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Entrepreneurial Prospects in Loyalty Marketing: Real-World Grocery Retailers' Market Survey & Conceptual Case Study

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Abstract

Nowadays, loyalty programs and respective marketing practices are increasingly pursued by companies in order to achieve and enhance customer loyalty. Loyal customers are a key business success factor, especially in eras of financial recession, which can severely affect the performance of firms and even challenge their market survival. To that effect, the great Greek economic recession that inaugurated in 2008 had a major impact on grocery retailers. Specifically, the domestic supermarkets had been unable to maintain their sales in sustainable levels and keep their customers engaged. A possible solution could have been a loyalty marketing services' provider which would assist corporations in gaining insight about their customers, current and prospective ones. Therefore, this study provides a review of the marketing and grocery sectors in Greece shortly after the beginning of the great economic recession in the country, and further aims in analysing the market, operational and financial feasibility of a conceptual a loyalty marketing agency called CuSight, tailored to the needs of the domestic grocery retailers. The study findings indicate that a loyalty marketing services' provider like CuSight could have been feasible, relying upon market acceptance.

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1. Introduction

Businesses have long recognized the importance of retaining their existing customers in order to secure their market position and competitiveness (Kivetz & Simonson, 2002; Nunes & Drèze, 2006; Zakaria et al., 2014). This is

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further highlighted by the fierce market competition and the plethora of competitive product and service offerings that renders customers' life cycles increasingly transitory (Buckinx & van den Poel, 2005; Sahagun & Vasquez-Parraga, 2014). To that end, many firms develop and offer loyalty programs in order to deliver differential value to their most valuable clients, attract loyal and non-loyal customers and support their corporate profitability (Katsifou, Seifert, & Tancrez, 2014; Yoo & Bai, 2013). Today, retailers employ various loyalty programs which include customer cards, discount coupons, special offers and promotions with the aim to stimulate reduced customer sensitivity to other price and market offers and reduced proneness to seek other alternatives or switch stores (Martos-Partal & González-Benito, 2013).

Customer loyalty is a topic that has received much attention since the 1990s and thus the field of relationship marketing has emerged in the marketing landscape (Abdullah, Putit, & Teo, 2014; Yoo & Bai, 2013). Since then, loyalty marketing has attracted the irreducible attention of marketers who are still trying to explore novel ways to enhance the effectiveness of their relational engagement with the customers (Sheth & Parvatiyar, 2000; Srinivasan & Moorman, 2005). Relationship or loyalty marketing assists in creating a reservoir of goodwill towards the brand image of corporations (Ruiz, Esteban, & Gutiérrez, 2014). Therefore, loyalty marketing can assist in buffering companies from market decline in times of uncertainty and economic turmoil (Jones, Jones, & Little, 2000). The positive effect of loyalty marketing can be measured through the observed restraining action over the negative effects that could potentially arise in case loyalty marketing practices are not applied (e.g. expected drop in sales or time required to regain the financial markets' esteem) (Ruiz, Esteban, & Gutiérrez, 2014).

Therefore, loyalty marketing could be of great usefulness in the case of Greece, especially at the beginning of the great economic recession period 2008-2013 (Petralias, Petros, & Prodromidis, 2013). The Greek economic recession had a major impact on retailers, mainly at the beginning of the aforementioned economic turmoil period. Sales in the Greek supermarket industry had been declining dramatically and grocery retailers were unable to maintain their customers engaged. The main reason had been the enforcement of high taxation rates and the consequent reduction on the population's income. Traditional marketing efforts seemed to have no positive effect towards sales' volumes, while retailers and suppliers were struggling to explore new ways of attracting customers and retain sales at reasonable levels. The solution could have been a loyalty marketing services' provider which would have assisted corporations in gaining insight about their customers, current and prospective ones (Kashmiri & Mahajan, 2014; Kırtış & Karahan, 2011; Soulaki, 2010).

This study provides a review of the loyalty marketing and grocery retailers' sectors in Greece, and further aims in analyzing the market, operational and financial feasibility (i.e. the entrepreneurial potential) of a conceptual loyalty marketing agency called CuSight, tailored to the needs of the domestic grocery retailers. The rest of the paper is organized as follows. In Section 2, the elaborated methodology to conduct the current research is presented. Following, in Section 3, a market analysis of the Greek marketing and supermarket sectors at the initial and most abrupt stage of the financial recession is presented. In addition, in Section 4 key research findings and insights of the Greek marketing and grocery industries are highlighted. Moreover, in Section 5 a comprehensive feasibility study of a conceptual loyalty marketing agency is developed. Finally, the paper concludes with a discussion of main findings and study conclusions in the last Section.

2. Data Collection & Methodology

The goal of the current manuscript is to analyze the entrepreneurial potential and feasibility of a loyalty marketing services' agency in Greece. The unit of analysis is a conceptual loyalty marketing services' provider called CuSight that leverages Point-of-Sale (POS) data and geodemographic analysis systems. Such a unit's goal is to avail organizations capture non-obvious customer insight so as their market success to be evaluated in terms of "share of customer" and not merely in "share of market" (Humby, Hunt, & Phillips, 2007).

The research effort includes two (2) parts, a primary and a secondary research. Primary research consists of interviews and a questionnaire. In total, six (6) interviews with representatives from all market sectors that concern the conceptual construct had been used to unveil the "known unknowns", which determine a business plan and the primary goals of a project. On the other hand, the questionnaire and the retrieved secondary data assisted in specifying the operational feasibility of CuSight. The questionnaire is divided into two (2) parts as to explore: (i) in-store digital marketing appeal (10 closed-form questions), and (ii) consumers' purchasing trends (6 closed-form

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