

Chapter VIII

Loyalty Cards in Retailing Industry: Technology Application in Customer Relations

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INTRODUCTION

A common observation about self-service retail stores is the *similitude* among in-store ambience and retailing operations. Hence, self service retail stores are increasingly using point of sales promotional activities to drive buying stimulation among consumers through redeemable coupons corresponding to the value of purchase. Such promotional strategy and market dominance have significant implications on the volume of sales and inflow of consumers in retail stores (Parsons and Ballantine, 2004). The prospective customers have objective to buy at the right time so as to minimize the expected price of the acquired item. However, point of sales promotions stimulates compulsive buying behavior among customer which dominates the buying decision despite comparative differences in the prices of alternate channels (Parlar *et al*, 2007). By making the attractive products accessible to customers at point of sales promotion, customers would be driven by the ‘me too’ feeling and preferential prices. The concept of point of sales promotion to create compulsive buying behavior is based on a brilliant understanding of the human mind and a smart way of increasing volume of store sales. Self service retail stores introduce electronic cash cards (ECC), shopping advantage cards (SAC) and bulk purchase

price offers (BPP) as point of sales promotion to acquire new customers and retain existing customers (Rajagopal 2008, Coad, 2006).

Retailing firms build most profitable strategies through services differentiation and competitive advantages offering customers something new they value that other retail outlets don not have. Self service retail stores differentiate at every point of customer services and relationship from the moment customers express store loyalty. Large self service retail stores open up their promotion strategies to stimulate shopping behavior of customers and uncover new opportunities for them to gain long term benefits with the retail stores and stay loyal (MacMillan and Mcgrath, 1997). However, some firms have experienced that point of sales promotion activities can also backfire loudly and put reputations at risk if the tools of promotion such as ECC, SAC and BPP are not effectively managed. Since point of sales promotion has emerged as competitive strategy for retail firms, despite apparent risks managers are exploring the scope of acquiring and retaining customers. This strategy of point of sales promotions has helped large self service retail stores to slash costs on advertising and publicity, increase volume of sales and sharpen their focus on core competencies (Johnson, 2006).

This chapter attempts to analyze drivers of compulsive buying behavior induced by store based promotion through empirical investigation in Mexico. The role of point of sales promotions in stimulating arousal and satisfaction among customer and customer relationship management for building store loyalty have been analyzed in the chapter. Also, acquiring new customers through innovative in-store promotions towards driving the compulsive shopping tendency and swaying store-brand loyalty through point of sales promotions in chain self service stores are discussed in the following text. This study builds arguments towards convergence of attractiveness of point of sales promotions and effectiveness of customer services as a tool for gaining competitive advantage in the retail business environment.

REVIEW OF LITERATURE

Point of Sales Promotions

Large self service retail stores or supermarkets are potential outlets where customers experience innovative promotions on variety of products and services which drive the buying decisions. Among various promotional offers price discounts, free samples, bonus packs, and in-store display are associated with product trial. Trial determines repurchase behavior and also mediates in the relationship between sales promotions and repeat buying behavior (Ndubisi and Moi, 2005). Repeat buying behavior of customers is largely determined by the values acquired on the product.

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