., 2019; Wagner et al., 2020) are more likely to lead us to focus on a specific goal. Research on mobile channels is gradually expanding, and more attention has been paid to mobile apps, the reasons for their use, or the factors that influence their adoption by customers, and what factors influence their adoption (Darvasi et al., 2024; Yi et al., 2024).

2 Methods

The research methodology is based on qualitative research on a sample of 30 respondents who were asked to evaluate their own experience of using the loyalty mobile applications of the selected chains. The conducted research included an in-depth interview, which included questions for calculating predetermined indicators. The subject of interest was a comparison of 3 selected mobile applications of well-known grocery chains Kaufland (Kaufland Card), Lidl (Lidl Plus) and Tesco (Tesco Clubcard). From the obtained qualitative research data, the calculation of NPS (Net Promoter Score) and SUS (System Usability Scale) methods was implemented.

- *System Usability Scale Method (SUS)*

The System Usability Scale (SUS) is a questionnaire used to measure perceptions of usability that was designed by John Brooke in 1986. There are 3 main stages, that are: questionnaire deployment, score calculation, and classified the rating based on grade. By the stage of calculation, the answers from participant will be scored. Firstly, divide odd number questions and even number questions. For each odd number questions, reducing the value (x) by 1:

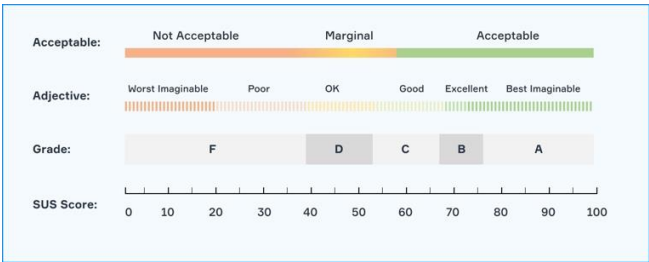
$$x - 1$$

For each even number questions, do the

$$5 - x$$

Combines the result value of odd questions and the even questions. Multiplies the combination result by 2.5. The highest score of the SUS result is 100, thus the score more than it, is categorized as an error value, or not valid result see Figure 1 (Alathas, 2018).

Figure 1 Interpretation of the SUS score



Source: Own processing

- *Net Promoter Scale Method (NPS)*

It is an effective method of measuring and controlling the level of customer satisfaction, which is useful for measuring customer loyalty. NPS is a simple method that can categorize respondents based on their answers using a single question. Adopting this method, the goal is to calculate the obedience level of the customer on each product that we tested. Customer will be classified into 3 categories, that are: Promoter, Passive, and Detractor. Passive respondent will not be calculated on the formulation $Promoter\% - Detractor\% = NPS$. The higher the promoter value, the lower value of detractor, then the loyalty value will be better. After NPS is gained, then it will be divided into 4 rate categories, which are: NPS star, NPS leader, NPS excellent and NPS good, see Figure 2 (Rajasekaran & Dinesh, 2018).

Figure 2 Interpretation of the NPS score



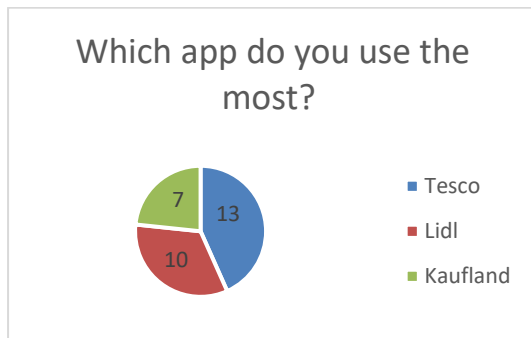
Source: <https://www.retently.com/blog/good-net-promoter-score/>

The qualitative research was conducted in the Laboratory of Consumer Studies at Faculty of Economics and Management, at Slovak University of Agriculture in Nitra, from September 30 to October 5, 2024. Respondents who use all 3 mobile applications of loyalty programs for the selected three food chains took part in the testing.

3 Research results

From the in-depth interview, we found that the most used mobile application within loyalty programs among the selected Slovak food chains is the Tesco (**Tesco Clubcard**) application (see Figure 3), which may be due to its ease of use and guaranteed discounts on every purchase.

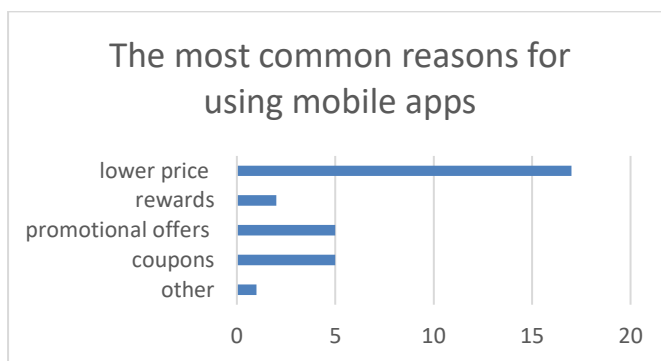
Figure 3 The most used mobile app



Source: Own processing

As many as 17 respondents identified "lower price" (see Figure 4) as the most common reason for using a mobile app. Approximately 17% of respondents, representing 5 mobile app users, gave the reason for redeeming coupons or being informed about promotional offers. The rewards system was used most frequently by 2 respondents, and the option "other reason for using a mobile loyalty app" was indicated by 1 respondent.

Figure 4 The most common reasons for using mobile apps



Source: Own processing

Table 1 NPS and SUS score for selected food chains and their mobile applications

	Kaufland (Kaufland Card)	Tesco (Tesco Clubcard)	Lidl (Lidl Plus)
NPS (score)	+14%	+21%	+16%
SUS (score)	55%	65%	58%

Source: Own processing

Net Promoter Score (NPS)

NPS expresses the willingness of customers to recommend the app to others. A higher percentage indicates greater satisfaction and loyalty. **Tesco Clubcard (+21%)** has the highest NPS, indicating that customers are more satisfied with the app and willing to recommend it. This may indicate a better user experience, features that customers value, or better deals. **Lidl Plus (+16%)** scores second, meaning it still has a positive perception, but slightly less pronounced than Tesco. **Kaufland Card (+14%)** has the lowest NPS, which may indicate that although the app is meeting expectations, customers are less likely to recommend it to others compared to other chains. Lidl and Kaufland cited frequent updating as the most common problematic aspect of their mobile apps, which may affect usage (see Table 1).

System Usability Scale (SUS)

SUS measures the usability of an application and expresses how easy it is to use. A higher percentage means better usability and intuitiveness. **Tesco Clubcard (65%)** again leads in this category, indicating that the app is easy for customers to use, intuitive and provides a good user experience. **Lidl Plus (58%)** comes in second, indicating that the

app is intuitive enough, but there is room for improvement compared to Tesco. **Kaufland Card (55%)** has the lowest score, which may indicate that customers have encountered issues with the usability or overall intuitiveness of the app, which may affect their satisfaction and willingness to use the app regularly. On the other hand, the lower score in the case of Kaufland may also be due to the menus themselves, which affect the overall perception of the app (see Table1).

4 Conclusions

This analysis is part of a pilot study that provides an initial insight into the perception of Kaufland, Tesco and Lidl's apps based on the Net Promoter Score (NPS) and System Usability Scale (SUS) indicators. The results show that the Tesco app currently leads in both categories, indicating high customer satisfaction and a good user experience. Nevertheless, it should be pointed out that the results could have been influenced by several factors, such as the offer of the different chains, the updates of the apps, as well as the actual frequency of app usage by customers. In the next phases of the study, we plan to extend the research with neuromarketing measurements focusing on user experience (UX) and user interface (UI) design. These advanced methods will allow us to gain a deeper understanding of customers' emotional and cognitive responses to individual app elements and identify areas that need to be improved to optimize the overall user experience.

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