

CUSTOMER PERCEPTION AND ATTITUDE OF LOYALTY PROGRAMS IN CROATIA

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ABSTRACT

This paper explains the reasons for loyalty programs emergence in retail and their significance to retailers and buyers, as well as the components they consist of. Subsequently, customers' attitudes on these loyalty programs components on the fast moving consumer goods (FMCG) market in Croatia have been analyzed. Aim of the study was to explore the antecedents of loyal customers and therefore only those respondents who participated in at least one loyalty programs were used for testing the research question of the paper. The results of the conducted research undoubtedly show that, customers appreciate the simplicity in loyalty programs and ask for their transparency. They want to be able to choose rewards within loyalty programs and prefer delayed, but more valuable rewards. It has also been confirmed that customers want to win points in innovative ways. The research results, in view of buyers' priorities and the factors deemed crucial for the success of such programs on Croatian retail market, can be of use to retailers who wish to improve their loyalty programs. It is clearly evident from the research results on Croatian market what customers consider as important and what they want from a loyalty program.

KEYWORDS: *loyalty programs, loyalty programs components, Croatian retail market, FMCG*

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1. INTRODUCTION

The goal of every retailer is a long term profitable business, which can be created by a good location, excellent product range, attractive store interior and competitive prices. In addition to the previously stated areas, customers also expect efficient service provided by friendly and professional staff. The retail industry is held responsible for thousands of suppliers whose products are offered on the shelves¹. Changes on the retail markets have resulted in self-service stores being most common, and thereby, the classical trader-customer relationship, where a trader is with the customer during the entire buying process helping him with decision-making and providing other assistance, is disappearing. From this perspective, it can be said that a retailer knows about the customer a lot less than in the previous, traditional relationships. But, the situation today is just the opposite. Although the shop assistants in the stores personally maybe know little about the preferences of their customers, exactly those preferences, buying habits and the satisfaction of the customers are the elements that capture more attention than ever. The customer has become “the center” around which everything evolves. It is very important to understand that customer satisfaction is expected to drive customer loyalty and profitability². Increase in customer loyalty has almost five times more impact on a firm’s value than a change in the discount rate or cost of capital³. Loyalty programs are probably the most popular strategy to enhance customer satisfaction and loyalty⁴. Loyalty program as “a set of activities that offers conveniences (rewards) to customers, is based on the evidence of loyalty (frequent purchases or the value of each purchase)”⁵. American Airlines in 1990 was among the first to introduce loyalty programs in the form of the Frequent Flier program⁶. It may be difficult to determine the influence of loyalty programs on the retailers’ profit, because it is hard to get the information on the costs of

¹ Wilson, J. P.: *The triple bottom line: Undertaking an economic, social, and environmental retail sustainability strategy*, Intl J of Retail & Distrib Mgt 43, 2015, p. 432–447.

² Heskett, J. L. *et al.*: *Putting the Service-Profit Chain to Work*, Harvard Business Review, 2008, p. 118-126.

³ Roos, I.; Gustafsson, A.: *Understanding Frequent Switching Patterns*, Journal of Service Research, 10 (1), 2007, p. 93-108.

⁴ Gable, M. *et al.*: *An empirical analysis of the components of retailer customer loyalty programs*, International Journal of Retail & Distribution Management, 36 (1), 2008, p. 32-49.

⁵ Meyer-Waarden, L. *et al.*: *The effects of purchase orientations on perceived loyalty programmes’ benefits and loyalty*, International Journal of Retail & Distribution Management, 41 (3), 2013, p. 201-225.

⁶ Lacey, R., Sneath, J. Z.: *Customer loyalty programs: are they fair to consumers?*, Journal of Consumer Marketing, 23 (7), 2006, p. 458-464.

implementing them⁷. The struggle for a customer's attention begins by putting the customer first. Phenomenon of the customer loyalty has received extensive coverage in Marketing and Information Systems literature in the past⁸. Loyalty programs proved, as a consequence of rising awareness of the need for research on customers' desires and meeting their needs, to be crucial for the survival of this economic branch. Loyalty programs are defined as the business process of identifying, maintaining and increasing the yield from the best customers through interactive, value-added relationships⁹. Since retail industry is characterized by very similar offerings, highly competitive markets and low growth, customer loyalty is a more salient concern than in other industries¹⁰. The members' lists are the best indicators of how loyalty programs have become popular over the course of last years¹¹. They show how in 2009, in the USA, there were 1.8 billion memberships, and in 2012, this number was 2.65 billion. Likewise, in 2005, 50% of the Europeans had membership in at least one of the retail loyalty program, and in 2010, this climbed up to 90%. Hence, the goal of this research is to establish the elements of loyalty programs that are important to the customers, i.e. the members of loyalty programs on the Croatian markets of consumer goods, all this with the aim of indicating the components of the programs that retailers need to pay special attention to. Loyalty programs encompass concentrated efforts by retailers to build store traffic, increase basket size and increase frequency which creates deeper relationship ties with its customer base. Regarding the popularity of loyalty programs on the market, retailers have to know what the customers expect from the program in order to response to those wishes. Retail industry has developed loyalty programs which are now a commonplace for monitoring customer satisfaction¹². This research focuses on the basic components of loyalty programs on Croatian retail

⁷ Dorotic, M. et al.: *Loyalty programmes: current knowledge and research directions*, International Journal of Management Reviews, 14 (3), 2012, p. 217-237.

⁸ Kim, S. S., Son, J.-Y.: *Out of Dedication or Constraint? A Dual Model of Post-Adoption Phenomena and Its Empirical Test in the Context of Online Services*, MIS Quarterly 33, 2013, p. 49-70.

⁹ Capizzi, M. et al.: *Loyalty trends for the 21st century*, Journal of Targeting, Measurement and Analysis for Marketing, 12, 2004, p. 199-212.

¹⁰ Demoulin, N.T., Zidda, P.: *Drivers of Customers' Adoption and Adoption Timing of a New Loyalty Card in the Grocery Retail Market*, Journal of Retailing; 85, 2009, p. 391-405.

¹¹ Kang J. et al.: *Customer – company identification and the effectiveness of loyalty programs*, Journal of Business Research, 68 (2), 2015, p. 464-471.

¹² Lin, Z., Bennett, D.: *Examining retail customer experience and the moderation effect of loyalty programmes*, International Journal of Retail and Distribution Management, 42 (10), 2014, p. 929-947.

market of consumer goods, such as – membership applications, points system, rewards etc. We believe that the retailers on Croatian market will, based on the data this research has provided, be able to focus on the loyalty programs components which are important to customers, and in so doing, keep building their competitive advantage.

2. THEORETICAL BACKGROUND

There is a well-known assumption that “customers’ satisfaction is the necessary element for keeping customers loyal”¹³. Bearing in mind that loyalty plays an important role in the creation of loyalty programs, it is crucial to perceive all the factors that lead to the customers’ positive assessment of loyalty program, i.e. their satisfaction. Most retailers use loyalty programs as defensive tools because their competitors also provide them¹⁴. “The main reason for launching many loyalty programs is the competition”¹⁵. Background research shows that two new loyalty programs by different retail chains, emerged on the market at approximately the same time¹⁶.

Loyalty programs have the opportunity to increase customer relationships by offering added value to profitable market segments¹⁷. Loyalty is a connection between a buyer’s attitude (towards the product, the service, the store) and his purchase behavior¹⁸. Social advantages, special treatment and the perceived value of the program are the initiators of loyalty towards loyalty programs¹⁹. “The perceived value has a positive effect on buying habits that minimizes over time”, while the effect on the emotional connection with a company en-

¹³ Sreejesh S. et al.: *Examining the roles played by a store satisfaction-love framework in shaping the influence of store loyalty programs*, Management Research Review, 39 (8), 2016, p. 879 – 898.

¹⁴ Julian, C. C. et al.: *Dynamics of loyalty programs in Malaysian retailing: A strategic marketing perspective*. Journal of Transnational Management, 21 (3), 2016, p. 101-114.

¹⁵ Dowling, G., Uncles, M.: *Do customer loyalty programs really work?*. Sloan Management Review, 38 (4), 1997, p. 71-71.

¹⁶ Solarova, P.: *Loyalty Programmes of Selective Grocery Retailers in the Czech Republic*, Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis, 63 (2), 2015, p. 617–625.

¹⁷ Kumar, V., Shah, D.: *Building and sustaining profitable customer loyalty for the 21st century*, Journal of Retailing, 80 (4), 2004, p. 317-330.

¹⁸ Dick, A. S., Basu, K.: *Customer loyalty: Toward an integrated conceptual framework*, Journal of the Academy of Marketing Science, 22 (2), 1994, p. 99-113.

¹⁹ Evanschitzky, H. et al.: *Consequences of customer loyalty to the loyalty program and to the company*. Journal of the Academy of Marketing Science, 40 (5), 2012, p. 625-638.

hances over time²⁰. Loyalty develops over time, and it is therefore important to consider the more relevant components in the long run. The fact is that, in order to receive loyalty and all that wants to be achieved with a loyalty program, not only one type of advantage or strategy can be used. It is advisable to provide customers with both specific material and immaterial advantages in loyalty programs since such combination results in increasing customers' loyalty in the program, which then influences customers' loyalty in general, for example, towards the retailer²¹. Customers who have built a strong relationship with a retailer see rewards only as stimulations which additionally strengthen the already existing connection²². In other words, developing loyalty towards a retailer can be characterized as a goal of loyalty programs, and it is in the long run, more important for the retailers than loyalty to the very program. A retailer can use different methods to gain customers' trust; some customers are loyal because of the tradition and the fact that a retailer has been active for a long time on the market; some can be attracted by offering domestic products, and some choose the specific retailer because they like its brand. Sometimes, customers can relate to a retailer, in the price sense, and they value the sales policy (socially responsible behavior for example) which the retailer pursues. This connection can also be called Customer Company Identification – CCID. Loyalty programs are initiators of the CCID, and this identification results in the development of a customer's loyalty towards the company²³. By providing a long-term value, a retailer can in return get loyal customers who will “stand by him although he will not always provide the best price”²⁴. Although a customer is sometimes not pleased with financial benefits the retailer offers, he will not opt for a competing program, because his connection to the retailer is above those rewards. “Customers with a strong connection to a company are immune to negative comments which may arrive from competition or other members of the program”²⁵. Opposite from false loyalty is hidden loyalty which is evident in

²⁰ Johnson, M. D. *et al.*: *The Evolution of Loyalty Intentions*, Journal of Marketing, 70 (2), 2006, p. 122–132.

²¹ Kim, H. Y. *et al.*: *Perceived Benefits of Retail Loyalty Programs: Their Effects on Program Loyalty and Customer Loyalty*, Journal of Relationship Marketing, 12 (2), 2013, p. 95–113.

²² Henderson, C. M. *et al.*: *Review of the theoretical underpinnings of loyalty programs*, Journal of Consumer Psychology, 21(3), 2011, p. 256–276.

²³ Kang J. *et al.*: *Customer – company identification and the effectiveness of loyalty programs*, Journal of Business Research, 68 (2), 2015, p. 464–471.

²⁴ Hajdukiewicz, A.: *A new approach to customer loyalty programs in the era of digitalization: The example of the Freebee loyalty technology platform*, in Knego, N. and Renko, S. (eds.): *Trade perspectives 2016: Safety, security, privacy and loyalty*, Zagreb, 2016, p. 159–171.

²⁵ Henderson, C. M. *et al.*: *Review of the theoretical underpinnings of loyalty programs*, Journal of Consumer Psychology, 21 (3), 2011, p. 256–276.

the positive attitude and customers' opinions, despite rare purchases. Loyalty that a retailer desires is somewhere between these two, where a customer's attitude and frequent purchases will be balanced. It is essential for a retailer to nourish and encourage loyalty towards the program and company. Loyalty towards the program will prevail when customers choose a retailer, i.e. a store, but loyalty to the program is important because it influences the frequency of the purchase²⁶. Loyalty programs influence customers' behavior in the sense of frequent purchase, customers' will to pay more and give more positive commentaries²⁷. As a loyalty program is most often conceptualized as to give the possibility of collecting points upon every purchase, it is supposed that customers - members of the program, with the aim to collect those points – will frequently buy at the retailer where they have membership. The change in a customer's behavior, or more precisely, more frequent purchases at the specific retailer, is influenced by the quality of service, a customer's trust in the retailer and his attitude towards the loyalty programs²⁸. "The quality of the service in a loyalty program relates to the entire experience a customer undergoes during the enrolment, membership renewal, collecting points, reimbursement and the use of the program"²⁹. The same authors have proved that the quality of interaction between the staff and the customers (cordial/serviceable staff) and personalized service are key determinants of the quality of the service in a loyalty program. Therefore, a conclusion can be drawn that those two determinants also contribute to repeated purchases. Trust in a retailer contributes to maintaining long-term relationships with the retailer, more than immaterial benefits (special treatment and a developed relationship with the staff).³⁰ The attitude and emotions a customer will develop are a consequence of the service provided, i.e. the customer treatment which "includes things like serviceability and courtesy of the staff and the way customer dissatisfaction is being handled"³¹. "Customer's satisfaction is the most effective and cheapest source of communication on the market, because customers who are pleased with a product or a

²⁶ Evanschitzky, H. et. al.: *Consequences of customer loyalty to the loyalty program and to the company*. Journal of the Academy of Marketing Science, 40 (5), 2012, p. 625-638.

²⁷ Xie, K. L., Chen, C.: *Progress in Loyalty Program Research: Facts, Debates, and Future Research*, Journal of Hospitality Marketing and Management, 22 (5), 2013, p. 463-489.

²⁸ Agudo, C. J., Crespo, H. A., Rodríguez del Bosque, I.: *Adherence to customer loyalty programmes and changes in buyer behavior*, The Service Industries Journal, vol. 32 (8), 2012, p. 1323-1341.

²⁹ Omar, N. A., Musa, R.: *Measuring service quality in retail loyalty programmes (LP-SQual)*, International Journal of Retail & Distribution Management, 39 (10), 2011, p. 759 – 784

³⁰ Gwinner, K. P. et al.: *Relational benefits in services industries: the customer's perspective*, Journal of the academy of marketing science, 26 (2), 1998, p. 101-114.

³¹ Spohn, R. F., Allen, R. Y.: *Retailing*, Reston: Prentice-Hall, 1997, p. 110

service will probably spread their positive experience to others”³². Customers’ satisfaction has positive impact on the company’s reputation and image, this way company’s promotion being the “one of the best loyalty indicators”.

3. CONCEPTUAL FRAMEWORK OF LOYALTY PROGRAMS AND HYPOTHESES DEVELOPMENT

Based on a program’s structure, i.e. its components, customer acquaints himself with while participating in the loyalty program, they develop their attitude. It is important to a retailer that a customer has positive experiences and attitude, because they influence his long-term relationship with the retailer. This paper will therefore analyze some of the components of programs that previous researches proved as important for the survival of loyalty programs, and, at the same time, influence customers’ attitude. By determining important factors for customers when considering loyalty programs, help will be provided to those retailers who are not satisfied with their programs or those who want to initiate them. Program structure will be analyzed by components related to membership applications, types (structure) of the programs, points scale, relationship and communication with the customer and reward structure.³³

Loyalty programs are basically divided into two types. These are frequency reward programs and customer tier programs. The frequency reward programs are most common at Croatian retailers. They function on the principle of points which are collected upon every purchase and later traded for rewards. With the customer tier programs, the principle of collecting points is basically the same and customers are then divided into groups (levels or categories) based on the points collected. By spending more, customers switch from a “lower” one to a “higher” one, which offers greater benefits. Most common is the division into three levels: basic (standard), advanced (silver) and top level (golden). Purchases are registered over a longer period of time and rewards are given most often at the end of the year. Those types of programs are more suitable for the activities where there are strong connections present between the customers and the staff, where prices are higher and the focus is on the relationship with the customers (for example, airline companies, hotels, insurance companies).³⁴

³² Omar, N. A. *et al.*: *Retail Loyalty Programs in Malaysia: The Relationship of Equity, Value, Satisfaction, Trust, and Loyalty among Cardholders*, Journal of Business Economics and Management, 12 (2), 2011, p. 332-352.

³³ Breugelmans, E. *et al.*: *Advancing research on loyalty programs: a future research agenda*, Marketing Letters, 26 (2), 2015, p. 127-139.

³⁴ *Ibid.*

3.1. HYPOTHESES DEVELOPMENT

Out of seven dimensions for evaluating the quality of services in a loyalty program (psychological aspects, program policy, reward, personalization, usefulness of the information, communication quality, courtesy/serviceability), program policy is considered as the most important factor when evaluating the quality of the service³⁵. The authors of this research suggest that “traders have to enable transparency and easy understanding of rules and conditions of a membership in a loyalty program”. Taking into account all that has been pointed out, we think that, for the purpose of this research, the following hypothesis should be formulated:

H1: Customers want loyalty programs whose functioning is simple

The stated hypothesis relates to the ease at which the number of collected points can be checked, easy conversion of the gathered points into discounts etc. It is important that this process is simple, so the customer would not lose the will to participate in the program at the very beginning. Likewise, customers often expect many benefits since they are convinced that they have spent a lot, but if they do not think carefully about how much money needs to be spent for one point, they could be unpleasantly surprised, especially if many points need to be collected. There are often situations where customers feel dissatisfied when it comes to collecting points. “Companies often print expiration dates for points in line with the care for financial capabilities; however, this can upset the customers”³⁶. Most often, customers have to use the points within a certain period; otherwise they lose them and have to start collecting from the beginning over the next period. However, there are loyalty programs that guarantee the transfer of the points over to the next period. Research conducted on the restrictive policies of rewards payment in loyalty programs, like setting the date until which a coupon/discount can be used showed this kind of limitation may cause damage to the creators of the programs^{37,38}. Therefore, the following hypothesis will be formulated for the purpose of this research.

³⁵ Omar, N. A. *et al.*: *Investigating the structural relationship between loyalty programme service quality, satisfaction and loyalty for retail loyalty programmes: evidence from Malaysia*, *Measuring Business Excellence*, 17 (1), 2013, p. 33 – 50.

³⁶ Breugelmans, E. *et al.*: *Advancing research on loyalty programs: a future research agenda*, *Marketing Letters*, 26 (2), 2015, p. 127-139.

³⁷ Dowling, G., Uncles, M.: *Do customer loyalty programs really work?*. *Sloan Management Review*, 38 (4), 1997, p. 71-71.

³⁸ Noble, S. M. *et al.*: *Accumulation versus instant loyalty programs: The influence of controlling policies on customers' commitments*, *Journal of Business Research*, 67 (3), 2014, p. 361-368.

H2: Restrictions in loyalty programs cause dissatisfaction by customers

Literature states two mechanisms connected to accumulation of points, one of which relates to points threshold, and the other to offering rewards. Point pressure effect relates to the customer's adjustment/increasing purchases in order to reach or pass the set point threshold. The nearer the threshold is, more powerful the effect becomes. It can be called the point threshold effect because the existence of that threshold causes certain changes in customers' behaviour. The other mechanism is called rewarded behaviour effect, and its goal is to motivate more frequent purchases with rewards. For this mechanism, it can be said that its success depends on a customer's inner motivation during the purchase. If customers buy products in line with their buying habits, i.e. standard products they always buy, and in this way win a reward, reward program should motivate them to buy more frequently at the same retailer. But, if customers buy something only to win a reward, the effect of rewarding is questionable. The effect of rewarding depends on the reward as well. If the customer is not satisfied with the reward, program will have no impact either. Detachment from typical loyalty programs represents different schemes for accumulation of points in loyalty programs. There are programs where points are not collected only on the basis of the amount of total purchase (item – based loyalty program)³⁹. Instead, for specific products reward points are given and then added to the total number of points, while the number of common price discounts has been reduced. The results of the research indicate that customers appreciate the fact that such a system allows them to trade points for discounts in line with their own preferences when they have accumulated enough points for a higher value purchase. This leads to two conclusions. First, customers want to be able to choose where to utilize their points. Second, they will rather accept more valuable rewards in the future, instead of more frequent discounts whereby they cannot save much. In line with the referred research, two following hypotheses (H3 and H4) have been proposed, which will be researched, i.e., accepted or rejected through conducting a primary research on Croatian retail market.

H3: Customers want to choose on what to use the points accumulated during the participation in a loyalty program

H4: Customers will rather accept a delayed reward in a loyalty program than everyday rewards

There have also been previous research also dealing with questions related to attitudes which express customers' desire to win points in a loyalty program

³⁹ Zhang, J., Breugelmans, E.: *The Impact of an Item-Based Loyalty Program on Consumer Purchase Behaviour*. Journal of Marketing Research, 49 (1), 2011, p. 50-65.

and not only by purchasing, but in other forms as well^{40,41}. Therefore, the primary research wants to explore the following hypothesis, too:

H5: Customers want to win points in a loyalty program not only by buying something, but in some other manner as well

Some of unusual ways of winning points are: rewards for using mobile applications, for shopping at a specific time or making a purchase at a specific store.

4. METHODOLOGY

The research for this paper was conducted via surveys whose goal was to establish how important selected components of a loyalty programs are to a customer. The survey was conducted in the Republic of Croatia, during March and April 2017. The questionnaire sample consisted of 380 respondents of different gender, age and education. The questionnaire consists of 19 questions divided into two sections. The first comprises of demographic questions. The second section consists of the questions in line with the hypotheses, relating to retail loyalty programs. But, this section of the questionnaire was filled out by respondents who are members of at least one of the loyalty programs in retail. The respondents, who are not members of any loyalty program, answered only one question in the second section. It related to the reasons why they do not participate in any of the loyalty programs in retail. Out of the total of 380 respondents, 66.6% (253) declared that they were members of at least one loyalty program, while 33.4% (127) said they were not members of any loyalty program in retail. The research has shown that most respondents (32%) who are not members of loyalty programs think that loyalty programs are excessively demanding and that rewards are hard to get. Other most popular opinion by respondents who do not participate in any loyalty programs is that only the retailer benefits from loyalty programs (30%). A bit smaller percentage of the respondents (23%) think that enrolment in loyalty programs requires giving too much personal information, and the rest 15% of the respondents mostly stated that they had no specific reason for not being a member or that they were not interested in the programs. Likewise, prior to testing the hypotheses, control variables had been tested: gender, age, education, work status and income. Control variables aim at testing the influence of gender, age, education and work status on customers' tendency to respond to loyalty programs in

⁴⁰ Bojei, J. *et al.*: *The empirical link between relationship marketing tools and consumer retention in retail marketing*. Journal of Consumer Behaviour, 12 (3), 2013, p. 171-181.

⁴¹ Huang, M.: *The influence of relationship marketing investments on customer gratitude in retailing*, Journal of Business Research, 68 (6), 2015, p. 1318-1323.

consumer goods retail in Croatia. As can be seen in Table 1, the results have shown that gender and education have statistically significant influence on the probability of entering a certain loyalty program.

Table 1. Gender and age distribution of the respondents. Source: Authors calculation.

	GENDER		AGE		
	Male	Female	18-24	25-34	34+
YES	42	210	91	94	68
	38.5%	78.1%	65.5%	69.1%	66.0%
NO	67	59	48	42	35
	61.5%	21.9%	34.5%	30.9%	34.0%
χ^2		0.000			0.792

Women and individuals with high education have more tendencies towards participating in retail chains loyalty programs. While only 38.5% of men are members of a loyalty program, the share of women is 78.1%. The share of individuals with low or secondary education in loyalty programs is 57.5%, while the share of those with higher expertise is 78.7% and the share of the individuals with high expertise is 76.8% (see Table 2).

Table 2. Education and work status of the respondents. Source: Authors calculation.

	EDUCATION				WORK STATUS		
	Primary and Secondary education	Post-Secondary education	Tertiary education	Indeterminate period, Retired	Part-time, fixed-term contract	Unemployed	Student
YES	119	48	86	121	33	28	71
	57.50%	78.70%	76.80%	65.80%	71.70%	59.60%	70.30%
NO	88	13	26	63	13	19	30
	42.50%	21.30%	23.20%	34.20%	28.30%	40.40%	29.70%
χ^2			0.000				0.52

Although age, work status and the level of income were not significant control variables, relatively smallest share of loyal consumers were in the group of youngest respondents from the age of 18-24, in the group of unemployed con-

sumers (59.6%) and the group with the consumers who have income between 3 and 5 thousand kunas (see Table 3).

Table 3. Income distribution of the respondents. Source: authors' calculation.

INCOME						
	-3t		3-5t		5-7t	7+
YES	93		57		62	26
	67.90%		5.80%		76.50%	68.40%
NO	44		40		19	12
	32.10%		41.20%		23.50%	31.60%
χ^2						0.093

For further analysis and research question testing, sample was divided in two parts. First part of the sample is about respondents who did not participate in any loyalty programs and second part is about those who are members of at least one loyalty program. For testing preferences about loyalty programs authors used only second part of the sample. Table 4 demonstrates characteristics of those respondents who answered the question about loyalty affirmatively. There was 16.7% of male and 83.3% of female respondents. Most of the respondents were below 35 years of age (73.2%), while the level of education was above national average including 53% of those with more than secondary education. Almost half of the respondents had regular monthly income (47.8%), 13% non-regular income and 39.2% of them were without income. As for the level of income only 10.9% percent of them were above 7 thousand Croatian kunas.

Table 4. Characteristics of the sample. Source: authors' calculation

	M	F	18-24	25-34	34+	Primary and Secondary education	Post-Secondary education	Tertiary education
F	42	210	91	94	68	119	48	86
%	16.7	83.3	36	37.2	26.9	47	19	34
	Indeterminate period, retired	Part-time, fixed-term contract	Unemployed	Student	up to 3tHRK	3-5tHRK	5-7tHRK	7tHRK+
F	121	33	28	71	93	57	62	26
%	47.8	13	11.1	28.1	39.1	23.9	26.1	10.9

5. FINDINGS AND DISCUSSION

With the aim of testing the hypotheses of this paper, the respondents evaluated on the Likert scale a series of elements that are supposed to form predispositions for participating in loyalty programs: simplicity of loyalty programs, limitations when it comes to the use of program benefits, time limitations of loyalty programs, program innovation and new ways of collecting points. The simplicity of the program, i.e. its simple policy implies easy process of enrolment, trading and checking of the points. It is evident that, for almost 70% of the respondents, the simplicity of a program is very important or a must. Likewise, the average value of all the respondents who evaluated the importance of program simplicity was $\mu=3.86$ and this has proved statistically significant ($p=.000$, see Table 5). It is clear that loyalty programs policy, i.e. the way they function, plays an important role for the customers. For this reason,

hypothesis no 1: Customers want loyalty programs whose functioning is simple – has been accepted.

Limitations emerging within loyalty programs relate to time periods a retailer sets, and during which the benefits can be traded, or otherwise, they are lost. This paper has aimed at the limitations in the sense of a set time period during which points or coupons can be traded or used. After this period has run out, customers can no longer use the points, and have to start collecting them from the beginning in the next period. The results suggest that most respondents, 51.6% of them, think that limitations greatly or absolutely influence their dissatisfaction with a program. On the other hand, only 17.9% of the respondents deem that limitations influence their dissatisfaction very little or not at all. Moreover, the average value of the respondents who evaluated the importance of no limitations, which normally occur in loyalty programs, and which relate to time periods a retailer sets, was $\mu=3.51$ and has also proved statistically significant ($p=.000$, see Table 5). It can be concluded that limitations do influence customers' dissatisfaction with a program. In line with that,

hypothesis no 2: Restrictions in loyalty programs cause dissatisfaction in customers – has been accepted.

In most loyalty programs, retailers decide on which products customers can utilize their points. Yet, some retailers offer choice, in the sense that customers can trade points for a certain discount, and the customers then decide for which product from the assortment they will use the discount. The research results clearly suggest that 88.2% of the respondents place more value on loyalty programs where they can choose how to spend their points. In addition, the average value of the respondents who evaluated the importance of no limitations, in the sense of using the accumulated benefits in a loyalty program,

was $\mu=4.49$, which is a value that also has statistical significance ($p=.000$, see Table 5). Considering the clearly stated respondents' attitude,

hypothesis no 3: Customers want to choose on what to spend the points accumulated during the participation in a loyalty program – has been accepted.

This also represents the most important preferential element of loyalty programs for the customers of retail companies.

Table 5: Loyalty programs characteristics. Source: authors' calculation.

	μ	α	GENDER	AGE	EDUCATION	INCOME
<i>No limitations in the manner of using the benefits within a program</i>	4.49	.000	.002	0.182	.030	.147
<i>Simplicity</i>	3.86	.000	.001	0.925	.016	.017
<i>No time limitations for using the benefits</i>	3.51	.000	.292	0.296	.650	.952
<i>Innovations in the programs</i>	3.30	.000	.636	0.002(1)	.110	.013

In retail loyalty programs, rewards, besides material and immaterial and direct and indirect ones, can also be divided according to the time of their reimbursement. There, we can differentiate immediate and postponed rewards. The immediate rewards are discounts a customer, who is the member of a loyalty program, can get while purchasing something, or everyday members-only low prices. In order to receive postponed rewards, the members of loyalty programs accumulate points on their loyalty cards and get corresponding rewards based on the number of points. The main difference between them is that, by earning points, customers can achieve great savings. The research results show that 69% of the respondents prefer delayed, but more valuable rewards. Moreover, the influence of age, education and income on the tendency towards the delayed, but more valuable rewards had been tested, and the results have shown that they were not significant; however, female ($\chi^2=0.022$) and unemployed ($\chi^2=0.028$) respondents show more preference towards the delayed rewards (see Table 6). Results are in line with the previous research⁴², which has shown that customers would rather collect points in order to get a more valuable reward. In line with that,

⁴² Zhang, J., Breugelmans, E.: *The Impact of an Item-Based Loyalty Program on Consumer Purchase Behaviour*, Journal of Marketing Research, 49 (1), 2011, p. 50-65.

hypothesis no 4: Customers will rather accept a delayed reward in the loyalty program than everyday rewards – has been accepted.

	GENDER		AGE		
	M	F	18-24	25-34	34+
<i>Delayed benefits</i>	38	158	78	72	47
	57.6%	72.5%	75.7%	67.3%	62.7%
<i>Everyday discount</i>	28	60	25	35	28
	42.4%	27.5%	24.3%	32.7%	37.3%
χ^2		.022			.154
INCOME					
	up to 3tHRK	3-5tHRK	5-7tHRK	7tHRK+	
<i>Delayed benefits</i>	78	42	45	18	
	76.5%	62.7%	66.2%	64.3%	
<i>Everyday discount</i>	24	25	23	10	
	23.5%	37.3%	33.8%	35.7%	
χ^2				.216	

Table 6. Preference toward delayed benefits. Source: authors' calculation.

	EDUCATION				WORK STATUS		
	Primary and Secondary education	Post-Secondary education	Tertiary education	Indeterminate period, retired	Part-time, fixed-term contract	Unemployed	Student
<i>Delayed benefits</i> 71.3%	102	34	61	83	27	31	55
	66.7%	67.0%	61.0%	73.0%	83.8%	74.3%	
<i>Everyday discount</i> 28.7%	41	17	30	53	10	6	19
	33.3%	33.0%	39.0%	27.0%	16.2%	25.7%	
χ^2			.720				.028

A typical way of collecting points in loyalty programs is by making purchases, where members win certain points, based on the amount spent. New ways of collecting points includes the use of mobile applications, purchase at a specific store, frequency of the purchases and buying at a specific time. 47.1% of the respondents expressed a positive attitude towards new ways of collecting

points, while the average evaluation of that statement was $\mu=3.30$ and it was statistically significant. Although it can be said that, on average, the statement is affirmative, a small drop in the respondents' determination can be noted. The total of 30.7% of them opted for the level "neither agree nor disagree" and 22.3% expressed a level of disagreement that is not negligible. In addition, it is evident that the youngest subgroup of respondents highly prefers innovations within the loyalty programs in consumer goods retail ($p=.002$). The reasons for these results can be found in the fact that there are no many innovative solutions for collecting points, so people generally show fear or prejudice towards something they have not had a chance to try out. Bearing in mind the evident indecisiveness of the respondents, it is realistic to make the conclusion that the customers' wish for new ways of accumulating points is sufficiently expressed. Based on this conclusion,

hypothesis no 5: Customers want to win points in a loyalty program not only by buying something, but in some other manner as well – has been accepted.

6. CONCLUSION

The purpose of this paper has been to establish customers' attitudes towards specific components of loyalty programs on the fast moving consumer goods (FMCG) market in Croatia. The selected elements on which respondents attitudes were being established are: program innovation, simplicity of loyalty programs, limitations by using of program benefits, time limitations and new ways of collecting points. Regarding the age structure, the respondents evaluated the importance of simplicity of a loyalty program, in the sense of easy calculation and checking of the points. Further, they evaluated the influence of limitations on dissatisfaction with a loyalty program. Those limitations imply deadlines until collected points can be used, points thresholds etc. The importance of being able to choose rewards in a loyalty program and the preferences regarding financial rewards were also evaluated and the respondents expressed the levels of agreement with introducing new ways of collecting points into loyalty programs. The acquired results relating to the above-mentioned components indicate the following: customers appreciate the simplicity in loyalty programs and ask for their transparency. Limitations in loyalty programs influence customers' dissatisfaction with them. Further analysis of the results shows that customers want to be able to choose rewards within loyalty programs and therefore retailers should pay special attention to this component. Retailers' goal should be providing opportunities according to which customers could choose between different options. Likewise, it has been confirmed that customers prefer delayed, but more valuable rewards in loyalty programs,

rather than everyday discounts of less value. When new ways of collecting points are in question, the respondents have shown a certain level of interest. Nevertheless, considering that half of the respondents remained neutral or disinterested, it cannot be stated that this is what customers want. However, it is important to note that those innovations are still very little known on Croatian retail market. Through the existing primary research on Croatian retail market, regarding loyalty programs, it becomes clear that in the future, it would be relevant to explore the importance and influence of relationship with the staff on customers staying within loyalty program on Croatian retail market. Furthermore, during the existing research, there arose the need for additional research on immaterial rewards in the future, especially on: personalized approach to a customer, special treatment towards a customer, attitudes towards fun elements in loyalty programs, and the importance of the sense of belonging for the customers. It is important to note that opinions and attitudes of the customers will vary according to the location of a retail store, product assortment etc. This paper highlights the importance of some components so retailers could re-examine their activities concerning the components; whether they stimulate specific activities too much or too little. In the theoretical section of the paper, special attention is given to analyzing the influence of loyalty programs on retailers' business activities. It can be assumed that, for customers who are satisfied with their membership in a loyalty program, this program can be an incentive to deepen the relationship with the retailer. The results of this research are in line with previous research⁴³, which showed that customers appreciate the right to choose a product when spending points, and that they would rather accept delayed, more valuable rewards. Moreover, some other hypotheses have been supported, regardless of greater dissipation of the respondents' answers. Results confirmed that limitations in loyalty programs have proved to be initiators of dissatisfaction with loyalty programs and that customers want to win points in innovative ways, both being in line with the previous research^{44,45,46}. This research results can help Croatian market retailers to see how much attention they should give to specific segments of loyalty programs, and this has been the very goal of the empirical research.

⁴³ Zhang, J., Breugelmans, E.: *The Impact of an Item-Based Loyalty Program on Consumer Purchase Behaviour*, Journal of Marketing Research, 49 (1), 2011, p. 50-65.

⁴⁴ Noble, S. M. et al.: *Accumulation versus instant loyalty programs: The influence of controlling policies on customers' commitments*, Journal of Business Research, 67 (3), 2014, p. 361-368.

⁴⁵ Dowling, G., Uncles, M.: *Do customer loyalty programs really work?*. Sloan Management Review, 38 (4), 1997, p. 71-71.

⁴⁶ Bojei, J. et al.: *The empirical link between relationship marketing tools and consumer retention in retail marketing*. Journal of Consumer Behaviour, 12 (3), 2013, p. 171-181.

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