

An assessment of analysis the impact of brand loyalty programs on consumer retention in the retail sector: A case study of Sainsbury's

**MBA – Master of Business Administration in Marketing
Module: Dissertation Proposal(LCMB7020)**

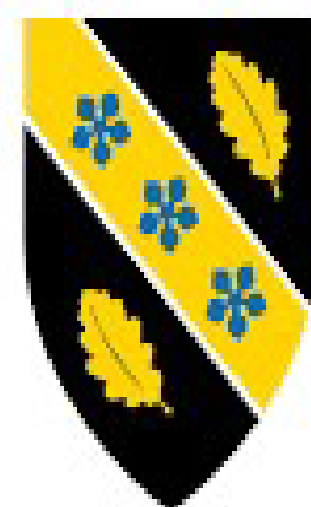
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1. Introduction

1.1 Background to Proposed Research

The retail sector is a fiercely competitive market that has been growing at an incredibly fast pace thanks to its vulnerability to transformations in the customer base, technology, and overall market trends. In the United Kingdom, the retail market is somewhat large, which has a market size of £403 billion in the year 2022 ([Statista, 2023](#)). Some of the prominent players operating in this sector include Tesco Plc; Sainsbury's J Sainsbury Plc; Asda Walmart Stores Inc; and Wm Morrisons Supermarkets Plc through which these key players are dominant in the market. The industry has long been affected by the changes of going online, and e-commerce has increased by 19%. 9% ([Statista, 2023](#)).

On effective loyalty programs, ([Alshurideh, Gasaymeh, Ahmed, Alzoubi, and Kurd, 2020](#)) continue to note that they significantly affect consumer retention because they add value or provide an incentive to buy again. The findings have indicated that regular customers are 60% more likely to make repeat purchases more frequently and with 67% greater chances than new customers. Nectar has attracted over 18 million active users, implicating the effectiveness of this strategy in enhancing customer satisfaction and loyalty ([Christopher, Payne, & Ballantyne, 1991; DeVellis, 2017](#)). Sainsbury focuses on CRM to respond with customized offers and apply data analytics to learn about customer behavior and uses loyalty cards to increase customer loyalty and improve its position in the retail market.

1.2 Rationale of the Study

The need for this study stems from growing competitiveness in the retail industry and the importance of customer loyalty as a determinant of business viability and performance. From the existing literature, there seems to be an absence of conclusive findings that directly explain the effect of brand loyalty programs on customer retention particularly in the context of already recognized supermarket chains in the UK like Sainsbury's.

1.3 Research Objectives

The purpose of this research is to investigate the effect of brand loyalty programs on customer loyalty in the context of the retail industry with special reference to Sainsbury's.

1. To assess the current strategies, utilised with Sainsbury's loyalty programs.
2. Determine the Possible opportunities and Challenges in Sainsbury's implementing the loyalty program
3. To assess the impact of Sainsbury's loyalty programs in influencing customer behavior in making subsequent purchases.

These objectives aim at offering knowledge on how to enhance loyalty plans in the retail industry using data acquired from Sainsbury's company.

1.4 Research Questions

The following questions guide this research into understanding how brand loyalty programs impact consumer retention within the retail industry, with a specific focus on Sainsbury's.

- 1- What are the current Strategies utilizing with Sainsbury's loyalty programs?

- 2- What are the Opportunities and Challenges in Sainsbury's implementing loyalty programs?
- 3- What are the impacts of Sainsbury's loyalty programs in influencing customer behavior in making subsequent purchases?

These questions aim to uncover insights that can enhance the design and implementation of loyalty programs in the retail sector, leveraging findings from Sainsbury's case study.

2. Literature Review

2.1 Introduction to Brand Loyalty

Brand loyalty programs and the function they play in building consumer retention are well-studied in marketing. In the study, it is important to understand major concepts such as Brand Loyalty and Customer Relationship Management (CRM) to appreciate the impact of brand loyalty programs (Yawson & Yamoah, 2022). This will also help enhance the market share and lifetime value of customers, which can be represented as another key strategic asset for a retailer like Sainsbury's.

2.2 Definitions Brand Loyalty

(Jacoby and Kyner, 1973) have defined brand loyalty as the biased, behavioral response expressed over time by some decision-making unit concerning one or more alternative brands out of a set of such brands and is a function of psychological decision-making processes. It shows that there is a behavioral part and the psychological processes involved. (Oliver, 1999) goes on to say, for instance: "Brand loyalty is a deeply held commitment to rebuy or patronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior." That underlines the emotional and commitment aspects of brand loyalty.

2.3 Customer Relationship Management

CRM is defined as "the core business strategy that integrates internal processes and functions and external networks to create and deliver value to targeted customers at a profit. It is grounded on high-quality customer data and enabled by information technology." This definition stresses the strategic nature and technological enablement of CRM. Thus, [\(Payne and Frow, 2005\)](#) describe CRM as "a strategic approach concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments. CRM unites the potential of relationship marketing strategies and IT to create profitable, long-term relationships with customers and other key stakeholders." This, in effect, shows the underlying aspect of relationship marketing and long-term customer value lying within CRM itself.

2.4 Theories and Models of Brand Loyalty

Brand loyalty can be explained by several theories and models. Each of the theories contributes some unique perspective on customer behavior and processes generating the loyalty. The theory states that brand loyalty is fostered by psychological, social, and economic factors.

2.5 Loyalty Ladder Model

The Loyalty Ladder Model puts the conception of customer loyalty as a series of steps across, from the simple awareness of a brand at the bottom of it up to being a brand advocate. The typical stages in this model are:

1. **Prospect:** A potential customer who is already aware of the brand.
2. **Customer:** Those who have already converted/ made their first purchase.
3. **Client:** People who have bought more than once.

4. **Supporter:** Regular users of the brand who continuously choose it over the competition.
5. **Advocate** Highly committed consumers who are proactive and share the product with others. Humanly

2.6 Advantages

Clarity in Customer Relationship Stages: The Loyalty Ladder Model clearly describes the different stages of a customer relationship. It helps the businesses orient their respective stage marketing strategy effectively.

Targeted Market Efforts: With the information available on which stage of customer a business is at, targeted market efforts by businesses are likely to save them on inefficiencies and, therefore, allow investments in resources that will take customers through the stages of loyalty.

Enhanced Customer Retention: This helps to increase customer retention because it identifies and motivates loyal customers to become advocates ([Kumar, V. and Shah, D. 2004](#)).

2.7 Disadvantages

Oversimplification: The model may oversimplify the underpinning complexity of customer behaviors and interaction with a brand, thus missing nuances in customer loyalty dynamics.

Linear Progression Assumption: The model assumes linear progression of loyalty, and in some situations, this does not give a true reflection of customer behavior because sometimes regression may occur.

Resource-Intensive: Implementation of strategies for each stage requires heavy marketing, customer service, and data analysis input. Not only does the understanding and application of the Loyalty Ladder Model become strategically enhanced, but businesses such as Sainsbury's can also move

customers up the ladder so that they become loyal advocates ([Meyer-Waarden, L., 2008](#)).

2.8 Impact of Loyalty Programs on Consumer Retention

Empirical studies have continuously pointed out that with added value to customer offerings and incentives for repeat purchases, the use of loyalty programs greatly increases consumer retention. Loyalty programs significantly determine customer satisfaction and repeat purchase behavior ([Alshurideh et al., 2020](#)), especially when the rewards are easily attainable and valuable. According to KPMG, in a 2019 report, 82 percent of consumers are most likely to shop with stores that offer loyalty programs, hence it influences retaining a customer ([Christopher, Payne, & Ballantyne, 1991](#)).

2.9 Case Studies and Examples

Help to derive best practices and possible failure modes comes from studies of loyalty programs across several retail chains. In the UK, the one that has been one of the most successful schemes that Tesco PLC has run is the Clubcard, which has contributed to its market leadership through customer personalization and the use of customer data in enhancing shopping. Less successful programs usually tend to be marred by the lack of perception of value by customers or their complexity, thus discouraging customers. This would help in identifying the weaknesses of Nectar if any, and areas where it can innovate by analyzing the program that Sainsbury's has through the sample of other successful programs. ([Xiao, Chen, & Yu, 2021](#)). However, there is always room for development in reward structures and customer engagement strategies.

2.10 Conceptual Framework

The framework will be in line with how brand loyalty programs will affect consumer retention, taking into account personalization, program structure, customer satisfaction, and emotional attachment. A comprehensive analysis of how Sainsbury's loyalty programs affect their customer retention and driveways that they can improve to be more effective ([Upadhyay, Kumar, & Akter, 2021](#)).

3. Research Methodology

This research uses a mono-method quantitative research approach where it only uses quantitative data to evaluate the effects of Sainsbury's brand loyalty programs on consumer retention. A quantitative method is applied here because it yields statistically significant results that can measure the strength of relationships among variables, like loyalty program features and the rate at which customer retention is taking place.

3.1 Population and Sample

Sampling is the technique of selecting some elements from a population in such a way that the elements represent the entire population. The purpose is to generalize an analysis of the sample on the population as a whole.

Sample Size: The sample size of this research includes at least 50 respondents since the essence of this sample is to enable generalizable and significant results while ensuring a 95% confidence level and 5% error level.

Sample Type: The sample will be stratified based on demographic and geographic criteria. The sample shall further consist of respondents having been stratified by age, gender, and location. This kind of stratification will ensure a representative sample that reflects the diversity of Sainsbury's customer base.

Sample Method: Stratified Random Sampling will be selected using the stratified random sampling method. This is where the population will have to be divided into clear distinct strata according to demographic and geographical characteristics, including age, gender, and location. A random sample of each stratum is then drawn. In the process, it improves the representativeness of the sample in which each subgroup is represented in proportion.

3.2 Advantages and Disadvantages of Using Stratified Random Sampling:

Stratified random sampling ensures representativeness and precision because all important subgroups are included and it reduces the error of sampling. It also allows in-depth analysis of variability among different demographic and geographic areas. However, stratified random sampling may be an intricate process in its implementation, prone to errors in classification, and resource-intensive in time and effort in data collection and analysis.

4. Data Collection Methods

The preferred way for collection of the data is through online questionnaires, which can be distributed through Google Forms or Microsoft Forms. These platforms are mostly used because one can be able to get to many subjects in a cost-efficient manner while at the same time collecting standardized data to facilitate better comparison.

The questionnaire will approximately take 8 to 10 minutes, and not less than 8 to 10 closed-ended questions will be asked. This will aim to gather demographic data such as age, gender, and locality, in addition to specific insights from the respondents concerning their experiences and perceptions of Sainsbury's loyalty program. Most of the questions on the questionnaire are a mixture of Likert scale, multiple-choice, and yes/no answers to make it easy for participants to respond to them.

5. Analysis of Data

5.1 Data Preparation

The data amassed will be first preprocessed to make certain a clean and appropriately coded dataset. Any contentious regions in which information is lacking or incomplete could be addressed nicely to hold information integrity. as soon as the information is cleaned, it is going to be coded and prepared for analysis using Microsoft Excel. Excel's powerful statistics manipulation tools, pivot tables, and charting capabilities make it a popular choice for managing statistics. It's a top-notch tool for displaying a variety of statistical analyses and statistical trends, guaranteeing a thorough investigation of the effects of brand loyalty programs on customer retention.

5.2 Statistical Analysis Techniques

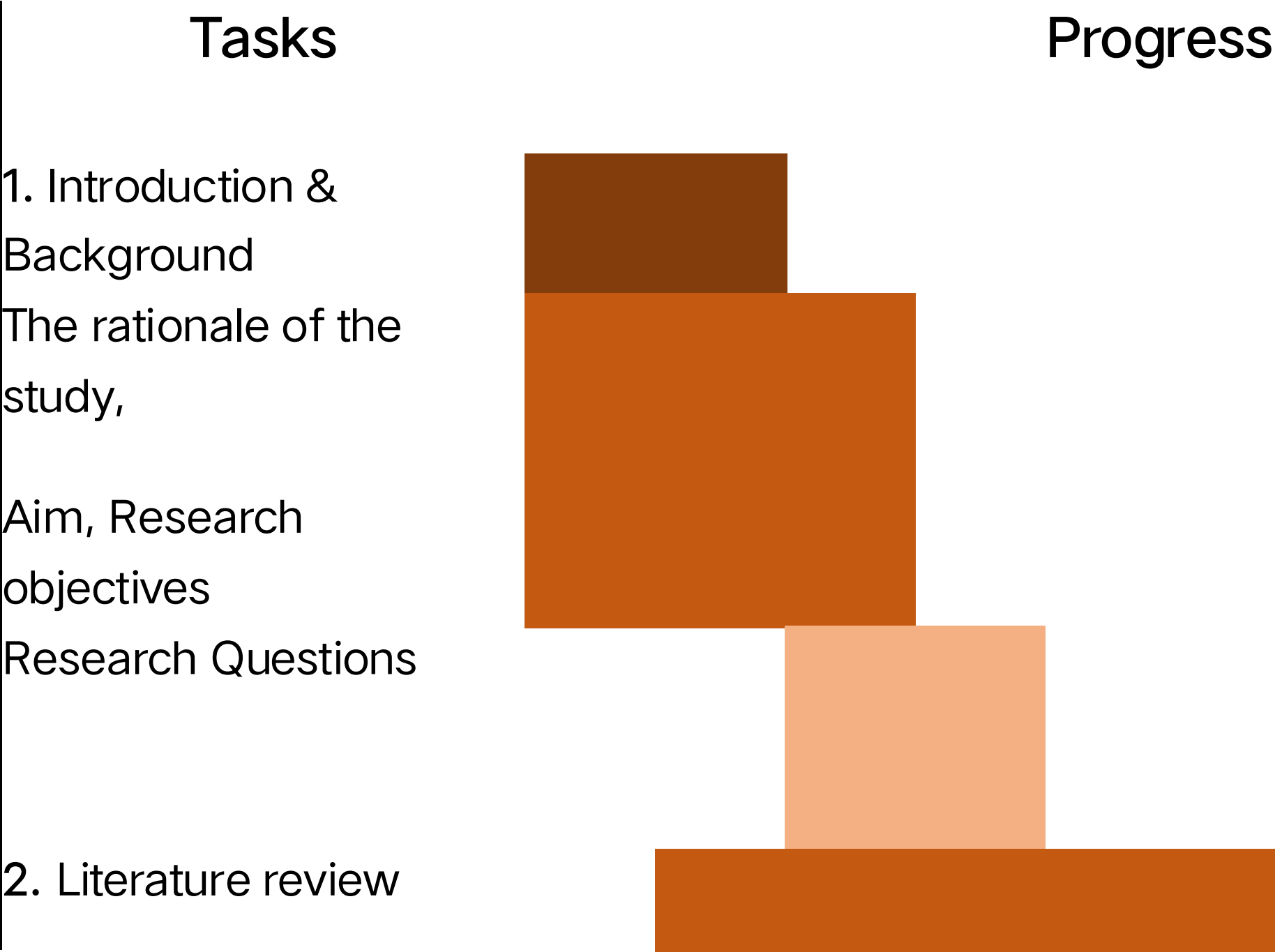
Frequency analysis shall be employed in self-substantiation of the demographic characteristics of the sample as well as the essential attributes of Sainsbury's loyalty programs. Retention of customers through the evaluation of the features of the loyalty program shall be conducted through inferential statistics such as Regression Analysis and correlation. These techniques will assist in establishing

major factors that influence customers’ buying behavior and therefore culminating in loyalty and retention.

6. Ethical Considerations

This research incorporates issues of ethical considerations throughout the process of the research. All participants will be asked for his/her consent to participate in the study and his/her rights before and during the study. Respondent confidentiality will be upheld by not using any identifiers to trace the subject back to the respondent as well as giving each respondent a numerical ID number to ensure anonymity of the participating organization. Permission to conduct the research will be obtained from the concerned IRB before data collection.

7. Gantt Chart



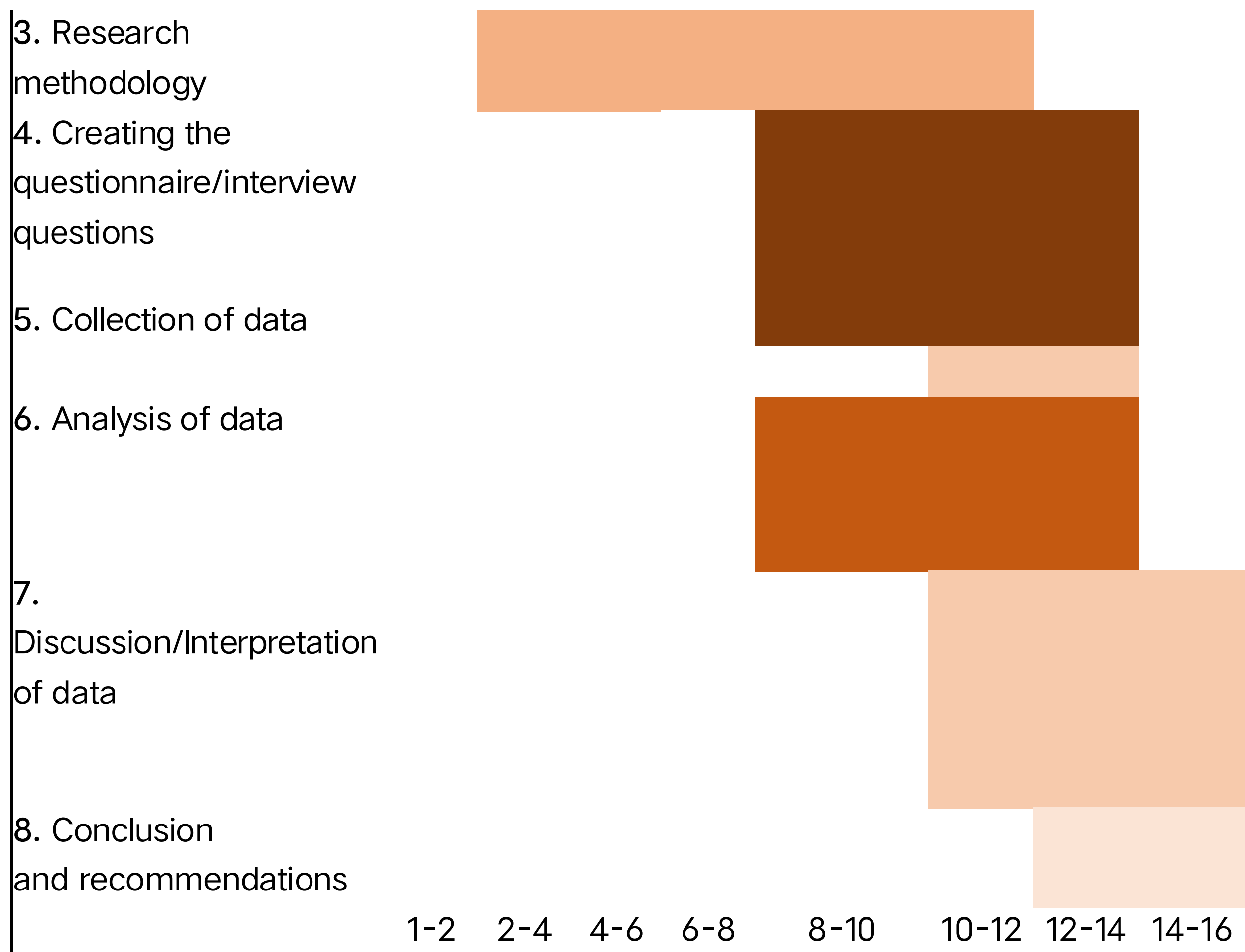


Figure 1 Project Gantt Chart

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