Master thesis

Online loyalty program type identification

Empirical Study Concerning Swedish Online Based Loyalty Programs & Type Identification

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Abstract

Purpose: To expand the fundamental knowledge of how online loyalty programs are developed, utilized and maintained.

Design/methodology/approach: A deductive approach with a qualitative research method, consisting of multiple case studies with a total of four companies operating online within Sweden. The data gathering was conducted through a semi structured interview.

Findings: With four companies operating in different industries, holds different levels of experiences of managing an online loyalty program and are in various sizes, it can be concluded that the companies have approached the development of the loyalty programs in similar manners with the customer focus in mind to create loyalty. To expand upon the setup and development of online loyalty programs, a type identification was performed on the cases in the research with some additional theories added upon. The results showcased that the cases were spread out as to regards to their general types.

Research limitations/implications: Future research could arguably expand upon the research regarding the different loyalty program identity types in an online perspective as the subject has limited previous research while also validate or reject the argued components added onto Berman's (2006) framework. Additionally the theoretical framework of identification types also requires further research to obtain a more objective analysis that can increase the reliability and external validity of the studies.

Practical implications: By validating the type identification model, businesses are able to determine what type of loyalty program the organizations holds and what kind of actions are required in order to further develop the program.

Originality/Value: Establishing an updated framework from which future managers and researchers can obtain an understanding of the different factors that has of importance for the phenomenon.

Keywords: CRM, Loyalty programs, Online, Type identification, Setup & development, Opportunistic behavior and Behavior change.

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List of abbreviations

LP – Loyalty program

SOW – Share of wallet

CRM – Customer relationship management

C2C – Customer to customer

e-WOM - electronic Word of mouth

CEO – Chief executive offer

SEK – Swedish krona

NPS – Net promotion score

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1.0 INTRODUCTION

In today's globalized markets where competition is getting more and more intense, the need for companies to create further incentives for the customers to become more brand loyal and perform repeated purchases are becoming more important (Grönroos, 1997). As a result loyalty programs (LPs) have started to pop up in a vast array of industries in efforts to establish customer relationships based upon rewarding the customers' that return to the company (Suh and Yi, 2012; Capizzi and Ferguson, 2005; Kivetz and Simonson, 2002). Meyer-Waarden and Benavent (2009) state that more than 60% of European and American customers were members in at least one LP as of 2005. Gould (1995) explains that the advantages for a company to keep customers are well documented and state that three main benefits exist, (1) the low cost of customer acquisition as there is no need to replace the number of customers who has defected, (2) longstanding customers are more likely to be less price sensitive and as a result opportunities for receiving higher margins exist; and finally (3) lasting customers are more likely to be responsive towards the suggestions of buying a greater variety of products and services. Additionally Dorotic *et al.* (2012) found that companies with LPs increase the customers' frequency of return as well as temporarily increase the customer's share of wallet (SOW). I.e. the amount of money spent by the customer during the period of time that a reward is possible to obtain (Dick and Basu, 1994).

However with globalization new channels of commerce have also started to be explored, e.g. the internet which has led to the possibility of reaching customers previously unobtainable without entering foreign markets physically or through networks. According to the International Telecommunication Union the percentage of internet users in 2013 were 75% of the population in Europe and 61% in North & South America (Itu.int, 2014). Furthermore the amount of household internet users in Europe increased from 41% in 2005 to 77% in 2013 and in America from 32% in 2005 to 61% in 2013 (Itu.int, 2014). Additionally according to the Swedish statistical central bureau 91% of the Swedish population has access to the internet (Scb.se, 2014) where the Swedish population spent 37 billion Swedish krona (SEK) on e-commerce in 2013 (Hui.se, 2014). Childers *et al.* (2001) credits the increase in online activity to the many opportunities that have emerged for companies and customers. Childers *et al.* (2001) gives one example of the possibilities that have emerged as online streaming of movies and live concerts through websites. Additionally the importance of the

internet as a channel of retail commerce has become recognized in recent years as a result of data showcasing that the annual growth rate in online retail sales stayed in the double digits up until the economic recession in 2008 (Rafiq *et al.,* 2013; Zhang *et al.,* 2011).

1.1 PROBLEM DISCUSSION

The retail industry has expanded in the last decades as a result of increased competition in combination with a broader variety of products being offered. Combined with a customer culture which has become more demanding, product aware and less loyal to specific retailers have led to that retailers have started searching for ways to regain competitive positions in order to attract as many customers as possible. Additionally companies have started to create proactive strategies rather than reactive (Wong and Sohal, 2003). The tendency among companies has therefore moved more and more towards customer relationship management (CRM) and especially towards customer loyalty. Even though long-term loyalty is one of the hardest things to create, it is said to be one of the cornerstones in creating a successful business (Wright and Sparks, 1999). Harris and Goode (2004) state that even though loyal customers is essential, retailers that have started moving onto online platforms now face bigger difficulties creating loyalty than offline. However it is also stated that the loyal customers on an online platform can be more profitable than the loyal offline customers as the cost of relationship maintenance is lower, making them an important opportunity to strive towards (Harris and Goode, 2004). A question retailers then arguable have to ask themselves is how to approach and effectively achieve potentially loyal customers online. Researchers have argued that there is a wide variety of methods and strategies to pursue to manage the relationship with customers online in efforts to create loyalty. E.g. Lewis (2004) argues that strategies oriented around utilitarian reward systems have been shown to increase customers' retention and hence create loyalty. While Harris and Goode (2004) argue that a company must first establish trust from the customer before any relationship can even be established. Furthermore Zhang *et al.* (2011) adds to the discussion by pressing the importance of personalized offerings in an online environment, arguing that the company by gathering and utilizing data concerning the customers' previous buying habits and profile information is able to increase the customers' product knowledge and decrease the product evaluation time. I.e. by supplying the customer with more information it enables an environment where customers could interact with each other and recommend products that resulted in a higher

probability to fit with the interests of the customer and increase the likelihood of a purchase as well as repeat purchases. According to Sirdeshmukh *et al.* (2002) CRM as a whole subject have started to combine these factors such as trust, reward schemes and more personalized offerings in tools such as LPs. To give an example Kim and Kim (2004) research of customer purchasing decisions on online shopping of clothes, jewelry and accessories in the US found that LPs was the most important predictor of purchasing intentions.

While Park and Kim (2003) findings indicated that product information was a determinant in the consumers purchase decision online and furthermore as a factor influencing the consumers' loyalty to an e-store. Arguing that the reason why consumers value product information so highly might be because it reduces the information collection time for the consumer, which in turn creates loyalty or so called site commitment from the fact that the consumer knows that the site supplies ample information regarding the products offered (Park and Kim, 2003; Alba *et al.*, 1997). Pei-Yu and Hsien-Tung (2011) adds that online communities and interactions has increased academic interest for a multitude of reasons, e.g. the virtual communities ability to insight in product innovation, produce close relationships to the company and reduce the customer service costs by enabling customers to interact with each other. Further in the study of Gruen *et al.* (2006) the findings revealed that customer to customer (C2C) know-how exchange activities had significant effects on the overall value of the firms offering, furthermore that electronic Word-Of-Mouth (e-WOM) is perceived to be a reliable source of information by the customers. A direct relationship was also seen between C2C know-how exchange and loyalty intentions as well as an indirect relationship mediated through overall value of the firms' offerings. The study provides evidence that the perception of value concerning the firms offering is also affected by the value received through interactions with other customers of the organization (Gruen *et al.*, 2006)

Meyer-Waarden (2007) found that LPs had a positive effect on customers' share of wallet (SOW) as well as the lifetime duration, i.e. the amount purchased at every store visit as well as the length of time that the customer visits the store. However as previously established the effect diminished with the amount of offerings similar to the company's LP (Meyer-Waarden, 2007). Leenheer *et al.* (2007) findings also indicated that the amount of memberships affected the loyalty of the customers in the sense that there was a connection between the amount of different memberships within the same market and the frequency of visits together with the quantity of products purchased i.e. if the customer is active in several

LPs then the customer would spend less time and money at each company (Liu and Yang, 2009; Meyer-Waarden, 2007; Kopalle and Neslin, 2003). It can be argued that this indicate that it is important for companies to be among the first to offer LP memberships in order to capture the highest amount of possible value from the customers.

However although many beneficial factors of LPs have been argued by the CRM field, some criticize the research field of CRM, personalized offerings and use of LPs. Dowling (2002) argues that CRM in general have become a superficial marketing phenomenon, where many of the tools utilized such as LPs, are only beneficial in the short term. Dowling (2002) gives the explanation that it is a result of a "me-too" mentality where the competitors hastily adapt CRM as a defensive strategy, as to lower the price competition in the market. However according to Meyer-Waarden and Benavent (2006) companies that adapt "me-too" LPs faced a higher risk of failure if no additional value was offered beyond the competitors. Therefore Kopalle and Neslin (2003) argue that companies need to carefully plan before a LP is implemented as it is a complex and costly strategy that if not continuously supported can be easily replicated by competitors. Another argument for the careful planning is to prevent the behavior of cheating customers exploiting and abusing the benefits of LPs. Past research in the field have shown that unethical behavior is influenced by personality, situational variables and their interactions (Wirtz and Kum, 2004). Wirtz and Kum (2004) found that a reduction in risk of detection increased cheating behavior in people with high morale more than people with low morale, whose cheating behavior level was higher and less influenced by risk of detection. Later studies suggested that unethical behavior can be seen as a function and driven by perceived rewards (motivations) and perceived costs (inhibitors). Individuals would therefore engage in unethical behavior depending on the combination of the two (Wirtz and Kum, 2004). As a consequence, online retailers/LPs may arguably suffer from higher levels of cheating behavior among customers as there is no physical presence of the company which could decrease the risk of detection. Arguably this indicates that there is a need for research concerning the effectiveness of LP in an online environment. After an extensive article search the authors have found little to no research concerning the results, setup or development of an online retailer's LP.

1.2 RESEARCH GAP

The phenomenon of LPs has arguably received both praise and critique from researchers (Ngai *et al.,* 2009; Liu, 2007; Dowling and Uncles, 1997). However what most if not all of researchers can agree upon is that the goal of LP is to reward customer behavior in order to create incentives to repeat said behavior (Bridson *et al.,* 2008). I.e. by rewarding the customers purchases increase the likelihood of a repeated purchase. Although the goal is clear, the results of LP are varied especially when it comes to an online retail LP perspective, as there exist limited research into the effectiveness of LP that are online based (Cyr *et al.,* 2008; Kim and Kim, 2004). Additionally a majority of LP studies have been focused towards the US and UK markets (Omar *et al.,* 2010), with little to no research orienting towards countries with smaller populations.

Another aspect of the LP that researchers have been discussing is the continued development of the CRM tool, as past research have argued that the effectiveness of LPs are heavily dependent on the customers satisfaction with the utilitarian and hedonic rewards supplied by the company, especially in an online environment (Bridges and Florsheim, 2008; Capizzi and Freguson, 2005; Lewis, 2004). Furthermore researchers stated that the continued development and support were key factors in creating and maintaining an efficient and successful LP (Payne and Frow, 2005; Wirtz and Kum, 2004; Kopalle and Neslin, 2003), Additionally by continuously developing the LP and altering rewards and how the LP functions it became more difficult for competitors to easily implement LP imitations (Meyer-Waarden and Benevent, 2006), decrease cheating behavior among customers, (Wirtz and Kum, 2004), increase customer retention and reduce the likelihood of customer dissatisfaction with a particular purchase as well as promote a long-term engagement with the customer (Bolton *et al.,* 2000). However with all the arguments from researchers for the need of continuous development and need for long-term goals of the LP, little to no research have been performed on how companies approach the LP, its development or long-term goals of its implementation, especially in the context of the online environment. Arguably the increased tendency for companies to implement LPs in connection with the increased activity online both among customers and companies, creates an opportunity to investigate both how retailers approach LPs and their development as well as the arguable effectiveness of LPs in an online environment.

1.3 RESEARCH QUESTIONS

- What changes in the customers' behavior has the companies observed from the introduction of an online loyalty program?

- How do companies approach the setup and development of an online loyalty program?

Clarification: *All of the research questions will be investigated through the companies own perspective, as the effects and evaluation of the LP is based from the company's data and understanding of the situation and environment.*

1.4 PURPOSE

To expand the fundamental knowledge of how online loyalty programs are developed, utilized and maintained.

1.5 DELIMITATIONS

Due to restrictions in resources the research will be delimited to online retailers working within the Swedish market with a fully implemented LP. In addition the research will only collect primary and secondary data from sources connected with the online LPs, and therefore the view of customer loyalty is measured by behavioral changes as suggested by Toufaily *et al. (*2013) (See *2.2 ONLINE RETAILING*). Furthermore due to the restrictions the measurement of share of wallet was decided to be excluded as an industry wide comparison was not manageable. Additionally the research will restrict itself out of usage of grocery retailers as a Meyer-Waarden and Benavent (2009) suggestion of loyalty being harder to be determined based upon the frequency of purchase of grocery products.

2.0 LITERATURE REVIEW

The literature review chapter of the paper will include discussions surrounding the concepts of *Customer relationship management*, *Online loyalty*, *Loyalty programs*, *Assessing the appropriate loyalty program, Loyalty program setup and the evaluation of loyalty programs* and finally around the concept of *opportunistic behavior* i.e. *cheating behavior*.

2.1 CUSTOMER RELATIONSHIP MANAGEMENT

In Ngai *et al.* (2009) literature review on the subject of CRM it is concluded that it includes nine factors within four different categories. (1) Customer identification, which involves the factors of *Target Customer Analysis* and *Customer Segmentation*. These factors are explained by Ngai *et al.* (2009) as the necessary identification of the customers that are most likely to become most profitable. (2) Customer Attraction, with a focus on *Direct Marketing*, which is the company's efforts to attract the desirable customers after their identification. (3) Customer Retention, involving the phenomenon of *Loyalty Programs*, *One-to-one marketing* and *Complaints Management,* which as a whole works towards balancing customers' expectations and perceived satisfaction in efforts to make the customer return and make multiple purchases. (4) Lastly Customer Development, with discussions concerning *Customer Lifetime Value*, *Up/Cross Selling* and finally *Market Basket Analysis* as tools of adding value to the products and services as to promote long-term relationships with the customers that increase the profitability. (Ngai *et al.,* 2009). Ngai *et al.* (2009) define CRM as:

"These four dimensions can be seen as a closed cycle of a customer management system (...) they share the common goal of creating a deeper understanding of customers to maximize customer value to the organization in the long term." (Ngai *et al.,* 2009, p. 2593).

Payne and Frow (2005) explain CRM as an extension to relationship marketing with the exception that CRM focuses on the online perspectives of e.g. databases, direct mails, LP schemes, call centers and relational database for sales force automation. The most common critique towards CRM is largely based upon that the concept as a whole is usually defined in various ways by many and therefore CRM projects has a tendency to lead to failures as a result (Payne and Frow, 2005). It is therefore argued by Payne and Frow (2005) that a CRM project is something that is not implemented and left alone, but a tool that is in

need of continuous support in order to make it effective and profitable (Payne and Frow, 2005; Kopalle and Neslin, 2003).

2.2 ONLINE RETAILING

Childers *et al.* (2001) credit the increase activity of online retailers to the opportunity for customers to access more information about the products, retailers and the prices, which enables the customer to decrease both the evaluation time as well as the cost of the purchase (Childers *et al.,* 2001; Alba *et al.,* 1997). Additionally for retailers the opportunity to reach customers that previously were unobtainable creates an incentive to have an online presence (Bakos, 1998). However with the introduction of online retailing there are also new challenges to face as the customer interaction changes. Previous research has discussed some of the benefits and hurdles for online retailers.

Alba *et al.* (1997) research found that the online shopping activities increased when supplying the customer with product information and comparable attributes of competing products or substitutes in efforts to decrease the search time for the customer. Bridges and Florsheim (2008) argue that online customers seek utilitarian benefits such as satisfactory outcomes and/or hedonic benefits such as a pleasurable experience while shopping online. Furthermore Bridges and Florsheim (2008) findings indicated that utilitarian benefits to be the most effective in encouraging the customer to return to the site as well as the likelihood of the customer to make a purchase decision. While Chiou and Pan (2009) found that the main reason for customers to remain loyal to online retailers was due to high switching costs. Furthermore Chiou and Pan (2009) findings indicated the higher the asset investment in the relationship with the online retailer by the customer the higher the switching cost. Nguyen and Leblanc (2001) research around loyalty found that if a customer had a favorable attitude towards both the company brand and the product/service the likelihood of the customer returning was higher, which was argued to be a sign of loyalty. Dick and Basu (1994) argue that customer loyalty is dependent on the different attitudes that a customer possess towards components of companies with cognitive, affective and conative factors affecting the overall attitude. Furthermore Dick and Basu (1994) argue that so far the most effective method of evaluating customer loyalty is to measure the retention rate and decision among the customers. Kim and Kim (2004) found that the online retailer's web design did not impact the customers purchasing decision as much as previous research had suggested. Kwon

and Lennon (2009) argue that the perceived security of online retailers did not create incentive or indicate any sort of increased loyalty towards the retailer from the customers. I.e. even if the perceived risk of online transaction security and privacy is low, they still do not function as a determinant for the customers' loyalty towards the online retailer. However the security of the site could still function as a hurdle that the customer had to pass in order to consider purchasing from the online retailer (Kwon and Lennon, 2009). Despite the importance of the concept of loyalty to the success in the virtual market, there are few publications that focus on the definition of online customer loyalty according to Toufaily *et al.* (2013), many focuses instead on suggestions about how to develop strategies to increase loyalty towards a commercial website. In the theoretical review of Toufaily *et al.* (2013) defining online customer loyalty, it has been suggested that the theoretical foundations of loyalty are almost identical as traditional loyalty towards an online service provider, the concept of online loyalty is an extension of the traditional concept of brand loyalty to the customers online behavior as well as similar to the concept of loyalty to a store through repeat visit and purchase behavior. In the review of 44 studies, 12 articles proposed a definition of online loyalty (Toufaily *et al.* 2013), see table 2.

Authors	Definition
Tarafdar and Zhang (2008)	Website loyalty is defined as the likelihood of repeated visits by the same individual (based on Armstrong & Hagel, 1996)
Cyr *et al.* (2008)	E-loyalty is the intention to revisit a website or to consider purchasing from it in the future
Doong *et al.* (2008); Luarn and Lin (2003)	E-loyalty is the intention to make further purchases from the same online seller in the future (based on Johnson *et al.,* 2006)
Sultani and Gharbi (2008); Huang (2008); Anderson and Srinivasan (2003) Srinivasan *et al.,* (2002)	E-loyalty is the customer's favorable attitude toward an electronic business resulting in repeat behavior (based on Gremler, 1995)
Liang *et al.* (2008)	E-loyalty is a consumer's psychological attachment and attitudinal advocacy toward the online service provider— accompanied with the consumer's willingness to make an effort in maintaining the customer–firm relationship.
Wallace *et al.* (2004)	Customer loyalty to an online retailer is an attitudinal and behavioral preference to alternatives offered by other suppliers.
Gefen (2002)	Customer loyalty is the customer's intention to continue doing business with the same online retailer and to recommend this retailer to other clients (Zeithaml *et al.,* 1996)

Bergeron (2001)	Loyalty is a biased (i.e. due to a preference) behavior (i.e. purchase) expressed over time, by one or more decision makers, where several alternatives are available and resulting from a psychological process (evaluation of alternatives, decision). (Applying the definition of Jacoby & Kyner, 1973).

TABLE 1 DEFINITIONS OF E-LOYALTY (TOUFAILY *ET AL.*, 2013; p. 1439)

The definitions of online loyalty above reflect the behavioral and attitudinal dimensions of loyalty as Jacoby and Kyner (1973) defines it. However, while some researchers defines loyalty as the intention to maintain the behavior online in terms of e.g. visits and purchases (Cyr *et al.,* 2008; Doong *et al.,* 2008; Luarn and Lin, 2003; Gefen, 2002). Others see loyalty as an attitudinal preference or psychological attachment accompanied by repeat behavior (Liang *et al.,* 2008; Wallace *et al.,* 2004; Anderson and Srinivasan, 2003; Bergeron, 2001). Additionally Bridson *et al.* (2008) found in their investigation that a correlation between loyalty program participation and satisfaction, arguing that the indication of customer change such as repeat visits and change in quantity purchased indicated satisfaction and ultimately some form of loyalty towards the retailer.

2.3 LOYALTY PROGRAMS

Meyer-Waarden (2007) explains CRM to be the focus of company's efforts towards more personalized marketing to create and maintain long-term relationships with the customers. One of methods companies go about handling CRM is LPs defined by Meyer-Waarden (2007) as follows:

"Loyalty programs, which represent tools for developing relationships and SOW, offer integrated systems of marketing actions and economic, psychological, and sociological rewards. Successful loyalty schemes increase customer retention, lifetime duration, and customer SOW; their overall objective is to modify customer repeat behavior by stimulating product or service usage and retain clients by increasing switching costs." (Meyer-Waarden, 2007, p. 224).

Lewis (2004) adds to the description of LPs as starting out as a strategy to reward customers that do repeat visits and purchases. Ngai *et al.* (2009) claims that the biggest issue that the research field as well as the executives that want to utilize CRM and LPs currently face is the

fact that there is confusion of what the strategies really implies, concerning both the execution and the purpose beyond increasing profits. Additionally other issues exist within the utilization of LPs as explained by Capizzi and Freguson (2005) who state that the loyalty-marketing industry has moved towards a state of ubiquity, i.e. a phenomenon that exists everywhere at the same time. Capizzi and Freguson (2005) continue by arguing that as a result of everyone utilizing LPs in some shape or form have led to that the customers are more aware and selective in their LP memberships, and seek bigger & better utilitarian rewards and a form of "wow-factor". E.g. surroundings the industry tendency of adopting LPs is visible in Leenheer and Bijmolt (2008) findings concerning those companies with low technical skills were just as likely to adopt a LP as a company with high technological skill. However the findings also indicated that the companies with lower technological skill did not utilize the customer information to its full potential. Vesel and Zakbar (2009) therefore argue that companies needs to have a structured plan on how the customer information is used before the LP is even adopted, otherwise the risk for opportunity costs become high.

Liu (2007) longitudinal findings concerning LPs indicated that the largest impact on customer behavior was on the low and medium frequency customers, who increased their frequency of purchases. Those findings are supported by Lal and Bell (2003) research findings within the grocery retail industry.

Bolton *et al.* (2000) found that customers retention was not affected by negative experiences with the retailer's products or services as long as enough time and perceived value had been invested and therefore argued that the membership of a LP and the customers perceived good value would induce a form of loyalty. Additionally Bolton *et al.* (2000) suggest that LPs are essential to maintain a long-term relationship with the customers. Although Bolton *et al.* (2000) notes that in their particular case it was impossible to state if it was the LP that produced perceived good value, or the perceived good value that motivated customers to become LP members.

According to Berman (2006) there exist four types of LPs with varying amounts of offerings and levels of commitment necessary. The first and most basic format (1) gives any customer discounts on selected items on the basis of the membership, between the end of the shop tour and beginning of the payment process. Many of these programs that exist are able to recruit large number of participants due to the ease of registration and low concern for member privacy. However while this type might be seen as a LP by some merchants and

consumers, there are indications revealing that it may not be a true LP since the membership is open for all customers and each member receives the same discount regardless of the history purchases. As a result type 1 does not reward loyal behavior and repeat purchases but memberships instead. Further as there is no maintenance of customer databases beyond name and addresses of the customers, the possibility of handling information of purchase behavior or to offer special deals to the most profitable consumers is rather low (Berman, 2006).

The second type of LP (2) are typically self-managed by the customers themselves and functions by giving the customers free gifts after the purchase of selected products at full price, these programs are similar to quantity discount and are based on the members total purchase and not the purchase frequency itself. The consumer holds a detailed record of the purchases made which gets marked at every qualifying acquisition and once the criteria are reached, the customer becomes eligible for the free good or service. As the second type of LP holds the advantage of being easy to administer it also becomes the drawback due to matching and imitation risks from competitors, as a result most of these attempts turns out often short lived. A second problem concerns the gathering of information about the customers which further hinders the opportunity to communicate with the consumers or offer any differential rewards. Lastly the reward that's being offered by the company is typically the same that has been given out in the past which might not always be motivating (Berman, 2006).

Type 3 programs works by rewarding members based on their past purchases with points; unlike type 1 and 2 the third format requires a comprehensive database with the ability to track each member's points and acquisitions in order to keep the record. Programs in these formats encourages members to increase their purchases or reward the most heavy spending customers by program tiers, the more you send the higher in the tier you get. To further facilitate accumulating points and increase the variety of reward options the programs are often involved in external partnerships with complementary marketers, however most type 3 formats do not necessarily lead to a closer relationship to the members since everyone receives the same communication and message (Berman, 2006).

The last kind of LP, type (4) is similar to type 3 programs in terms of the basis of points. The major difference lies in the offering as this type of format are able to offer individual members specialized communications, promotions and rewards based on the purchase history. However the type 4 format requires major commitment due to the need to

develop and maintain the complex database, skillful at data mining and be able to handle and administer complex communication and reward programs. The type 4 format is also often used in the marketing strategy of the company (Berman, 2006).

Additionally beyond the four basic types of LP generated by Berman (2006), García-Gómez *et al.* (2012) presents further three different types of LP categorized as Reward Program, Card Loyalty Program and VIP Program. However as the *Reward Program* and *Card Loyalty Program* might be seen as a combination of type 2, 3 and 4, only the VIP Program is considered of importance to be presented in the study as it includes an extraordinary element.

Companies that offers VIP Programs, often targets a selected group of valuable customer which are often those who are among the most spending members. Marketers have recognized the desire for status among people and as a result designed LP to focus on individuals' eagerness to be recognized and the wish to feel superior to others, however the status that the companies bestow are very context specific (García-Gómez *et al.,* 2012). In sum, VIP Programs provide clients with the greatest added value. Beyond the status element in the program, the customers receive on one hand tangible rewards not just linked to the purchase but also background of the individual and purchase history. On the other hand, the categorization into a status hierarchy, where highly valued customers receives differentiated and improved service supplied by the company. Offering exclusive treatment is seen as the truly special gift and reward that enable customers to enjoy unique experiences that normally do not occur. To further develop the hierarchy tiers, social events makes it possible for members to join and interact with each other with similar interest to form elite groups. The opportunity to interact with others through events and social networks contributes towards generating a sense of community among the members. This is the main purpose within the VIP Programs, i.e. to create affective ties among the customers and the company itself (García-Gómez et al., 2012).

2.4 ASSESSING THE APPROPRIATE LOYALTY PROGRAM

At the bottom of assessing the appropriate LP for an organization according to Butscher (2002), comes down to the availability of the organization to provide a limited or open LP towards its members. In general, a limited LP will be a better approach for organizations with: smaller budgets in order to limit financial involvement and risk as well as increase efficiency

in communication more effectively, clear segment markets with homogeneous customers (Butscher, 2002). Which may further suit companies operating in business-to-business markets while open LPs are rather better approach for organizations with: less knowledge about the current and potential customers, large budgets and operating in unsegment markets. Such an approach is often more suitable for companies operating in business-to-consumer markets with commodity products (Butscher, 2002).

One key point from Butscher (2002) that determines a suitable approach is the amount of resources available, Berman (2006) stresses at this point as well but provides more valuable insights to consider, such as size of the organization, market intense and the available opportunity time which represents the time the organization has to act, the strategy of the LP and the motivation behind it, expertise among the employees in order to manage the customer database such as technical skills and the communication towards the members, outsourcing opportunities, partnerships with external actors to provide synergy effect to create added value for the members of the LP, differential rewards for the members and structure of the LP (Berman, 2006). Based on the insights of Berman (2006, p 144), the authors have created a modified table which categorizes the different key points of an organization into a certain LP type, see table 2.

	TYPE 1	TYPE 2	TYPE 3	TYPE 4
Size of the organization	Small in size	Small in size	Medium to large in size	Large in size
Resources/ Budget/ Commitment	Too low to manage intensive program	Too low to manage intensive program	Sufficient level to manage comprehensive/intensive program	Sufficient- high levels to manage comprehensive/intensive program
Available opportunity time	Need to respond competitive action quickly	Need to respond competitive action quickly	Sufficient time to respond competitive action	Sufficient time to respond competitive action
Strategy of the loyalty program	Defensive	Defensive	Aggressive	Aggressive

Expertise of managing customer database	Low	Low	Sufficient/High	High
Ability to outsource management of database	Low	Low	May be willing	May be willing
Rewards/ Communication/ Promotion	No differential reward to different group, rather same reward to every member	To some extent, often discount	Differential rewards and initiatives to increase purchases among different groups through tiers	Differential rewards and initiatives to increase purchases among different groups through tiers
Partnership with external actors	May not exist	May not exist	May exist	May exist

TABLE 2 LOYALTY PROGRAM TYPES (BERMAN, 2006; P. 144)

2.5 SETUP OF A LOYALTY PROGRAM AND ITS EVALUATION

There exist many ways to approach the construction of a LP, however at the basis of each choice of developing the program many of the stages are similar and the differences lies most often in the different number of steps and order. This can be seen by e.g. comparing Berman (2006, p 133), see appendix 2 and Butscher (2002). While Berman proposes a ten-step process of planning, implementing and controlling an effective LP, Butscher (2002) presents instead an eleven-stage process. In the following, both views will be presented and integrated below.

(1) The first step involves outlining the objectives of the LP and what it will measure (Berman, 2006). In the end, the ultimate goal is to increase profit, revenue and market share in order to secure the stability and existence of the company. However these are often mid-term or even long term goals and can only be achieved if other intermediate goals are reached first (Butscher, 2002), therefore the goals needs careful planning in order to avoid fulfilling one goal at the cost of the other (Berman, 2006).

(2) In the following step includes the development of the budget (Berman, 2006), which needs to reflect on costs such as initial and ongoing promotional expenses (including costs of communication with members), IT hardware and hardware servicing costs, database creation

and maintenance expenses, the direct costs of loyalty rewards, and fulfillment function expenses. One need to keep in mind that accurate estimations are difficult to obtain and one of many reasons behind this is that LPs in particular are seldom fully planned and budgeted before the construction (Uncles *et al*., 2003). Another question that is needed to be answered is how to cover the cost of the LP, starting an LP will always mean entering into long-term financial commitment (Butscher, 2002). In order to reduce the costs, attempts have been made by imposing initial membership fees from the organizations. The fees can also reduce memberships by casual customers (where the cost of maintaining the membership is greater than the profitability), and may contribute towards creating more value to new members. Other ways of reducing the budget comes through revenues from partners or sales of aggregate data (Berman, 2006).

(3) One major impact on the type of LP outcome comes in the third step and concerns whatever the membership should be open to everyone or to a certain group of targeted people, the decision should further be based on the objectives and budget of the LP in earlier steps (Berman, 2006) as well as the target of existing, new and potential or certain segment groups (Butscher, 2002). Butscher (2002) and Elinder (1993) further stress the importance of targeting those 20 per cent of the customers that account for 80 per cent of the sales, called the 80:20 rule. Other factors that affect the decision e.g. where sales volume might be the matter for suitable approach for the open eligibility program while closed are linked to profit-based objectives. Further an alternative approach is to require minimum purchase requirements or a fee to discourage low potential customers (Berman, 2006).

(4) The fourth step includes selecting the appropriate LP reward; these benefits are the heart and soul of any LP and are the main factors that determine the success of the program (Butscher, 2002). The importance lies in the process of ascertain proper tier structure which can be used to reward members who increase their purchases over a predetermined level or to reward members passive or active members who are heavy users of the organization's products or services (Berman, 2006). Elinder (1993) differentiates between active and passive members in terms of customers' latest purchase and further which time period in months. The most active member operates up to three months while the less active ones lively for up to six months, the most active passive member can be seen with company up to twelve months while the less active passive member is seen at most once a year (Elinder, 1993). In the choice of redemption options, the organizations need to determine a number of different decisions.

The range of rewards while it needs to be motivating for the customers to obtain and the time period needed to accumulated the points. At the same time, there is a need for marketers to understand the tradeoff between the number of reward-redemption opportunities and customer lock-in in order to not create frustration among the members which can further cause them to quit. In general, the number of points required should be based on a member's usage, as well as the degree of company differentiation (Berman, 2006). Kivetz and Simonson (2002) have found that marketers can increase the participation of the members by designing the LP with high levels of relative advantage for the targeted customer group, these includes closeness of the company physical store, a consumer's high-level purchase frequency or the perceived exclusiveness of the loyalty provider's offer. The main objective is to find the right combination of hard and soft benefits that have the highest possible perceived value for the customers, hard benefits are tangible offers and are recognizable by all members while soft benefits are special offers with value-added services, it is the recognition the customer have been looking for and the major proportion of the loyalty effect is caused by the soft benefit. However hard benefits alone will not achieve to goal as they are easily copied by others and holds no uniqueness, soft benefits alone will neither do the job since saving money is what attracts customers to the program (Butscher, 2002). There are three main factors that determine the specific benefit according to Butscher (2002): the financial value which is the overall savings compared to the overall money spent, the relevance of the individual and the ease with which member can use the benefit or accumulate the necessary points to earn the reward.

The real benefits are what matters for the customer and contributes to the entering of the customer into the program. In order to identify those benefits that holds real values for the customer, Butscher (2002) suggest a three step approach to identify the real value drivers.

(A) Step one, collection of potential benefits. When the goals and target groups of the LP have been defined and decided. It is time for putting together a long list of possible benefits that potentially are interesting for the LP members. Aspects such as cost, feasibility, competence and so on should not be considered yet at this point, basically there is no limit when it comes to ideas. However clear goals need to have been set and the focus towards the selected group should start immediately (Butscher, 2002).

(B) The next step according to Butscher (2002) is the customer pre-study, the long list of potential benefits becomes reduced through small-scale customer study and the aim is to filter out and remove the least attractive benefits.

(C) In the third and final phase of in-depth customer study, different evaluations are made (Butscher, 2002). Those benefits that have been considered of importance according to the second step will be analyzed further as well as those who might have been added in the customer pre-study.

Other evaluations involves the cost-value matrix where the value of the different benefits can be related to the cost of the benefits, e.g. the different benefits packages can be achieved by different actions made by the customer, as well as considering cost, feasibility and competence.

In the end, managers and marketers needs to understand that LP just like any other product has a life cycle and is basically never completely financially. In order to meet the needs of the target groups, it is required by the LP to grow with the dynamics of those groups and keep continuously updated and alternate offerings (Butscher, 2002), to maximize the effectiveness of the LP. One reason behind this motivation is a result of is small, infrequent customers, as some only purchases during certain periods (Berman, 2006). Research has suggested decrease of interest among customers within a LP after three to four years (Butscher, 2002).

(5) As mentioned earlier in fourth step, the LP provider can reduce the expense of setting up and maintaining a LP system while at the same time increase the desirability of the membership through the choice of forming a partnership with an external party which is considered in fifth step. By appointing a partnership, the LP provider might be able to complement each organization's strength and weaknesses while also be able to access to each other's databases to determine cross-selling opportunities (Berman, 2006). Most importantly, it needs to be understood that the LP will lead to higher revenue and profit but also difficulties to isolate and measure direct effect (Butscher, 2002).

(6) The following step concerns the consideration of the organization as a whole and building the appropriate LP, which may depend on the current and future state of the organization since the different types of LP might not be suitable for all kinds of organization in term of e.g. cost and commitment. Other options can include outsourcing activities instead of in-house

activities, which can alter from developing and maintaining the member database, development and maintaining loyalty membership website to data mining (Berman, 2006).

(7) Many store-based retailers in general collect and analyze data rather based on products than consumers, there is a need for retailers to see role of LP as an important source of customer-based data. Without the effective use the database that tracks the behavior of members and offers different rewards to each customer group or segment, an organization cannot fully achieve the benefits of the LP. The realization of the use and development of the LP database is a big part of the sixth step of Berman's ten step process (Berman, 2006).

(8) In addition to maintaining and developing the LP database managing internal data and mining capacity concerns the eight stages, in order to effectively take advantage of the benefits of LP. The provider needs to manage the data warehouse and mining capabilities in order for the data to be used for promotional, marketing research, and segmentation purposes (Berman, 2006). In order to reach maximum effectiveness the database needs to be well planned and executed by deciding what kind of information it should contain, how data should be collected, what resources are necessary, how it can be analyzed and what purposes that information can be used (Butscher, 2002). The study of Wansink (2003) where 41 directors of LP involving services, consumer packaged goods, direct marketers and advertising agencies found that the best LP gathered information about usage, purchasing habits and attitudes. Furthermore the information was used to tailor products to the consumers' specific needs and the best LP were also using forms to capture demographic, usage frequency, and preference-related data (Wansink, 2003).

(9) Evaluating the success or failure of the LP considers one of the last stages according to Berman (2006), beyond the increased sales there should be other dimensions considered and reflected as well. Indices and scales must be clearly defined in order to properly measure the success of the LP, the more important the goal the more it is to measure them (Butscher, 2002). In determining the cost effective of any LP, a proper time horizon should be chosen for evaluation. The interval needs be sufficient to uncover the goals based on the time necessary to communicate the new program, enroll members, and for members to accumulate enough points. Further, comparisons of loyalty groups with others as well as non-members enables the organization to measure the LPs success by tracking the differences in sales, loyalty and profitability. Other types of comparisons that might be useful is to consider alternatives to LP design and incentives as different types carries different advantages and disadvantages.

However, the profitability of a LP might also vary significantly depending on market segments and their behavior (Berman, 2006).

(10) Lastly, the last step involves approaching and taking corrective actions where and when LP performances does not meet the expected objectives. In general all programs needs to evaluate alternative returns on investment on other programs that considers building and maintaining loyalty among the customers (Berman, 2006). Customer loyalty can only be created in customers' mind and not in their wallet. Therefore the benefits must be based on the emotional level, completed by the benefits on the financial level. (Butscher, 2002).

Dowling and Uncles (1997) had three findings within their research surrounding the companies' motivations of implementing LPs as well as surrounding the results of the LP. (1) Companies motivations for adopting a LP is primarily competitive reasons, either to take advantage of a first-mover opportunity or as a defensive response to competitor's adaptation of a LP. (2) The LP requires continuous work as to stay competitive on the market, if not updated and operated with desirable offerings for the customer then as a result the LP will most often not affect the market share. (3). Introduction of a LP is not effective if it is only made as a "me-too" strategy which adds no further value to the product or service. I.e. if the market is very competitive and the LP does not supply additional value, then the LP will just increase costs for the company and supply no additional competitive advantage (Dowling and Uncles 1997). Stauss *et al.* (2005) expands on the discussion of continuously monitoring the effectiveness of the LP by stating that in order to maintain a profitable LP there is a need to inspect the frustration level of customers. Both concerning specific target group offerings, i.e. if the right offerings are made to customers that desire said offerings or not. Additionally if the cause of frustration is the LPs structure or reward in order to reduce the amount of dissatisfied customers (Stauss *et al.,* 2005).

According to Vesel and Zabkar (2009) a way to reduce the amount of customers that feel saturated or unsatisfied is to increase the amount of personalized offerings in the LP, i.e. to make the LP more "customer-centric". Furthermore Vesel and Zabkar (2009) argues that when it comes to retailers it is important to count and/or reward every purchase made by the customer whatever the size, in order to avoid a loss of interest in the LP. Additionally Zeithaml *et al.* (1990) argue that it is essential for the company to understand the customer's expectations and compare them to the company expectations of the LP, as a gap could lead to

the offerings of costly unnecessary components or a lack of attractive components that are sought after by the customer.

According to Leenheer and Bijmolt (2008) centralized and decentralized companies have different motivations as well as benefits from the usage of LPs. Centralized companies obtain strong customer knowledge which helps in producing more personalized and effective offerings, while decentralized companies gain a higher probability of loyalty from their customers. Additionally it was found that decentralized companies were more likely to adopt a LP (Leenheer and Bijmolt, 2008).

Within the retail industry the most prominent LP is card based reward system where every purchase needs to be registered in order to collect enough data to be able to create an offering that feels personalized for the customer (Allaway *et al.,* 2006; Mauri, 2003). Furthermore Chiou and Pan (2009) findings indicated that LPs involving some sort of point reward system created the highest incentive for loyalty, as switching to a competitor would mean losing the accumulated points earned at the online retailer. Additionally Leenheer and Bijmolt (2008) findings found that companies that obtain more customer knowledge also are more likely to reap higher loyalty from the customers through more personalized offerings.

2.6 OPPORTUNISTIC BEHAVIOR WITHIN LOYALTY PROGRAMS

In 2004, three different studies was performed by Wirtz and Kum in order to test potential drivers of opportunistic behavior of consumers which is , where situational variables (material gain, repeat purchase intent, satisfaction, and ease of invocation) were manipulated and personality variables (morality, shame, self-monitoring, and Machiavellianism) was studied (Wirtz and Kum, 2004). The term Machiavellianism is mentioned in Wirtz and Kum, (2004) research as a cynical person alternatively a person more receptive to perform actions of low morale.

The studies of situational variables regarding the material gain suggested no positive impact on opportunistic behavior, it seems that people who cheat tend to do so regardless of any amount of payout (small or large). In contrast, people who do not cheat at a low payout are also not tempted to do so when the payout increases. However, these findings contradict the employee fraud and embezzlement literature. Even though the findings seem robust due to the consistency across payout amounts, study context and measurement scales in all three studies.

The discrepancy in this context could be caused by the literature supporting the view are all set in the mind of high sums of value involving thousands of dollars (Wirtz and Kum, 2004). Therefore the even though the refund in the study was set to the whole amount spent (100%) the material gain in dollars may not have been sufficient (up to $988 in the studies) to tempt people to switch to a cheating behavior, from not cheating at a low payout to cheating at the higher payout. The managerial findings from the material gain aspect suggest that managers can offer a full-money-back guarantee without fearing that the offer would induce more customers to cheat. A full-money-back guarantee is more attractive to customers than a small-refund guarantee, and higher marketing impact can thus be reaped (Wirzt and Kum, 2004).

In the findings of repeat purchase intent, all three studies supported the hypothesis of repeat purchase intent would be a significant inhibitor of cheating behavior, which means that returning customers would be less likely to cheat than one time customers. It is suggested that returning customers develops a sense of loyalty or trust with the organization over time and that cheating would make them feel more guilt. Trust can be seen as significant inhibitor of cheating behavior, since the loss of a trusted partner can be costly and the benefits derived from the cooperation may be more secure and valuable (Wirtz and Kum, 2004). Therefore, the perceived cost of cheating may exceed the benefits of cheating and as a result, frequent customers may be unwilling to jeopardize the relationship with the organization, as they see value in returning. The findings of repeating customer's small probability of cheating, holds important implications for managers who wish to take advantage of the marketing impact of guarantees. On the basis of the findings regarding repeat purchase intent and guarantees, managers may be more reassured to implement guarantees target at more loyal customers. By attempting to apply opportunities to the frequently returning customers, the risk of cheating behavior is reduced while the added value of guarantee may be used to increase the satisfaction and retaining desirable customers of the organization. While it might seem that the choice of offering guarantees to existing customers may not hold a direct effect and marketing impact on attracting new customers, there are feedback benefits. In the case of improvements within operations and service quality driven by the guarantee, it may not only increase brand loyalty of existing customers but also generate positive word-of-mouth. Furthermore, a well-designed service guarantee holds high communications quality in them and may induce existing customers to talk about them and thereby aid acquisition of new customers.

Much of the literature leans toward the conclusion of satisfaction to be an inhibitor of unethical behavior and with the results of Wirtz and Kum (2004), this is no exception. People holds low propensity to take advantage of guarantees when the satisfaction level is high. As a result, firms that in general tends to deliver superior services needs to worry less about cheating customers than what mediocre providers needs to. Further this also highlights the importance of first launching satisfactory quality level before applying some kind of LP. In sum, services of high-quality reduce guarantee payouts as well as payouts related to cheating behavior (Wirtz and Kum, 2004).

The last finding of the situational variables concerning the ease of invoking guarantees, revealed no difference in cheating during periods when the process of recalling the guarantee was either easy or difficult. According to the authors, Wirtz and Kum (2004) suggest that reason might been due to the feeling of dissonance among the customers as the company exhibited trust in them. As a consequence, managers on the basis of the finding can be more confident in offering unconditional guarantees. Furthermore an unconditional, easy-to-invoke guarantee improves customer's perception of the organizations service efforts and holds higher marketing impact. Chu *et al.* (1998) concluded in their study that no-questions-asked refund policy compared to others with policies of no refunds or verifying-the-problem policy. Companies with restricted policies might risk losing many genuine dissatisfied customers who would rather not go back through the messiness of complaining further leading to decrease in feedback and loyalty (Chu *et al.,* 1998).

The study of personality variables including morality, self-monitoring and Machiavellism results reveals decrease in cheating behavior with higher levels of morality which further supports the psychology and criminology literature where an individual who holds stronger internal sense of right and wrong tends to refrain from cheating behavior on service guarantees (Wirtz and Kum, 2004).

Furthermore in accordance with the literature, the results presents high self-monitors were more likely to refrain from cheating than low self-monitor. Lastly high Machs were more likely to cheat on service guarantees than low Machs (Wirtz and Kum, 2004).

In the context of this study and from the perspective of the online LP, there might be reasons to why organization needs to overlook the issue and costs of opportunistic behavior among members and customers. From the study of Wirtz and Kum (2004), as a reduction in risk of detection increased opportunistic behavior among people, and taking the

factor of non-physical presence of the company. Commerce in an online environment might suffer more from opportunistic behavior than physical stores since customers are now able to "hide" through the supposed anonymity of the internet, more specifically opportunistic behavior in terms of exploiting and abuse of offerings as well as returning bulk purchases.

At first from the perspective of an organization, having customers exploiting and abusing offerings might not seem bad as the organization might want people to buy their products and services which further increases the cash flow to the organization. However the problem arises when there is a limited number of products available. When the exploitation of offerings occurs and the permitted line has been stretched, there may not always be enough left for other customers, which may include potential future loyal members. In the end these opportunities may cause dissatisfaction among people which may further harm the company that only sees the short-term consequences of increased cash flow instead of the possible long-term dissatisfaction among the future customers.

Another reason to arguably consider opportunistic behavior as a possible issue is in regards to the act of returning bulk purchases and occurs when customer's purchases a lot of different products and sizes but after a while decides to send most of it back. This may be troublesome for organizations due to the increase in workload as well as missed sales possibilities. As customers' order bulk purchases, the products in stock becomes less and unavailable for others that have no intentions of returning the product(s) back causing the organization to miss opportunities for sales and instead purchases the same products from competitors. If the customer decides to send most of it back, it also increases the workload of the employers as they now need to handle the return, control the condition, transfer money back as well as put it back out on the market (Hjertén, 2009). If the product may be harmed in some way caused by the customer or logistic company the price of the product may be reduced which further reduces the profit of selling the product.

3.0 CONCEPTUAL FRAMEWORK

From the literature review several factors within a LP came to light. One of those factors was that first and foremost a LP functions as a two way street of communication. The retailer utilizes the LP as a form of relationship tool where the retailer can supply as much information to the customer as possible, in order to obtain information and knowledge about the customer and the market. While the customer utilizes the LP to satisfy utilitarian and experimental rewards in addition to decrease the product search and decision time to as an effective situation as possible. E.g. By utilizing product recommendations made by the retailer as well as the reviews written and presented by other customers. However the measure of success in the communication and presumed satisfaction of the LP is hard to distinguish, especially in an online retail LP, as the customer feedback is limited to the observation of customer behavior and product/retail reviews done by customers, although not necessarily at the retailers own site. As a result the conceptual model is constructed based upon the three measures that arguably can be connected to the customer's activity and satisfaction with the LP. Beyond what is discussed in the model below the research will also look into how the online retailers approach the continued development of the LP. i.e. How the retailers evaluate and measure the effectiveness of the LP, where to improve the LP, the goals and considerations behind the LP as well as how advanced and interconnected the LP is/or will become. See figure 1 for conceptual model, additionally see table 3 for model description.

FIGURE 1 CONCEPTUAL MODEL
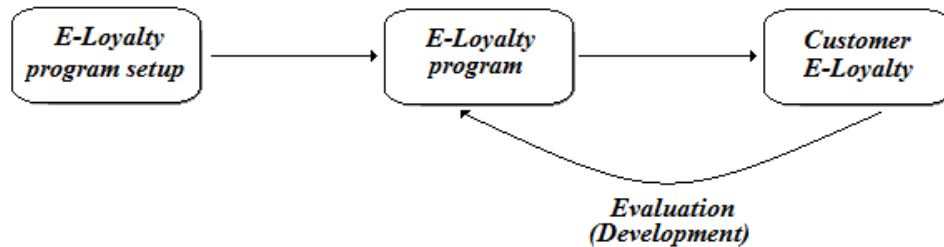
Model component	Definition	Connection
E-Loyalty program setup	*Setup and planning of the online LP, defensive versus aggressive approach to the strategy, short- and long-term goals set on the LP at introduction.*	*The setup of the online LP determines the initial structure and components of the online LP.*
E-Loyalty program	*The structure and features included in the online LP. Reward or retention model utilized in order to establish customer loyalty.*	*The overarching structure and features of the online LP is utilized in efforts of creating customer loyalty by supplying incentives to return.*
Customer E-Loyalty	*Supposedly satisfied customers return to the online LP and make repeat purchases which are argued to indicate loyalty toward the company and the LP.*	*The measurement of the amount of customer that return and at which frequency the retention is at helps determine the effectiveness of the online LP.*
Evaluation (Development)	*By evaluating the measurements for so called customer e-loyalty the company can draw conclusions of future developments as to further improve the online LP.*	*The evaluation of the effectiveness of the online LP leads to further development which needs to be introduced in the E-Loyalty program and its overall structure.*

TABLE 3 CONCEPTUAL MODEL DESCRIPTION

3.1 ASSESSING THE APPROPRIATE LOYALTY PROGRAM FOR THE ORGANIZATION - FROM THE ONLINE PERSPECTIVE

In 2006, Berman (2006) provided a framework for organizations to evaluate the LP and the appropriateness towards the organization. However the model of Berman (2006) might not be fully appropriate for LPs from an online perspective, as well as some of the perspectives of the physical stores, due to several missing vital aspects. Firstly, while Berman (2006) discusses the advantages of information sharing with partners in order to facilitate cross-selling opportunities among each other's members from the database, Berman misses out the discussion of information sharing together with suppliers in order to communicate relevant information that might contribute towards e.g. design choices for certain products and requested products in certain areas that in the end may facilitate opportunities for efficient sales and logistic flow. By applying these kinds of activities it may increase customer loyalty as the organization has the opportunity to lower the cost due to better logistic flow and increased cash-flow due to efficient sales and in the end provide the members with better discounts. Secondly, Zhang *et al.* (2011) stresses the importance for organization to gather and provide the customers data and information about the products and services offered, in order to increase the customers knowledge and decrease the evaluation time since it might result in a higher probability to fit with the interests of the customer and increase the likelihood of a purchase at the same time. Therefore a product comparison tool might be preferable for customers during purchases online and needed in the LP since the members have a tendency to buy products in certain product segments repeatedly e.g. men buying men's clothing. Due to better access to information, customers may remain loyal in terms of number of visits, referred to in table 3 as *Customers information satisfaction.* Thirdly, one argument that differentiates the online perspective from the physical LP concerns the arguably higher levels of cheating and opportunistic behavior among customers on the World Wide Web. Wirtz and Kum (2004) found that a reduction in risk of detection increased opportunistic manner among consumers and since there is no physical presence of people online, higher level of cheating behavior might exist. As a result, there should exist a systematic way among organizations to hinder and reduce the cost of this manner which could be facilitated by organizations having a better structured LPs in terms of tiers for the members. The fourth aspect concerns the image of web security that the website of the organization put out which is one of the disadvantages according to Butscher (2002) when it

comes to LPs online. The inherent nature of internet usually carry higher level of security risk and visitors might be more reluctant to reveal personal information, therefore organizations needs not only to have attractive offers but build trust as well (Butscher, 2002) in order to secure e-commerce among customers and especially first time visitors that could become loyal members. Harris & Goode (2004) have also pointed out the importance of establishing trust from the customer before any relationship can even be established.

The fifth aspect to consider regards to the earlier topic of reducing the evaluation time and increase product/service knowledge of the customer. Park and Kim findings from 2003 indicated that product information was vital for consumer decision online and e-loyalty, by allowing customers and members interact there might give room for discussions, arguments and advice for customers to specifically find the product/service that fit in the interest and needs of the individual. As this information is not provided by the organizations itself, the individual might value and trust the advice and arguments of other users, another beneficial effect from C2C knowhow-exchange has been proven to strengthen the overall value of firms offering as well (Gruen *et al.* 2006*).*

Lastly, the a fifth category of LP provided by García-Gómez *et al.* (2012) will be included into the modified model of Berman (2006) as the VIP-program contains two important elements that differentiates itself from the other types. Namely the element of information and data concerning the background of the individual beyond the purchase history, by utilizing this kind of information the organization might be able to create more personalized offerings for the members within higher tiers (García-Gómez *et al.,* 2012).

Taking the five aspects into consideration, the authors have modified the framework of Berman (2006, p 144) and adapted the model for an online perspective, see table 4. Since Berman's (2006, p 144) framework are utilizing vague descriptions of the different categories, as a result the elaborated model is subjective and open for critique rather than set in stone. Additionally with the extensions to the existing framework a similar description type for each category have been created as well when applying the new factors with descriptions.

	TYPE 1	TYPE 2	TYPE 3	TYPE 4	TYPE 5
Size of the organization	Small in size	Small in size	Medium to large in size	Large in size	Large in size
Resources/ Budget/ Commitment	Too low to manage intensive program	Too low to manage intensive program	Sufficient level to manage comprehensive/intensive program	Sufficient- high levels to manage comprehensive/intensive program	High commitment level as well as resources to manage comprehensive/intensive program
Available opportunity time	Need to respond competitive action quickly	Need to respond competitive action quickly	Sufficient time to respond competitive action	Sufficient time to respond competitive action	Extended response time of competitive actions
Strategy of the loyalty program	Defensive/late entrant	Defensive	Aggressive	Very aggressive	Forefront of the market
Expertise of managing customer database	Low	Low	Sufficient/High	High	Very high
Ability to outsource management of database	Low	Low	May be willing	May be willing/ has the possibility	May be willing/has the possibility
Rewards/ Communication/Promotion	No differential reward to different group, rather same reward to every member	To some extent, often discount	Differential rewards and initiatives to increase purchases	Differential rewards and initiatives to increase purchases	Differential rewards and initiatives to increase purchases among different groups through tiers
Partnership with external actors	May not exist	May not exist	May exist	Limited partnership	Several partnerships
Information sharing among suppliers	Non-existent	Occasional sharing	Minor sharing	Some sharing	Major sharing
Customers information satisfaction	Minimal product information	Product portfolio information	Satisfactory product information	Beyond expected product information	Beyond expected product information with product comparisons available
Hindering opportunistic behavior	Non-existent	Little resistance	Medium resistance	Strong resistance	Strong resistance
Effort towards perception of payment security	Low effort	Low/medium effort	Medium effort	Strong effort	Strong effort
Customer interaction	No customer interaction	Social media interaction available	Product reviews/comments	Monitored online forum	Physical events that enable customer and company interactions

TABLE 4 ONLINE LOYALTY PROGRAM TYPES

However, there are still shortcomings to both the framework of Berman (2006, p 144) and the modified model by the authors (see table 3) that needs to be considered. The different aspects that determine what kind of LP type the organization holds are still too general and ambiguous, more specifically there is no specific guidelines of the amount and extent an organization has that is needed in order to be categorized into one or another. Also while the LP may fulfill the requirements of one certain type among the four there might be fulfilments of other aspects that might count as a higher type of LP e.g. the size of the organization might be large (which is considered as a type 3 or 4) while all other facets may be categorized as a type 1 or 2 and in the end might cause confusion of what type the LP actually is.

4.0 METHODOLOGICAL FRAMEWORK

In the methodology chapter the data collection and analysis method selections are discussed and presented.

4.1 RESEARCH APPROACH

There currently exist two possibilities in how you approach business research, an inductive or a deductive approach which additionally can be divided into utilizing either a qualitative or quantitative research basis (Neuman, 2009). In the following chapters the authors will shortly explain the choice and the benefits and drawbacks. That discussion will then be used as the foundation in choosing an appropriate research methodology.

4.1.1 INDUCTIVE VERSUS DEDUCTIVE RESEARCH

The approaches of inductive and deductive research have previously been argued to be appropriate for different research purposes and data collection methods. Inductive, which can be defined as an approach based on initially performing an observation or by collection data that operates as the foundation for presenting a new theory. And deductive, which can be explained as the complete opposite of inductive in that it starts out with a theory that is then investigated through collection of new data to either validate or scrutinize the existing theory (Bryman and Bell, 2011). With this in mind researchers have argued that a qualitative approach functions best as the foundation for an inductive approach as it focuses on a deeper understanding on a limited sample. While on the other hand a quantitative approach enables the greatest benefit in a deductive environment as it researches a limited phenomenon on a larger data sample, that in turn enables a better certainty concerning the results (Bryman and Bell, 2011).

This study will utilize a deductive approach as plenty of theories exist within the field of CRM and LPs, which will be utilized as the foundation for the research.

4.1.2 QUANTITATIVE VERSUS QUALITATIVE RESEARCH

A qualitative research approach is favorable over a quantitative when the aim of the research is to go more into depth into an existing research theory (Bryman and Bell, 2011). However sometimes when there is little theoretical information present a qualitative approach can be

necessary in order to go more in-depth and establish a basic foundation of understanding surrounding a specific phenomenon (Malhotra, 2010). On the other hand a quantitative data collection approach utilizes higher volumes of data on few variables in order to generalize and enable conclusions to be drawn on those generalizations (Bryman and Bell, 2011). Saunders *et al.* (2009) describes the differences between qualitative and quantitative by stating that quantitative research is more associated with numbers while qualitative research focus is more towards using words to describe a current situation like a picture.

Although the study has chosen to do deductive research as a result of utilizing existing theories that have been presented, it will still use a qualitative data collection sample. The motivation behind the choice is that there is little to no research conducted on the phenomenon in an online environment. Additionally as the development of the phenomenon of LPs is also investigated it would make data collection harder, as a quantitative approach would not enable follow up questions or more well-rounded explanations behind the samples decisions and motivations.

4.2 RESEARCH DESIGN

Extensive literature exist in the field of LP in physical manners, however research rarely mentions the specific area of online LP regarding the subjects of planning, maintaining and developing LPs and loyalty from an the world wide web perspective. Due to the limited area of online LP, the exploratory design has been approach as the choice of research design as the study aims to gain deeper understanding of the phenomenon. This is also the main emphasis in exploratory studies according to Dhawa (2010).

4.3 DATA SOURCES

Primary data will be the main data source for the study due to the nature of deductive research as well as the applicability and purpose of the study, relying on the secondary type of data sources are insufficient since there is a need to gather information that are up to date. Focus will be put on the current situation of the LP in order to evaluate and discover opportunities for future development as well as enable a current type identification of the online LPs. To further complement the study, secondary data has been utilized to structure the literature review and model in order to gain a better understanding of the subject.

4.3.1 PRIMARY VERSUS SECONDARY DATA

The primary sources utilized in the research are based upon interviews with employees of four different company's online LPs operating within Sweden. However as not all of the employees were a part of the initial construction of the online LP the research also involves secondary data sources in the form of both secondhand accounts of the setup of the online LP as well as annual reports to validate the responses and identification of the LP types.

4.4 RESEARCH STRATEGY

Yin (2009) presents three main questions that determines the appropriate choice of research strategy for an research: 1) what forms of questions that are asked 2) the control over the behavioral event and 3) a focus on the contemporary events, a well-considered research strategy allows the researcher through the process of collecting the relevant data to unravel the purpose of the study, see table 5.

Method	Form of research question	Requires control of behavior events	Focus on contemporary events
Experiment	How, why?	Yes	Yes
Survey	Who, what, where, how, many, how much?	No	Yes
Archival analysis	Who, what, where, how, many, how much?	No	Yes/No
History	How, why?	No	No
Case study	How, why?	No	Yes

TABLE 5 RESEARCH STRATEGY (YIN, 2009 P. 8)

Based on the research questions stated, all of the research strategies might seem appropriate for the study. However in the following question of determining a choice of research strategy, since the study holds no attempts to control any behavioral variables or events the experiment may be excluded. Lastly due to the main focus of highlighting the present time of the companies, the historic method of research design may be excluded as well. Additionally since no attempts exist to use the information gathered for statistical analysis, the survey method will not be approached leaving case study and archival analysis left. The case study according to Bryman and Bell (2011) involves in-depth and detailed analysis of a case; this choice fits in line with the purpose to gain a deeper understanding of the subject resulting as

an appropriate strategy. However since the study attempts to complement the purpose of the study with annual reports of each company, archival analysis will be included.

4.5 DATA COLLECTION METHOD

The data collection method is based upon the purpose of the research, problem definition, empirical basis, time and resources of the research (Yin, 2009). In order to obtain in-depth information concerning the motivations and thought processes behind the construction and development of online LP's a series of case studies were chosen as the data collection method of the research, where the primary data collection is done through interviews. To further complement additional data in the study, information gathered from annual reports as well as the websites of the different companies was conducted utilizing archival analysis with documentary secondary data.

4.5.1 CASE STUDIES/COMPARATIVE DESIGN

A more increasingly common research strategy within business and management research is the extension of case study design, namely the multiple-case study design which is also the choice of the research. This approach allows researchers to compare and contrast the findings deriving from each of the cases, further it encourages each case by considering what is unique and what is common while it promotes theoretical reflections in the findings (Bryman and Bell, 2011). Since the design entails using more or less the identical method of several contrasting cases, as a consequence it may save resources in terms of time of collecting data. Also it embodies the logic of comparison, implying that one can understand the social phenomenon better when cases are compared in relation to meaningfully contrasting cases or situations resulting multiple case study design as a favorable choice due to the need to understand the phenomenon on a deeper level and the opportunity to compare the different cases which may arguably be necessary in order to distinguish what kind of type the different online LP are.

4.5.2 INTERVIEWS

As the nature of the study holds a more qualitative type there exist four common qualitative research tools according to Zikmund *et al.* (2009), the most typical form for a case study with a qualitative characteristics is the interview. There are two main types of interview in

qualitative research, namely unstructured and semi-structured interview (Bryman and Bell 2011) which is also the appropriate choices of interview since the study holds the characteristics of exploratory kind. A semi-structured method is more preferable and more advantageous to obtain data during three circumstances: (1) where there are a large number of questions to be answered, (2) where the questions are either complex or open-ended and (3) where order and logic of questioning may need to be varied (Saunders *et al,* 2009). Since the purpose of the study attempts to gain a deeper understanding of the phenomenon, the number of questions in the study context may be arguably large in order to obtain large amount of data to solve the purpose. Further by observing all the questions in the study, one might determine that the majority of the questions were followed by possible follow up question or spontaneous follow up questions to facilitate the understanding of the phenomenon. Lastly since respondents in the study might differ in different aspects and variables, all the questions in the study might not be fully appropriate for each case resulting in a need for variations in the order of questions when collecting data from each case, thus fulfilling all three factors for a semi-structured approach for interview.

4.5.3 DOCUMENTARY SECONDARY DATA

Considering that the online LPs may differ in size and depth between different organizations, arguably there may exist opportunities where full descriptions and information from the interviewee regarding the organizations background and case might be inadequate due to the complex structure of the LP. Resulting in missing vital information needed to solve the purpose of the study. In order to work through the issue of missing information and data, one can overcome by the use of documentary secondary data. This type of data can includes everything from written materials to administrative and public records to non-written materials such as recordings and such (Saunders, *et al.* 2009). In the case of the study, annuals reports as well as the website of each case will be reviewed in order to proactively hinder the issue of missing vital data. However due to the anonymity of the respondents and company, the complementary information will be shown in the empirical chapter under the profile of each case.

4.5.4 OPERATIONALIZATION TABLE

Concept	Conceptual definition	Operational Definition	Related Questions
Loyalty program structure	*How advanced is the loyalty program, what components and features are interconnected and are the company utilizing the loyalty program to its full potential* (Berman, 2006; Butscher 2002)	How is the loyalty program structured, i.e. what features and components are offered and utilized by the company	Q11, Q12, Q13, Q14, Q15, Q16, Q17, Q18, Q19, Q20, Q23, Q25, Q28, Q29, Q31, Q32, Q34, Q38, Q40
Pre-planning of loyalty program	*In order to obtain the optimal amount of benefits from the loyalty program, it is necessary to carefully plan the loyalty program before it is introduced in the market* (Ngai *et al.,* 2009; Chiou and Pan, 2009; Berman, 2006; Payne and Frow, 2005; Lewis, 2004; Dowling and Uncles, 1997; Zeithaml *et al.,* 1990)	What short- and long-term goals were set on the loyalty program and are the goals either achieved or about to be achieved	Q5, Q6, Q7, Q8, Q9, Q10, Q23, Q34, Q39
Loyalty program type identification	*There currently exist four different types of loyalty programs, with varied amounts of degree in difficulty concerning both technology and maintenance* (Berman, 2006)	Evaluating if the existing theories concerning different types of loyalty programs also apply to the online environment	Q10, Q11, Q12, Q13, Q14, Q18, Q20, Q21, Q22, Q24, Q25, Q26, Q28, Q30, Q32, Q36, Q40
Added values beyond utilitarian rewards for customers	*To avoid the loyalty program becoming a defensive strategy, it is necessary to supply the customers with as benefits beyond the most basic utilitarian rewards* (García-Gómez *et al.,* 2012; Chiou and Pan, 2009; Vesel and Zakbar, 2009; Allaway *et al.,* 2006; Mauri, 2003; Kivetz and Simonson, 2002; Childers *et al.,* 2001; Bolton *et al.,* 2000; Alba *et al.,* 1997; Zeithaml *et al.,* 1990)	Evaluating if the online loyalty programs are moving towards offerings in addition to financial benefits for the customers	Q11, Q12, Q13, Q16, Q17, Q25, Q29, Q31, Q34, Q36, Q40
Evaluation of loyalty program	*To further develop and improve upon the loyalty program it is necessary to understand what the loyalty program is currently affecting and how the firm can best utilize those effects* (Bridges and	Are companies evaluating online loyalty programs in a similar fashion as the physical ones, as well as seeing how and to what degree the companies utilize	Q6, Q7, Q8, Q13, Q15, Q16, Q18, Q19, Q20, Q21, Q22, Q23, Q24, Q25, Q27, Q28, Q30, Q35, Q37, Q39, Q40

	Florsheim, 2008; Bridson *et al.,* 2008; Cyr *et al.,* 2008; Doong *et al.,* 2008; Leenheer and Bijmolt, 2008; Liang *et al.,* 2008; Liu, 2007; Wallace *et al.,* 2004; Anderson and Srinivasan, 2003; Lal and Bell, 2003; Luarn and Lin, 2003; Gefen 2002; Bergeron, 2001; Elinder, 1993)	the information from the loyalty program	
Cheating behavior (opportunistic behavior)	*The lower the risk of being caught the higher the probability of customers showcasing opportunistic behavior* (Wirtz and Kum, 2004; Chu *et al.,* 1998)	Are the companies actively working towards removing opportunistic behavior among the customers and does the companies think it is harder to remove cheating behavior online	Q27, Q28, Q38
Online security	*Online shops have had a tendency of having a bigger problems in portraying security for the customers, as not all of the components are visible for the customer* (Chiou and Pan, 2009; Kwon and Lennon, 2009; Bakos 1998)	How are companies approaching website security with the loyalty program and the company website	Q32, Q33, Q38
Continued development of loyalty program	*If the loyalty program is not continuously supported and updated with desirable features and offerings then the loyalty program will most likely not affect the market share* (Berman, 2006; Capizzi and Freguson, 2005; Stauss *et al.,* 2005; Kopalle and Neslin, 2003; Butscher, 2002; Elinder, 1993)	What features and components are currently sought after in online loyalty programs by companies	Q9, Q15, Q16, Q17, Q18, Q19, Q20, Q21, Q22, Q23, Q25, Q28, Q29, Q30, Q31, Q32, Q34, Q35, Q36, Q37, Q38, Q39, Q40

4.5.5 PRE-TESTING

In order to increase the reliability of the interview questions utilized, it was decided to take assistance from our tutor, Pejvak Oghazi in order to increase the likelihood of respondents understanding and correct measurement frame of the questions. The author's also followed Malhotra (2010) advice of pre-testing the word formulation, layout and question explanations on an individual similar to the sample utilized in the research. Therefore the questions were

pre-tested on a customer relationship manager at an online banking company, which led to the refinement of two of the question formulations in addition to some more explicit explanations to three of the questions. A pilot study was then used on another customer relationship manager at the same online banking company to evaluate the interviewees understanding of the questions and possibility to analyze the data gathered from the questions.

4.5.6 INTERVIEW GUIDELINES

The empirical data was collected through phone interviews with five different companies in Sweden. However one of the companies did not properly fit into the delimitations of the study, as the LP was yet to be fully implemented. The interviewees were three CRM-managers and/or analytics and one chief executive officer (CEO), all of which either in charge or closely connected to the management of the companies LPs. The interview length varied between thirty minutes and one hour and ten minutes. All of the phone interviews were recorded in order to reduce data manipulation as much as possible. Additional contact was then established through e-mail conservations, in which some questions were complemented through second hand accounts of specific events as well as additional follow up questions asked concerning the motivations behind some decisions. Additionally some information was gathered through annual reports and the company website in order to expand on the case descriptions and validate some of the answers given by the interviewees. Furthermore after the data had been confirmed by the interviewees and further validated through secondary sources a key quality information test was sent to the interviewees in order to strengthen the analysis of the data. I.e. the interviewees were asked questions regarding their own capability to answer the questions in the interviews as well as to what degree of responsibility the interviewees have within the LP. The questions were based on a Likert scale from 1 to 7, where one represents the lowest value and 7 represents the highest value. Additionally a fifth question was utilized in order to identify what response was for which company, but was not included in the response table in order to allow the respondents to be anonymous. From the interviewees that responded the confidence and quality of the answers are arguably high with the lowest response being 5. See table 6 for results.

	Case 1	Case 2	Case 3	Case 4
To what degree of responsibility over the online LP do you have within the company?	5	6	7	7
To what degree of involvement do you have in the management of the online LP within the company?	6	7	7	7
On a scale from 1 to 7 how much general knowledge do you possess regarding online LPs?	6	7	6	5
To what degree are you confident in the answers that you gave during the interview?	6	7	7	6

TABLE 6 QUALITY DATA INFORMATION TEST

4.6 POPULATION AND SAMPLING

4.6.1 POPULATION

The population of the research is very broadly defined as companies operating with e-commerce within Sweden with an active online LP. The population is hard to define with specific numbers as the phenomenon occurs at different degrees in technical difficulty both publically and anonymously at sites ranging from private merchandize to big international corporations.

4.6.2 SAMPLING FRAME

The sample of the research is the basis for the ability to draw conclusions on the parameters of the population of the phenomenon that is investigated (Malhotra, 2010). Within sampling

there are many different approaches available, however when the purpose of the research is to gather in-depth knowledge within a specific phenomenon or event there are arguably not a better sampling method than judgment sampling. Judgment sampling which is based upon the focused gathering of information from individuals with the probability of richest knowledge of the topic is said to be a productive sampling selection approach (Marshall, 1996). With that in mind the sampling frame will be based upon respondents that have the experience and high likelihood of rich knowledge of the phenomenon.

4.6.3 SAMPLE SELECTION

The sample selection of the research which based upon judgment sampling therefore became selecting companies that either have or are in the process of implementing an online LP. The motivation behind the utilization of companies both in the process of implementing and companies with established online LP is to be able to test the theory of LP types, strategy behind the LPs as well as the development of LPs in an online environment. In total a hundred companies were contacted through e-mails about participation within the study. A series of reminder emails were then sent a week after the first participation e-mail in efforts to increase the sample. Out of the hundred companies eleven were interested in participation, however due to that some of the participants did not meet the requirements of the delimitations they were not included. Additionally as repeat discussions were had with the respondents some cases did not supply information within the time restrains of the research.

4.7 DATA ANALYSIS METHOD

With a qualitative approach a difficulty of handling a vast amount of in-depth data is often created (Saunders *et al.,* 2009). According to Saunders *et al.* (2009) a way to handle such difficulties is to approach the analysis of the data with specific analysis methods. Therefore the authors have chosen to approach the presentation and analysis of the data by utilizing *data reduction* and *data display*.

Data reduction: A process that involves focusing on the most relevant data concerning the research, followed by simplifying and summarizing said data (Saunders *et al.,* 2009).

Data display: Involves the presentation of the collected data through visual presentations that

assist in observing differences or similarities of the data. Furthermore data display assists in making comparisons between the specific elements as to identify patterns and trends observed (Saunders *et al.,* 2009).

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4.7.1 DATA PRESENTATION

Through several steps the data was translated, simplified and summarized. Below the different steps of data reduction and display are explained.

- **Step 1: Translation**

As all of the interviews were done in Swedish first of all a translation was necessary in order to properly present the data in order to minimize the linguistic impact of the information given and facilitate the situation of the interviewees due to the unknown language skill of each person. Besides the language barriers that might exist, by conducting the interviews in the native language of the companies there may requires less effort in communicating their thought-processes and give more detailed descriptions of the case. The translation was done by following advice from Temple and Young (2004) who explains by performing two separate translations followed by a comparison, the risk of data loss and manipulation is reduced. Additionally both the translated data and the original was shown to a person not connected with the study but educated in both languages as well as working within the field of marketing, in efforts to remove linguistic power differences in the translation. Saunders *et al,* (2009) categorizes the approach as a parallel translation and which has been chosen as an appropriate method due to the advantage of good wording of the information given by the respondent; however the same approach suffers from ensuring lexical, idiomatic and experiential meanings. Due to the last approach, the parallel translation process has emerged towards a mixed approach (Saunders, *et al.* 2009).

- **Step 2: Data reduction**

As a result of the majority of the interview questions were based on an open-ended structure a need to make a data simplification was necessary in order to be able to identify similarities and differences between the cases observed. Therefore the interview transcript was processed and summarized into small sentences describing either the current way of operation for the company or the company's stance towards specific subjects and situations. Additionally

during the data reduction some of the interviewee's statements were censored, i.e. information regarding specific names of companies, tools or competitors were removed in order to allow the company to remain anonymous.

- **Step 3: Data display**

Once the data had been processed into sentences that depict the company's descriptions or statements it was transferred into a table in order to enable a better overview of the different cases and the current situation of online LPs in Sweden. Additionally in order to enable the reader to get a better understanding of the responses a summarized description of both the companies and their LPs was presented before the interviewees responses.

- **Step 4: Categorizing analysis**

The analysis of the data has been preceded through the categorizing approach which goes through two stages, developing categories and attaching the categories to chunks of data (Saunders, *et al.* 2009) as it allows the study to determine the respondents into a specific category and recognize their relationship to each elements and component.

The developed categories derives from the literature review and mainly the framework of Berman (2006, p144) but in a modified version below the heading *3.1 Assessing the appropriate loyalty program – from the online perspective.* The next activity involves unitizing the data where units of data, in this case the transcript of the interviews in appendices 7-10, will be attached to the appropriate category with manual approach to determine what type and category the organization holds its LPs online.

4.8 VALIDITY & RELIABILITY

4.8.1 CONTENT VALIDITY

When providing a measurement, at the very minimum the measure should at least provide some type of coverage of the domain of interest (Bryman and Bell, 2011). In order to determine an adequate judgment of coverage of the measure, Saunder *et al,* (2009) present two options: (1) Careful definition of the research done through extensive literature reviewed and if appropriate, discussion with others. (2) With the help of panel of individuals to assess the measurements.

In order to achieve a careful definition of the research, a total of 58 articles was reviewed ranging from different rankings in the ABS list with different links and relations to the topic which can be found in appendix 1 and extensive review of the different articles can be seen in chapter *2.0 Literature Review*. Additionally, with the help of the tutor of the authors a private tutoring session held room for discussion of the questions in order to determine appropriate measurement which can be observed under *3.5.5 Pre-testing*. To further strengthen the content validity, a pretest was conducted which can also be observed under the same heading.

4.8.2 CONSTRUCT VALIDITY

Refers to and exist as a measure reliably measures and truthfully represents a concept which is intended to be measured. Since the construct validity consist of several different components which together forms the outcome (the construct) (Zikmund *et al.,* 2009), to determine an appropriate validity for this facet, attempts to highly fulfill the other validity aspects has been made. Additionally the issue of representing and reliably measure the concept it is intended to measure have been challenged by constructing the questions and concepts used in the interview deriving from related and ranked journals according to the Academic Journal Quality Guide from the Association of Business Schools (ABS) (Harvey *et al.,* 2010). A deeper observation of the different journals linked to the different questions and concepts can be seen in the table presented in appendix 3 (operationalization).

4.8.3 EXTERNAL VALIDITY

A concern with researchers is the ability to generalize the study results (Saunders *et al.,* 2009), due to the qualitative research method and amount of cases utilized. However efforts were made to increase the external validity through utilization of the same interview questions and procedures for all of the cases. Additionally it can be argued that generalizations of the results have some external validity as all of the cases are all operating in different industries.

4.8.4 RELIABILITY

Reliability depends on whether the research findings are repeatable or not and also whether it is consistent as well as the stability of the concept measurement (Bryman and Bell, 2011).
The degree of replication of the study is determined by the external reliability and in order to attempt to assess a high degree of reliability, there is need for little variation in the results

which is therefore essential formulate each step in the research (Bryman and Bell, 2011; Zikmund *et al.* 2009). In the context of this study there is no exception and the authors have had in mind to provide detailed approaches in every step carried out in the study.

The second approach to take into account in order to accomplish a high degree of reliability comes through internal reliability which concerns the consistency of the study and may suffer from it where subjective judgment is involvement. In order to hinder the opportunity for inconsistency the respondents will have the opportunity to review the answers given in order to avert the subjective interpretation of the authors and instead keep the data objective as possible.

5.0 EMPIRICAL CHAPTER

In the empirical chapter the summary of the interview data is illustrated based on the respondents' answers to the different questions between the different cases (see Appendix 4). Additionally before the summary a brief company/interviewee and loyalty program description is done, based on both the interviewees' description as well as through the company websites and annual reports. Furthermore all of the interview transcripts can be viewed in Appendixes 7 to 10.

5.1 CASE 1 - SPORT RETAILER

The company have operated within sport equipment and clothing for almost half a century in the Swedish market that currently operates with between a thousand and two thousand employees as of 2013. Furthermore the annual profits in 2013 were 159 million SEK. Additionally the company has had experience operating with LPs for almost twenty years. Different departments in the company handles different sections of the LPs, with a LP department handling the formulation and creation of the offerings, a marketing department handling the marketing of the offerings and lastly a web department handling the maintenance and development of the company website. The interviewee is a CRM-analytic with four years of experience at the company. The company's LP is currently interconnected, meaning that the physical LP members are also a part of the online LP membership.

5.1.1 GENERAL LOYALTY PROGRAM DESCRIPTION

Based from the information given by the company websites description of the LP it is a point based system that rewards the customers with points based on the amount of money spent at the company. Where each point goes towards a tier based system in which each tier gives a higher financial reward for the customer to spend at the company.

5.2 CASE 2 - HARDWARE RETAILER

Case 2 is a company that started out as a small Swedish hardware store at the turn of the 2000th century that today have over two thousand five hundred employees selling a product portfolio of over fifteen thousand products in 2013. Additionally the annual profits of 2013 were 331 million SEK. The company's LP is relatively new in that it has only been available

for a little over a year, with a year's pre planning done before the introduction. The LP introduction includes both the physical loyalty card as well as the online LP. The interviewee is the senior CRM coordinator at the company and has been present for both the development and setup of the LP.

5.2.1 GENERAL LOYALTY PROGRAM DESCRIPTION

A feeless membership that enables the customers to accumulate points and bonuses based on the amount of money spent at the different stores or online. The customer is then rewarded points and bonuses that enable the customer to receive discounts and advice from the company, as well as a set return percentage in the form of gift vouchers.

5.3 CASE 3 - CLOTHING RETAILER

Case 3 is a Swedish clothing retailer that operates with more than fifty years of experience. Today the company main markets remain within the Nordic countries operating with more than one thousand three hundred employees in the Swedish division as of 2013 were the annual profits were 91 million SEK. The company's current LP has been active for three years, although prior to the launch of the LP had a partnership with another company with a cooperative LP. The company's own LP functions both as a physical loyalty card program as well as an online LP. The interviewee has operated as a CRM-analytic at the company for two years but has over fifteen years of experience working at the company.

5.3.1 GENERAL LOYALTY PROGRAM DESCRIPTION

A LP without any financial entry barriers that only prerequisite is that the customer is a native to any of the countries that the company operates within. The LP is observed as an extension of the existing sales process. The LP is based around a bonus system where every purchase gives a set percentage of usable bonuses that can be accumulated on multiple purchases. That bonus is then available for usage within the company's stores or website in the form of discounts and vouchers.

5.4 CASE 4 - ENTERTAINMENT AND ELECTRONICS RETAILER

Case 4 is a Swedish retailer operating completely online with product portfolio within both entertainment and electronics with over ten years of experience. Operating with thirty employees as of 2013 within the Scandinavian region with a where the annual profit was 1.5 million SEK. The LP is completely online based and was a part of the introduction of the company, at which point it was rather basic and not extensively pre planned. The interviewee has been the CEO of the company for past seven years.

5.4.1 GENERAL LOYALTY PROGRAM DESCRIPTION

The company LP operates with a ranking system based on points awarded to the customer based on the amount of money spent at the website. Each rank within the LP enables the customers to partake in activities as well as is supplied with additional offerings. Additionally the company supplies the customers with the possibility to pay in order to avoid shipping costs for a set amount of time, regardless of current rank in the LP. Outside of the LP rank the company also operates with a so called product ladder that gives tier based offerings based on the amount spent each specific purchase situation.

6.0 ANALYSIS CHAPTER

Within the analytical chapter the empirical data is discussed relevant to the different theories and concepts presented. Additionally type identification is done for each case in efforts to determine the current level of the different cases loyalty programs.

6.1 PRE-PLANNING OF LOYALTY PROGRAM

In this section an analysis over the planning and setup of the different LPs.

6.1.1 SOURCES OF THE SETUP AND INTRODUCTION OF THE LOYALTY PROGRAMS - DEFENSIVE VERSUS AGGRESSIVE STRATEGY APPROACH

Interviewees one, two and three all had both internal and external sources assist in the setup and introduction of the online LPs, with external consultants usually being in charge of the technological aspects of the LP, such as the handling and introduction of the databases. Meanwhile the current handling and management of the LP is handled internally. Whereas on the other hand interviewee four whom was the only case which is fully online based handled all of the initial setup, maintenance and development of the LP internally. Bijmolt (2008) found that companies with low technical skills were as likely to adopt an LP as companies with high technical skills. However those with low skill did not manage to handle the all of the data to its full potential. Arguably the fact that three of the companies let consultants handle all of the initial technical setup saved the company time during the initial set up by acquiring external know-how. But it might also affect the companies' ability to effectively further develop the online LPs independently without having to again rely on the same consultants or new ones. Additionally the utilization of external consultants indicates a defensive approach towards the overall strategy of the online LP, as it would indicate that the implementation of the LP was a reactive decision and needed to be acted out in a quick manner. Therefore it can be argued that interviewee four which conducted the setup and development internally were a more secretive and aggressive approach towards entering the market with an online LP.

6.1.2 EXPENSES OF THE LOYALTY PROGRAM - EVALUATION

Similar to the sources of the setup and development interviewee one, two and three utilized financial estimates and limits during the setup and development of the online LPs. Whereas interviewee four put no financial limit to the initial development of the online LP. Arguably indicating that the commitment and trust to the LPs were lower in the three companies that already had existing physical LPs prior to the introduction of the online based one. While the fourth case which from the beginning were fully online based had higher commitment and quite likely dependent on the online LP put no financial limits. Prior research by Uncles *et al.* (2003) and Butscher, (2002) support the notion with findings of that LPs are seldom fully planned and budgeted throughout their setup and development, especially considering that a LP often requires a long-term commitment financially.

The long-term commitment of finances seem to also apply to the online LP as interviewee one, two and four explained that the expenses of the online LPs has averagely increased yearly through maintenance and development costs. Whereas interviewee three response indicated a decrease in commitment as the yearly expenses have started to decrease, stating. "*The costs have rather decreased every year; there are not cuts but attempts to keep the budget low*" (Appendix 7, Question 8).

6.1.3 SHORT- AND LONG-TERM GOALS OF THE LOYALTY PROGRAM - DEFENSIVE VERSUS AGGRESSIVE STRATEGY APPROACH

Interviewee two and three both put short- and long-term goal on the online LP through the setup and development. Specifically interviewee two explained that the goals were mostly connected to financial desires of the company, such as increases in customer's frequencies of visit as well as the annual turnover. Although according to Butscher (2002) goals like financial desires are often mid- or long term-goals that require more specific short-term goals in order to become achievable. Arguably interviewee two's would therefore require to state additional short-term goals more connected towards the behavior of the customers or general effectiveness of the handling of data in order to obtain the long-term goals. Berman (2006) argued that without utilization of early short-term goals there is a risk that the long-term goals might be achieved, but at the cost of other long-term financial goals.

Interviewee three's goals were to attract as many customers as possible in becoming members in the LPs of the company. Something that is reminiscent with a defensive approach to LP and

to what Dowling and Uncles (1997) refers to as a "me-too" strategy where the motivation behind the LP is not to supply customers with additional value but instead as a strategy of avoiding market loss to competitors who have introduced LPs. Meyer-Waarden and Benavent (2006) findings support the notion of defensive LPs with little value above competitors by stating that "me-too" LPs have a high failure rate.

Contrary to interviewee two and three, interviewee four utilized no short- or long-term goals on the online LP. Instead the company focused on a strategy created before the setup and development of the online LP. Such an approach is supported by Kopalle and Neslin (2003) research, which states that by careful planning, strategy and continuous support the LP becomes harder for competitors to replicate. Arguably interviewee fours approach of utilizing an overall strategy and internal development would indicate a more aggressive market strategy of handling the online LP.

6.1.4 COMPETITORS INFLUENCE DURING THE SETUP AND DEVELOPMENT OF THE LOYALTY PROGRAM - DEFENSIVE VERSUS AGGRESSIVE STRATEGY APPROACH

All of the interviewees are currently observing competing online LPs outside of their own industry, within industries as e.g. airline and grocery retailers. Interviewee two, three and four responded that they most likely took influence of competitors online LP during the setup and development of the company's own online LP. This indicates a defensive approach towards the LPs strategy. However interviewee one states that although the company observes LP in other industries the company have as a policy to focus on itself instead of focusing on what competitors are doing. It should also be noted that interviewee one also stated later in the interview that the company sees its LP to be the market leader. Both of the statements would arguably indicate a more aggressive approach to the overall strategy of the online LP.

6.2 LOYALTY PROGRAM STRUCTURE

Analysis over the current structure and components utilized within the companies online LPs.

6.2.1 MEMBERS FEE - DATA REFINEMENT

None of the four case companies utilize any form of entry barriers into their online LPs. With one of the interviewees even stating "*We don't have any fees or minimum purchases in order to become a member since we think it should be allowed and open for everyone*". (Appendix 9, Question 11)

Additionally the same interviewee stated that the one of the goals set on the LP during the setup was to accumulate as many LP members as possible. Another interviewee indicates that their company has a similar approach stating, "*No, we will remove non-active members after two years but we don't have any fees or anything else*" (Appendix 8, Question 11).

Meaning that none of the companies are trying to delimit the amount of members participating within the LP, which according to Berman (2006) would enable the company to analyze the data of the LP with more ease as the entry mode to the participation would delimit customers with lower potential. Furthermore such so called refinement of the data would arguably also enable more precise predictions as the commitment among the members is strengthened by the time and money invested into the system. Although a factor that an online based company faces that is different from the physical LP discussed by Berman (2006) is something that interviewee four mentioned in that they consider everyone that makes a purchase a LP member, as the customers' are automatically put into the LP when they perform their first initial purchase independent on the amount spent.

6.2.2 PARTNERSHIPS - ADDED VALUES

Only one of the companies currently had any partners or subsidiaries connected with the online LP. Where interviewee one describes the partnerships and the company philosophy as following "*Yes we are cooperating with both external partners as well as subsidiaries. And they are all from travel agencies in connection with sporting events to more local events where customers get the opportunity to win prizes such as sporting event seats or additional discounts. When cooperating with partners the most important thing is that there needs to be an understandable connection to our business and philosophy*" (Appendix 7, Question 12).

Although it should be noted that two of the companies had previously had partnerships that either they were connected to or that were connected to their own LP. The online based company four described that the partnership had not been without some additional issues stating that *"When we had magazine subscriptions through our partnership earlier, it was troublesome to keep track of it since we were only an intermediate between the customer and our partner. The customer service had a hard time as once a member got promoted to the next membership level we just sent the customer information to our partner, but sometimes due to release date of the magazine. The customer might just have missed it which then resulted in many conversations and questions which in the end were very problematic and the reason we choose the end the cooperation"* (Appendix 10, Question 37).

The responses can arguably showcase that in order for the partnership to be profitable the implementation requires a well thought maintenance plan and purpose. Although interconnecting a partner or subsidiary can be problematic it is according to Dowling and Uncles (1997) an important component in avoiding the LP becoming stagnant and ineffective. This seems to be something that the companies themselves realize as the three companies that currently do not have partners connected into their online LPs, are all positive to thought of utilizing partnerships in the future.

6.2.3 LOYALTY PROGRAM INCENTIVE - ADDED VALUES

The companies all explain the incentives created for the customers in various ways. Interviewee one explain the incentives as *"When a customer becomes a member they first receive special welcoming offerings and from there we continue to work around the purchases made. If however a customer has not made a purchase for quite some time they receive a so called "We miss you" card. We also sometimes choose to let some members go as some members are only active at special events, especially after events like one that we just had with store discounts up to 25% for new and existing members, in such events there are always a considerable amount of people who only becomes members for that specific event and if that is the case then we choose not to nag at those customers. At specific events and marketing campaigns that we have started looking at net promotion score (NPS), which is questions related to if the customers would consider promoting the loyalty program to a friend or relative. And depending on what the customers' answer on the scales they can get the possibility to become an ambassador for the company. And if there is little to no likelihood of*

*the customer becoming an ambassador but rather just a costly investment, then we decide to let that person go, but that does not mean they are prohibited from continuing in being loyalty program members or shop at our stores, we simply decide not to nag at them to return to the store. We instead focus on the customers with the highest potential"(*Appendix 7, Question 13). Additionally interviewee one mentioned previously that the company through the partnership with a travel agency offer experiential offerings. The only other company that describes incentives outside of the financial benefits provided by the company's different bonus/point systems is interviewee four, that explains that the customers that have obtained higher rankings within the online LP are also offered cinema tickets to different movie premier showcases. Although none of the four companies explain in the interviews or showcase on the site any exclusivity incentive within their online LPs. Additionally showcases of public exclusivity might arguably be hard to implement within LPs were no members fees are utilized or other entry barriers outside for the accumulated points gathered within the mentioned point systems. Chiou and Pan (2009) research have indicated that LP based on point systems have been seen to be most effective in creating customer loyalty as the loss of the accumulated points created high switching costs. Although it could be argued that the risk of the online LP becoming stagnant is high if the incentive is focused too heavily on a one dimensional financial business model. As just as Butscher (2002) states that 20% of the customers often represent 80% of the sales the need to satisfy the most active members within the online LP becomes increasingly more of importance. Thus arguably there is a need among the four companies to explore the possibilities to further increase the incentives to return to the members beyond financial benefits are necessary. García-Gómez *et al.* (2012) continues by explaining that VIP treatment in order to be effective needs to be socially applicable through either status symbols or exclusive interactions. Company fours usage of cinema tickets is a step towards showcasing such exclusivity although additional exclusivity showcase could possibly further enforce the incentive for customers to return. Furthermore Capizzi and Freguson (2005) the need for differentiation within LPs are becoming more important as LPs are becoming a component offered by many if not all of the companies and as a result customers are becoming increasingly selective in their memberships.

6.2.4 CUSTOMER SEGMENTATION – ADDED VALUES

All of the customers segment the members of the online LPs through various methods, mainly around the purchase history of the members. With three of the four interviewees stating that the main segmentation done is through purchase history. Although only interviewee four which was the only respondent that did segment based on purchase history utilized a ranking system within the segmentation that is visible for other customers. Something to note is also that interviewee four is the only out of the interviewees that did not talk about seasonal shoppers, which perhaps means that the focus of the LP segmentation does not become on creating more personalized offerings but rather the quantity of discounts supplied in the LP. Whereas the three other interviewees that experienced seasonal customers and members put increased focus on creating more personalized offerings as to increase the incentive for those members to return as well as return at a higher frequency. Liu (2007) findings support such a possibility as the longitudinal study indicated that LPs have the biggest frequency increase among customers with a low to medium purchase frequency. Although arguably a consideration around if the most profitable option is to increase the volume of low frequency customers is higher than the argued profitability argued by Butscher (2002) among the most loyal customers is necessary. Furthermore interviewee fours ranking system which is based around the points accumulated from the volume spent by the customer also enables the customers to see visual goals to strive for in order to obtain additional rewards within the online LP. This creates an arguably strong incentive for customers to return in a long-term basis as the progress enabled by the LP and the accumulated points creates high switching costs. Something that Bolton *et al.* (2000) research surrounding perceived value around the LP arguably supports.

6.2.5 MEMBERSHIP LIFECYCLES - LOYALTY

All four of the interviewees said that the companies are calculating lifecycles within the LP. Although only one of the interviewees had a calculation done for the online LP alone, with the other three having the membership in the physical LP added into the life cycle calculation. However none of the companies could give specific numbers. Arguably this would indicate that the general focus of the overall activity of the LP members could improve as this would indicate possible information lost concerning what, when and why certain customers lose

interest in the online LPs. Interviewee one response supports such a possibility by stating that the life cycle calculation currently is four years old and in need of an update.

6.2.6 BEHAVIOR REWARDS - LOYALTY

Interviewee one and four mention that the companies supply additional rewards to the LP members that have spent more than the average customer through two different approaches. Interviewee one utilizes a specific amount as a barrier in accessing a company magazine which contains additional discounts and offerings. Additionally those customers receive personal appreciation post cards at specific events or seasons. While interviewee four utilizes a point system within the LP to segment customers into different ranks, were each rank obtained adds new offerings and gifts to the members. Interviewee two mentions that although they currently have no additional rewards it is something that is in development. Whereas interviewee three states *"No you don't get any additional benefits for purchasing more in quantity. But rather in the case of segmentation if you buy a large amount of clothing from all departments of women, children and men you will get more offerings"* (Appendix 9, Question 17). Additionally interviewee three adds that there is no specific reason as to why the company do not reward customers that have a higher frequency or higher total purchase volume than the average customer. As a result this might be of concern for the effectiveness of the LP in establishing long-term relationships with the members of the LP as explained by Capizzi and Freguson (2005) that LPs that lack of form of "wow-factor" are often discarded quickly for more interactive and rewarding alternatives. Berman (2006) type research further supports that notion going as far as explaining that LPs which have low entry barriers and lack differentiating participation offerings can be argued as barely being LPs due to the fact that the program design is focused on rewarding membership creation rather than the behavior within the program that establishes loyalty in the long-term.

6.2.7 LIMITED TIMEFRAME ON OFFERINGS - BEHAVIOR CHANGE

None of the interviewees had any static offerings within the online LP. Instead the offerings were offered within different timeframes dependent on marketing campaigns, seasons as well as monthly updates. Interviewee two expands on the motivation behind the utilization of limitations on the offering timeframe by stating: *"Yes, there are different factors that determine how long the offerings will be valid. We have a generous policy in order to keep*

everyone happy and pleased but at the same time we want to establish a little bit of traffic to our stores which is why we choose to alternate with the expiration date of the offerings." (Appendix 8, Question 18). The utilization of timeframes to induce a temporary increase in sales is supported by Berman (2006) research that states in order to maximize the effectiveness of the LP there is a need to alternate discounts to induce sales increases during periods where seasonal customers would otherwise not make purchases. Interviewee four explains that the company also utilizes a loyalty bonus system, in which the customers receive annual coupons based on the amount spent at the company at the previous year. Arguably indicating further efforts made by the company to induce purchases during the early months of the year.

6.2.8 PRODUCT DELIVERY – OPPORTUNISTIC BEHAVIOR

All of the interviewee's companies performed the product delivery internally through their own warehouses and then sent to external companies handling the transportation. Arguably indicating that all of the companies want to be able to handle as much of the data gathered from both the online LP as well as the management of products going out and coming back into the company. Which supports the notion that opportunistic behavior among customers might be occurring, through customers purchasing in high quantities and sending back unwanted products.

6.2.9 CUSTOMER INTERACTION - INFORMATION SHARING

When evaluating if the companies promote C2C interaction following Gruen *et al.* (2006) statement that C2C interactions had a positive effect on the loyalty intention towards a company among the customers. It was possible to see that interviewee two and four are actively promoting customer interactions through the use of social media, website comment sections as well as product reviews. Interviewee one also supplied the customers the ability to leave comments and product reviews, although stated that the company was not actively trying to promote customer interactions. Whereas Interviewee three stated that the company is not actively promoting customer interactions but instead utilize social media as a communication tool to promote new campaigns and offerings. Park and Kim (2003) argue the importance of allowing customer interaction, especially in an online context as it can create site commitment among the customers. The importance of supplying the customers with as

much information as possible seen to has been noted but perhaps not fully realized by all of the companies. Although Interviewee four also explains that customer interactions have its drawbacks, as it sometimes needs to be monitored in order to maintain an enjoyable environment for customers. Stating: "*We have also had a community-like option were you had the ability to comment different things but this did not work out in the same way as Swedish newspapers removed this function, there are many people who likes to talk nonsense and whine...*" (Appendix 10, Question 29). Arguably indicating that although there are benefits to allowing customers to interact with each other, it can also be a costly option with the additional work necessary in order to maintain a pleasurable environment that is not negatively impacting the company's image. Something to those companies arguably needs to consider in contrast with the benefits argued by Pei-Yu and Hsien-Tung (2011) concerning that customer interactions online can reduce customer support costs and assist in the company's product innovation through customer ideas.

6.2.10 PRODUCT COMPARISON TOOL - INFORMATION SHARING

Out of the four interviewees only interviewee two had a product comparison tool available at the company website. This is an arguably noteworthy situation considering Park and Kim (2003) argumentation that through supplying the customers with as much information as possible it assists in creating site commitment and company loyalty. Perhaps this also means that one of the opportunities of an online LP is not fully realized by the majority of the current online LPs in the Swedish market. Interviewee three goes as far as stating: "*No since we produce all of our products ourselves, this question becomes inapplicable to our case*" (Appendix 9, Question 30). The authors would argue that although there are no external producers for the company the potential of supplying customers with additional information connected to the product can still be of interest. Potentially the company could establish list of other customers previously purchased products that are similar or the same as the product of interest and through such measures make efforts to supply additional arguable information to the customers.

6.2.11 PHYSICAL LOYALTY PROGRAM CARD - ADDED VALUES

Interviewee one, two and three all utilized physical loyalty cards there were connected to the online LP, either at introduction or existing before the introduction of the online LP. Whereas interviewee four's LP was created solely online and have remained exclusively online. The physical loyalty cards were connected to the online one by tracking the member's social security numbers. Although that arguably also means that customers that are not from the domestic market are not able to partake in the companies LP, physical or online. When discussing possible differences or drawbacks between the different LPs Interviewee one stated "*We operate around having one loyalty program; there should be no differences between them. As of right now the only difference between the programs is that a customer or member belongs to a region in connection to the physical loyalty program, whereas online we segment the customers based on their area codes instead*" (Appendix 7, Question 38). Additionally interviewee two statements concerning if there were differences or drawbacks between the LPs: "*It is the same for us, everything that works online should be applicable in the physical store, and it is a part of our strategy so there is no option for us. It might be easier online since the customer is always identified which is not always possible in the physical store, you cannot always get the customer to identify themselves at the counter causing us to fail to review what they bought and how much*" (Appendix 8, Question 38). Both of the companies arguably had issues with segmentation and tracking customers when utilizing both a physical and an online LP that were interconnected. As the physical LP did not force the customers to always identify themselves and utilize the LP card. The issues with segmentation was something that interviewee one was well aware off as when talking about the availability of a physical LP card it was stated: "*Yes and no, we have a physical loyalty program card, however we are aiming towards achieving a digital based loyalty program in the future, without the need for a physical card. As of right now customers will only receive a physical card if they specifically request one*" (Appendix 7, Question 34). Arguably this indicates a desire to remove the physical LP card in favor of a fully online based alternative.

6.3 EVALUATION OF THE LOYALTY PROGRAM

Analysis over the companies' evaluation and utilization of the online LPs will be presented in this section.

6.3.1 OBSERVATION OF CUSTOMER'S ONLINE BEHAVIOR - DATA UTILIZATION

All four interviewees state that observations are done on both members and non-members activity and behavior while on the website. Although interviewee two admits that only a portion of all the data being gathered is currently utilized, stating: "*Not in a structured way, we analyze the activity on the website but nothing is used in our CRM system and can be utilize in our communication or segmentation... We haven't applied it since it requires development and competence in order to practice that data for segmentation or sending relevant information. We have not arrived so far yet, however it has been kept in mind.*" (Appendix 8, Question 19). A notion supporting Bijmolt (2008) statement of companies with low technological skill to be as likely to adapt online LP, but having issues to fully utilize the data gathered to its full potential. Arguably the fact that vast amounts of data is gathered but not currently utilized represents a big opportunity cost beyond the ordinary costs of maintaining the data collection of the data not utilized. Interviewee four might encounter evaluation difficulties as all customers that have made a purchase are considered LP members. As a result evaluations the effectiveness of the LP as a membership promotional tool itself arguably becomes difficult.

6.3.2 DATA ANALYSIS BASIS - DATA UTILIZATION

Interviewee one and two explained that the data is analyzed both on customer segments as well as on individual products purchased. Indicating efforts of full data utilization and a structured index over what products are purchased by what segment during specific times. Whereas interviewee three and four explained that the data analysis is currently done on customer segments as the company's product portfolios were simply were too large. However that also means that not all of the data gathered from the online LP is utilized. Additionally it can arguably make efforts to predict future trends more difficult as analysis over whole segments means that the potential of individual products might go unnoticed (Butscher, 2002).

6.3.3 LOYALTY PROGRAM AS EVALUATION TOOL - MARKETING CAMPAIGNS

All four of the interviewees state that the companies utilize the LPs in evaluating different marketing campaigns. Interviewee two goes as far as stating: "*We are making efforts to observe everything*" (Appendix 8, Question 21). Arguably the companies are making efforts in utilizing the LPs to their full potential and thus indicate commitment to the usage of the online LPs and their arguable effectiveness.

6.3.4 TREND PREDICTION - DATA UTILIZATION

Interviewee one and four stated that the companies make efforts to utilize the data gathered through the online LP and the website in order to try and predict future trends. E.g. Interviewee one states "*... we can use the information for purchasing, logistics and design*" (Appendix 7, Question 22). Whereas interviewee two and three are currently not actively utilizing any of the data gathered in efforts to predict future trends in the market. Arguably it could mean that the two companies are missing out on possibly valuable information that could assist in achieving the long-term goal. Berman (2006) and Butscher (2002) research supports the notion that a lack of short-term goals and utilization of available data both are necessary in obtaining the long-term goals of the LP.

6.3.5 CUSTOMER BEHAVIOR CHANGE AFTER LOYALTY PROGRAM INTRODUCTION - LOYALTY EVALUATION

Interviewee three and four both stated that visible changes have occurred in the customers' behavior after the introduction of the online LP. With interviewee three describing the change as: "*I believe that the customer loyalty program is one of the reasons why we have recruited more customers as we are able to see the raising number of members and you start to wonder where to limit is but it seems like there is none*" (Appendix 9, Question 23.). Additionally Interviewee four describes another behavior change among the customers: "*We have noticed that it is important for customers to be a part of a loyalty program, especially in order to reach the higher categories of the loyalty program*" (Appendix 10, Question 23). Both Interviewee three and four LPs seem to have had an effect on the purchasing habits of the customers, as interviewee threes members and therefore customer amounts have increased. Additionally interviewee fours customers are making higher volume purchases or more frequent purchases in efforts to achieve higher rankings within the company's online LP. The

responses supports Dorotic *et al.* (2012) statement that LP introduction has a tendency to increase the customers frequency of visit and temporarily the SOW.

Although the effects of the LP arguably need time in order to produce noticeable behavioral changes on the customers, as interviewee two states that it is still too early to credit the online LP for any major behavioral changes among the customers. It should be noted that interviewee two's online LP has only been active for little over a year.

6.3.6 CUSTOMER FREQUENCY OF VISIT - LOYALTY EVALUATION

All of the interviewees responded with different frequency of visit notions as to what the company would consider to be a loyal customer. Depending on factors such as effects of seasons, holidays as well as different campaigns. This was the case for interviewee two which although only required a frequency of a purchase every one to three months, did not have the majority of its members within that bracket. According to the interviewee as a result of LP introduction campaigns aimed at increasing the volume of members, stating "*The majority does not belong to the loyal bracket since we recruited a lot of volume during the first year which might cause the quality to suffer, currently we have a lot of people making one time purchases and it is more observable during the second year*" (Appendix 9, Question 24). Similarly as interviewee three LP goals started out with high membership volume the estimated loyalty frequency was rather low with only two purchases a year being desired. Although according to interviewee three a majority of the members are most likely performing more than two purchases a year. Interviewee four faced a similar problem with frequency evaluation as the only limitation for being considered a LP member is a one-time purchase. Which resulted that although the company had a high frequency desire of a monthly purchase frequency among its members; it was not currently achieved by the majority of the LP members. With the interviewee stating: "*As the majority of the members in the loyalty program becomes a member of the program as soon as a purchase has been made, the average customer would therefore make a purchase every year*" (Appendix 10, Question 24). As none of the companies are utilizing any entry barriers into the online LP it can be argued that the evaluation becomes harder and harder to credit to the LP itself, as the initial commitment necessary for the customers is very low. This possibly can affect the loyalty of the customers as the switching cost at the early stages of the LP membership is very low, possibly resulting in customers abandoning their membership for competitors if not conscious

offerings are supplied. This could arguably mean that rigorous attention must be given to the LP with high data usage and frequent offering updates. Additionally it would seem that interviewee two, three and four all seem to put focus towards recruiting as many members as possible in efforts to obtain a vast database of information rather than put focus on establishing and strengthening the loyalty among a portion of the most profitable customers, as suggested by Butcher (2002) and Elinder (1993).

6.3.7 FREQUENCY OF LOYALTY PROGRAM OFFERING UPDATES - LOYALTY EVALUATION

Continuing on the previous sections discussion based upon Dowling and Uncles (1997) argument that in order to create a competitive LP it is necessary to keep the offerings continuously updated and desirable by the customers. It also seemed to be the case as all four of the interviewees stated that monthly updates were done to the offerings within the online LPs. In addition other updates were also done based on campaigns, and as in interviewee fours case also the yearly coupon offerings done based on accumulated points from the previous year as well as the different ranking rewards.

However as the update frequency is so high it must arguably also be a time consuming and costly endeavor in order to maintain a competitive advantage and maintain members with the arguably low switching costs of the LP.

6.3.8 MEMBERSHIP INACTIVITY - BEHAVIOR EVALUATION

All of the interviewees had membership removal after two years or more of inactivity. However interviewee four had another penalization method for inactive members. The memberships are evaluated every year and member's ranks can be demoted if the yearly accumulated points do not remain at the required amount, which means that inactivity in the LP leads to removal of some of the benefits. Arguably this system increases the switching cost within the LP as customers strive to maintain or even improve the achieved rank within the LP. The notion of utilization of switching costs is supported by Butscher (2002) who argues that loyalty is something that needs to be established in the customers mind and not their wallet. Chiou and Pan (2009) also argue that the LP that manage to establish the strongest loyalty are the ones that involve high switching costs. Additionally Kivetz and Simonson (2002) research suggests that the exclusivity of the offerings in the LP needs to be

high in order to increase the likelihood of customer loyalty. Arguably interviewee fours ranking system is a step towards efforts in increasing the switching costs by creating goals for the customer to work towards in order to obtain the most exclusive offerings that the LP has to offer.

6.3.9 INFORMATION SHARING WITH SUPPLIERS - DATA UTILIZATION

Out of the four interview companies only interviewee four currently shared any information from the online LP with its suppliers. Stating: "*Yes you could say that since we often want to offer our special customers among the higher ranked members a bit more and in this case we turn to our suppliers in order to get better prices and such but we never give out concrete information about who they are but rather how many they are and such*" (Appendix 10, Question 30). Arguably interviewee four is making efforts in utilizing data from the online LP that the other interviewees are yet to use. However it should be noted that interviewee one stated that the company was willing to share information if approach by suppliers as long as the information was not customer sensitive. Giving the e.g. that if a shoe manufacturer would want information about the amount of shoes purchased by a particular segment. Additionally interviewee three mentioned that as all production was done internally and therefore no information sharing with suppliers was necessary.

6.3.10 EVALUATION OF ONLINE LOYALTY PROGRAM IMPLEMENTATION - EVALUATION

Both interviewee one and two encountered similar issues during the implementation of the online LP, where both had technical difficulties during the setup phase of the LP. Interviewee one describes the difficulty as following: "*In 2009 we purchased a new platform which implementation took over a whole year, which one completed made a big commotion, but it is also the reason we are so successful at segmentation as well as the technical development*" (Appendix 7, Question 37). While interviewee two describes the biggest problem with the implementation of the online LP as: "*The integration of online is time-consuming and requires a lot of information and tests*" (Appendix 7, Question 37). The technical difficulties is something that can potentially be connected to Kopalle and Neslin (2003) argument of lack of pre-planning before the implementation of the LP can result in additional costs to an

already costly endeavor. And something that companies that wish to implement an online LP in the future arguably need to consider during the setup of their own online LP.

6.3.11 EVALUATION OF ONLINE LOYALTY PROGRAM – COMPANY SATISFACTION

Interviewee one and three both responded that the company was satisfied with the current situation of the online LP. Interviewee one went further stating "*Yes we are very pleased and proud with our loyalty program; we believe that we have made huge progress with it. That of course does not mean that we are not developing the program, as it requires continuous development. Recently we introduced so called digital coupons, which mean that the likelihood of misplacing or forgetting the coupons is lower, than with the other physical coupons that we also offer*" (Appendix 7,Question 35). The response would arguably indicate that the company is interested in continued investment into the online portion of the LP. Additionally interviewee two was pleased with the current situation of the online LP however as the LP is newly introduced there are still a lot of development and components to introduce. Although interviewee four have sent signals of being at the forefront of the market with the LP, the response when asked about the satisfaction with the current state of the online LP was as follows: "*We are probably never fully satisfied and are rather striving towards becoming bigger and more exciting for our customers. We are continuously looking at how we can make it better, so no not fully satisfied*" (Appendix 10, Question 35). Arguably this would indicate that the company maintains an aggressive approach to the strategy of the LP. Furthermore the three other interviewees are also showcasing an aggressive approach as a continued development is desired.

6.4 OPPORTUNISTIC BEHAVIOR WITHIN THE LP

Evaluating if companies are actively trying to limit opportunistic behavior among customers found that only interviewee two worked towards removing such behavior within the online LP. Interviewee two explained that through regulations and formulations of the LP offerings the company tried to limit opportunistic behaviors. Whereas the other interviewees stated that the phenomenon was not seen as an issue by the company. Interviewee one motivated the reason to not actively try and remove it by stating: "*No I do not believe it is hard to identify such behavior, but then again we have to ask ourselves the question what is opportunistic behavior of a loyalty program? Because when we release an offering we are actually looking*

for customers to take advantage of said offering. We want our members and customers to use a discount of offerings given by us, so I would not say they are abusing the loyalty program but rather taking advantage of the possibilities given by the membership, which is something that we want them to be able to do" (Appendix 7, Question 27). The arguable costs of customers abusing the company offerings by manipulating the amount of people utilizing the same membership is with other words not seen as an issue. This is interesting especially in interviewee fours case as with the company's LP rankings being determined by volume purchased, opportunistic behavior could result in potential profit loss if group of customers utilize the same membership in order to obtain higher ranks and additional discounts. Interviewee four stated: "*No, this is not a problem, of course we actively handle and try to identify our customers but that happens automatically. I mean as you make purchases, you get categorized into a certain customer level and we are constantly trying to offer the different membership levels exciting offers but at the same time take care of them as well as possible*" (Appendix 10, Question 27). Additionally as the interviewee mentioned the segmentation and product evaluation can be affected by not actively trying to identify cheating behavior. As several different segments can utilize the same account and therefore arguably manipulate the segments utilized by the company in creating the different offerings as well as the company's marketing efforts.

6.5 ONLINE SECURITY

All four of the interviewees' payment security is currently handled by external companies, which the companies are communicating to the potential customers of the online LP through online security certifications and diplomas in efforts to illustrate considerations of internet security. Additionally all four of the interviewees are utilizing the same payment company, which arguably mean that the approach to online security is the same across all of the companies. Interviewee two states that the company has high demand in supplying good homepage security for the customers. It would seem that Kwon and Lennon (2009) argumentation that homepage security concerns are an initial hurdle to overcome is something that the companies are considering. As all four are utilizing the same sort of approach towards portraying homepage security towards the customers, in addition to having the same external company handle the payments done through the online LP.

6.6 FUTURE DEVELOPMENT OF THE LOYALTY PROGRAMS

Analysis over the companies thought of the current state of the LP and the future development of the LP.

6.6.1 SHORT- AND LONG-TERM GOALS CHANGES - FUTURE DEVELOPMENT

Out of the four interviewees only interviewee three stated that the goals had changed from the original goals set during the planning and setup of the online LP. Stating that: "*The goals have changed, in the beginning the purpose was the recruit members quickly which we have done and now we are rather trying to have the members account for a certain proportion of the sales*" (Appendix 9, Question 39). An arguably interesting find that three of the interviewees have not altered or added goals throughout the lifespan of the LP, additionally the one change that have occurred among the interviewees is a change towards similar economic goals initially set by the rest of the interviewees. It could be argued that the lack of goal and strategy changes in the development of the online LP is something that could be interesting in evaluating the overall effectiveness of the LP in the long-term.

6.6.2 FUTURE DEVELOPMENTS IN PROGRESS - FUTURE DEVELOPMENT

When asked about particular components either in development or that the company desires to implement there were varied answers. Interviewee one mentions the development of segmentation options as well as the development of the mobile version of the online LP, stating: "*As of right now we are currently working on a project to start collecting information regarding the age of the customers' children, that is something we are lacking today. Additionally one of my colleagues is working with the development of the mobile version of the website. We have made a conscious decision to focus on the mobile version of the site instead of creating a mobile application for the company*" (Appendix 7, Question 36). Arguably the stance to not focus on industry trends about mobile applications, but instead focus on the company's own projects is a sign of an aggressive approach to the overall strategy of the online LP.

Similar to interviewee one, interviewee two future developments is concerning the handling of segmentation and how the company handles the data in order to create better personalized

offerings are in development. This arguably indicates a desire to improve the overall data processing and utilization of the LP data. Whereas interviewee four focuses is to introduce an improved version of the loyalty bonus system where customers receive coupons based on how much that have been spent within the online LP throughout the year. Arguably an indication of focus towards adding additional value and increasing the existing switching costs offered in the LP through its ranking-system component. Which the interviewee argued had led to increases in the customer's volume spent and frequency of visit at the website. Lastly interviewee three explained that developments of the online LP were being made, but did not want to reveal what kind of developments that was in progress.

6.6.3 LOYALTY PROGRAM DIFFERENTIATION - AGGRESSIVE VERSUS DEFENSIVE STRATEGY

When asked if and how the companies work towards differentiating the online LP as compared to competitors, interviewee one stated: "*For us starting to focus or following competitors would be to go ten steps backwards. We consider ourselves to be ahead in the market as far as loyalty programs go; you could say we consider ourselves to be market leaders*" (Appendix 7, Question 40). As mentioned previously the company's policy of focusing on the company itself rather than competitors can be argued as an aggressive approach towards the overall strategy of the online LP. With the interviewee going as far as saying that observing others would be to go backwards in development. Additionally interviewee four had a similar point of view, stating: "*We have without any doubt the most elaborated loyalty program compared to our competitors. Of course it's a positive thing to have such an elaborated program but at the same time we cannot stay pleased but rather striving for constant development and keep it positive and better for our customers, we are not pleased with it but think it is alright*" (Appendix 10, Question 40). A statement with arguably mixed signals as it is indicated that the LP is a market leader, but the company is still not pleased with it. Possibly it can be argued that the approach is more towards an aggressive strategy as the LP is considered to be more advanced than the competitors but still something that the company wants to develop further.

Interviewee two made a more humble response saying that the LP was still in its early developments with aspects that still required improvements, and therefore saw the LP on an equal level to its competitors. However when asked further if interviewee two believed it to

be beneficial to differentiate the online LP from the competitors the response was: "*Yes and no, it depends on the loyalty program and our target group. We have a traditional loyalty program that we believe is attractive among our members and I believe it would not beneficial to be too unique. A clear success factor should be simple and clear*", (Appendix 8, Question 41). This can be argued to indicate that the company has an aggressive approach to the overall strategy of the online LP. With the company not wanting to become too advanced or complicated as a result of focusing on the competition and their offerings, but rather focus on the desires of the target group.

Finally interviewee three seems to have a more defensive approach towards the general strategy with the main focus being put on the financial potential benefits of the LP as compared to competitors. Stating: "*It's the aspect of having the 5% bonus which is fairly high and we try to promote is as much as we can*" (Appendix 9, Question 40).

6.7 LOYALTY PROGRAM TYPE IDENTIFICATION

Applying the empirical information into the type identification table (see table 7) there is a need to consider the overall placement within the table. E.g. with the vague descriptions the only identification option available is a subjective approach of placing the different cases. Possibly there are ways to add a less subjective identifications option into the table in the future, e.g. through the utilization of a point system or similar.

When determining the size of the organization, one problem that might arise occurs when comparing organizations operating both with physical stores and in an online environment with organizations that are just in one of them since it may require different amount of resources to run the each businesses. As a result when trying to apply and compare the different online LPs, only the online business and aspect of the organization should arguably be included in the calculation. When it comes the specific factors for the size of the organization, key points such number of employees within the organization as well as the turnover are general factors especially for small and medium sized enterprises (SME) (Europa.eu, 2014). Within our analysis this became apparent when observing the size and turnover of the different cases, where three of the cases operate both through physical stores and with websites. As a result the three companies have well above a thousand employees, whereas case four which operate solely online have similar turnover figures distributed over the employees, although the company operates with just above thirty employees. Another

possible factor that can determine the size of an organization is the number of countries and markets the company is currently operating as the more countries and markets the bigger extent of the business. However as this specific study delimited itself to observing the Swedish portion it was not included in the type identification analysis.

In defining the aspect of resources/budget and commitment one can take the budget of running the online LP, the resource available for developing and the commitment of the organization and among the employees into consideration as it allows the LP to grow and expand towards a more complex system. All four of the cases of the study had either an abundance of resources gathered through old activities such as through the established physical stores or as in case four approach of having the LP as an founding component when creating the online store, which arguably indicates high commitment to the online LP. Although arguably future research into the type identification table might want to divide the category of resources and commitment into separate categories, as there were indications from case three as although the company has plenty of resources still showcased low commitment into the online LP.

The available opportunity time represents as mentioned earlier the time an organization has to act on the market which could be stated in months or even years, through this aspect one might be able to determine the intensity of the market. By having more time to implement and plans of the LP, the organization may provide carefully and well-reasoned actions. Although through investigations of all of the cases particular markets were not made some of the empirical data indicated that the amount of time that the LP had been active in addition with how advanced the online LP is compared to competitors' could arguably be used as a measure of the opportunity time available. Where two of the cases had operated extensively online for several years and also saw themselves as market leaders of online LPs and thus would arguably have additional response time. Whereas case two and three's online LPs where relatively new and still had struggles with managing and utilizing the data collected through the LPs.

The strategy of the LP in this study is determine by the number of actions taken from the organization in order to build and develop the LP itself as well as the motivation for it. While a defensive strategy is rather reactive action and more standard and aggressive is rather seen as proactive and more unique. The analysis of the overall strategy is also hard to determine without subjective input as there are a multitude of factors to consider when

making an attempt to state an overall approach. Although Berman (2006) and Dowling (2002) suggestions of observing the companies approach to competitors' is one way of evaluating the overall strategy it is arguably not enough. As the density or competitiveness of the market can vary drastically and therefore increase or decrease the need of observing competitors actions. Within the analysis considerations surrounding the offerings and LP management was also taking into consideration when evaluating the overall strategy approach of the companies. E.g. case three's focus toward a single financial competitive advantage was the only aggressive factor within the online LP, while most other factors arguably indicated a defensive approach. With observations of competitors being made, reduced investment into the online LP, no barriers to entry into the LP as well as the initial goals put on the online LP being to obtain as many members as possible.

The expertise of managing the customer database and server aspect might be more difficult to decide since it is rather hard to determine how much expertise one holds, however one aspect to consider is the help of external parties in building, developing and maintaining the LP in the past until now in terms of years. In this case type 5 would represent an organization starting, developing and maintaining the LP in-house while type 1 is more known as an organization that have been taken help from external parties to run their LP. The expertize among the cases arguably seem to have been on a similar level with all utilizing external help with the setup of the online LP, but afterwards have divided in how the continued management and development of the LP is handled. Although it should be noted that the cases that arguably have improved the expertise also have more experience than those that still showcase lower technical expertise.

With the ability to outsource the management of the online LPs databases there is arguably either more or less importance than when introduced by Berman (2006). As all of the cases had the possibility of outsourcing the database handling but are not fully utilized by any of the companies. The overall importance of the category is questionable in an online perspective as not being a part of the handling and evaluation of the database might result in opportunities being missed and therefore be an obstacle more than a resource.

For the rewards, communication and promotion aspect the facet is dependent on the different numbers of offerings and communication that is available and sent to the members. For type 1 LPs it is rare to see different actions made by the organization while in type 5 it is more common to receive more personalized offerings and promotions through

different communication channels. The reward systems among the cases were varied in a multitude of aspects, most of which connected to the different industries that the cases operate within. The most basic of reward systems came from case three where the focus was completely on the specific products purchased previously with a fixed bonus number for the discounts given to members. And the most advanced being within case four where the focus was put more towards the overall spending habit of the members, with motivational tiers with additional benefit is clearly presented in order to give increased incentive to continue with the same behavior or even increase in order to obtain additional rewards that previously was not obtainable.

The external partnerships available for the companies were often substitution offerings or expansive offerings to increase the customer reach through partners. Although all of the cases indicated that previous partnerships had previously been utilized, only case one still had an active partnership with offerings that could be connected to the company's core values. For the particular case it was activities that could be related to sporting activities in any way such as travel to sporting events.

On the other hand another approach of supplying the customers with additional value through utilization of the data gathered through the online LP was to share information with the companies' suppliers in order to improve overall product quality. In the study only case four shared any information with its suppliers in efforts to obtain the best possible offerings for the different membership tiers within the online LP. Something that was rather surprising considering the arguable opportunity cost of not utilizing the data gathered to its full potential.

Evaluating the overall level of information supplied to the customers of the online LP through different tools or descriptions showcased different approaches within the industries. Case two and four who operates with more technical products supplied the customers with more information related to the product or even how the product compares to other products. While case one and three operating with less technical products supplied the customers with the most basic product descriptions. Something that arguably can be related to the technical nature and costs of the products, however it can also be argued that there are options available for improving the information supplied and thus the incentive to make a purchase of less technically advanced products. E.g. for case three could be to create a tool that showcased products that go well with the observed product, or simply showcasing what

other products that previous customers purchased together with the product.

Although only case three responded during the interviews that the company actively is working towards hindering of opportunistic behavior among the members, there still are indications of the other cases also having measures towards limiting or removing opportunistic behavior. E.g. case four who operates with a tiered membership have particular regulations and restrictions around the handling and delivery of the products. Similarly case one has specific regulations on the different membership offerings concerning the amount products that are allowed to be purchased as well as the overall timeframe that the offerings are available.

Payment security was handled similarly among all of the cases, as the same external company handled the payments of the products purchased at the online LPs. However the approach of portraying security to the customers varied more among the different cases. E.g. case four utilized several certifications, delivery partnerships and awards won by showcasing them at the bottom of the website through all of the activities that the customers could do at the online LP. Whereas case one had a more simplistic approach of having certifications and diplomas, although the customer had to actively search through the website in order to find information related to the handling of the website and the online LP.

The availability of communication tools at the websites had similar approaches of allowing the customers to make product reviews or general comments. Although case one and four created additional incentives for customer interactions through the use of event or travel prices within the online LPs. Arguably creating both an incentive for the customers in obtaining said prices as well as create an environment for the customers to showcase some sort of membership exclusivity within the online LPs.

	TYPE 1	**TYPE 2**	**TYPE 3**	**TYPE 4**	**TYPE 5**
Size of the organization	Small in size	Small in size	Medium to large in size	Large in size	Large in size
Case placement	Case 4			Case 1, Case 2	Case 3
Resources/ Budget/ Commitment	Too low to manage intensive program	Too low to manage intensive program	Sufficient level to manage comprehensive/intensive program	Sufficient- high levels to manage comprehensive/intensive program	High commitment level as well as resources to manage comprehensive/intensive program
Case placement			Case 2	Case 1	Case 3, Case 4
Available opportunity time	Need to respond competitive action quickly	Need to respond competitive action quickly	Sufficient time to respond competitive action	Sufficient time to respond competitive action	Extended response time of competitive actions
Case placement			Case 2, Case 3		Case 1, Case 4
Strategy of the loyalty program	Defensive/late entrant	Defensive	Aggressive	Very aggressive	Forefront of the market
Case placement		Case 3	Case 2		Case 1, Case 4
Expertise of managing customer database	Low	Low	Sufficient/High	High	Very high
Case placement		Case 2, Case 3		Case 1	Case 4
Ability to outsource management of database	Low	Low	May be willing	May be willing/ has the possibility	May be willing/has the possibility

Case placement				Case 1, Case 2, Case 3, Case 4	
Rewards/ Communication/Promotion	No differential reward to different group, rather same reward to every member	To some extent, often discount	Differential rewards and initiatives to increase purchases	Differential rewards and initiatives to increase purchases	Differential rewards and initiatives to increase purchases among different groups through tiers
Case placement		Case 3		Case 2	Case 1, Case 4
Partnership with external actors	May not exist	May not exist	May exist	Limited partnership	Several partnerships
Case placement			Case 2, Case 3, Case 4		Case 1
Information sharing among suppliers	Non-existent	Occasional sharing	Minor sharing	Some sharing	Major sharing
Case placement	Case 2, Case 3	Case 1		Case 4	
Customers information satisfaction	Minimal product information	Product portfolio information	Satisfactory product information	Beyond expected product information	Beyond expected product information with product comparisons available
Case placement		Case 3	Case 1	Case 4	Case 2
Hindering opportunistic behavior	Non-existent	Little resistance	Medium resistance	Strong resistance	Strong resistance
Case placement		Case 3	Case 1, Case 2, Case 4		
Effort towards perception of payment security	Low effort	Low/medium effort	Medium effort	Strong effort	Strong effort
Case placement	Case 1	Case 2, Case 3		Case 4	

Customer interaction	No customer interaction	Social media interaction available	Product reviews/comments	Monitored online forum	Physical events that enable customer and company interactions
Case placement			Case 2, Case 3		Case 1, Case 4

TABLE 7 CASE ANALYSIS OF ONLINE LOYALTY PROGRAM TYPES

As no objective analysis can be done without utilizing some kind of point system or similar to rank the different categories within the type table the alternative that was utilized to present the results became a subjective evaluation based on the volume of type level that the case obtained. E.g. if a case had a majority of its category results within type four, then the ultimate type became four. However if the category results are even between two type levels then the lowest type level was chosen as the case had yet to obtain enough of the components to be identified by the higher ranking. The ultimate type results are visible in table 8.

Case number	Case 1	Case 2	Case 3	Case 4
Type level	*4*	*3*	*2*	*5*

TABLE 8 TYPE LEVEL RESULTS

7.0 CONCLUSION

Although all of the cases used in the research are operating within different industries, possess different levels of experiences of managing an online LP and are in various sizes, it can be concluded that the changes in customer behavior that the companies have managed to observe since the introduction of the online LP has been varied. Customers behavior that has been arguably changed include increases in frequency of visits as well as in some cases also increases in volume of product purchase with the motivation of achieving a higher tier-status within the particular online LP.

Furthermore what can be concluded regarding the companies desired frequency of visit in their goals among the customers and especially loyal members is that a possible reason as to why the majority of customers are currently not at that level is as the companies are utilizing low barriers of entry into the online LP and as a result the total loyalty among the customers is possibly affected.

Three out of the four cases started out with a defensive approach to the general strategy of the online LPs, with utilization of technical consultants as well as observing competitors within the market as well as other industries LPs during the setup of the company's own LP. Furthermore after the initial setup of the online LP the different cases have had various amount of progress with the strategy, with case one putting a heavy focus towards the development of the online LP and by their own accord are currently the market leader as far as online LPs are concerned. Whereas case three has remained mostly defensive and instead of putting focus towards the continued development of the LP rather put focus towards maintaining a competitive advantage through the financial bonus supplied to the customers within the LP. Finally with the case four both starting out with an aggressive approach to the strategy and arguably maintaining the aggressive approach during the continued development of the online LP. Expanding and utilizing components that are yet to be tested by the competitors of the company. Additionally case four have implemented a tier-system in the online LP that by the company's own description have motivated the customers to make more and higher purchases in order to pursue additional benefits.

The goals put during the initial setup of the online LPs were varied among the different cases, with some goals being put towards the general membership volume, loyalty strategy or pure financial desires to be obtained by the online LP. What can be concluded is that the goals set have not changed and therefore arguably not been met either. A possible

reason behind why the goals have not been met could be that the companies have not utilized short-term goals in order to obtain the long-term, but instead started out with long-term goals that the company desired. The only case that had arguably reached their goal of obtaining high membership numbers had moved the goals towards increasing the loyalty among the online LPs members. The overall data utilization among the different cases was varied in terms of technological knowledge and capability of product analysis. The majority of the segmentation utilized within the online LPs was based around customer segments rather than products, as some of the cases considered their product portfolios too large to individually analyze all of the products. Although most of the cases made efforts to utilize the gathered online LP data as both a marketing evaluation tool as well as a source of trend prediction within the markets.

Lastly to expand upon the setup and development of online LPs a type identification was performed on the cases in the research with some additional theories added upon fundamental suggestions made by Berman (2006). The results showcased that the cases were spread out as to regards to their general types, it should although be considered that all of the cases operates in different industries, so an industry-wide conclusion is impossible to be made without further studies. The results of the type identification does however arguably indicate that the categories added onto Berman (2006) model have some degree of importance and could therefore arguably be utilized in further development of the type identification research of online LPs. However it should be noted that the higher types require more commitment, technological skill as well as resources, but does not automatically mean higher profitability as all of the categories would also mean increased maintenance and development costs. Furthermore not all industries benefits from complicated system as suggested by one of the respondents the online LP must be desired by the company's target market, which might possess varied levels of technical knowledge.

8.0 IMPLICATION, LIMITATIONS AND FUTURE RESEARCH

Within this chapter the implications and limitations of the research will be discussed in more detail in order to allow future research to improve and expand upon the research, as well as supply managerial suggestions.

8.1 ACADEMICAL IMPLICATIONS

The research has put forward suggestions on expanding upon Berman (2006) previous research regarding the setup and development of LPs by arguing for the importance of additional identification categories in both a physical as well as an online LPs perspective. First of all arguing that information sharing with suppliers being discussed separately from Berman (2006) argument for the importance of partnerships within the LP, as the information sharing with suppliers can arguably lead to improvements in the customer offering matching. Additionally findings from the research supported the idea of sharing information with suppliers, as one of the company's motivations behind data sharing was to reduce costs by improving the logistics of the popular products.

Furthermore arguments of the importance of supplying the customers of the online LPs with as much information as possible is made, as previous research done by Zhang *et al.* (2011), Park and Kim (2003) as well as Alba *et al.* (1997) suggest that by reducing the customers product evaluation time the likelihood of both a purchase being made as well as the likelihood of returning increases. Furthermore as more information is supplied the loyalty of the customers increases as the website becomes a known place of information gathering.

In addition a discussion concerning opportunistic behavior is made as an online environment could arguably increase the tendency of such behavior as it supplies a possibility of being anonymous to a degree. Additionally the possible additional costs for the company that the opportunistic behavior among the customers might result in are discussed.

Another suggestion of consideration is made concerning the efforts made by the company to portray internet and payment security of the website to the customers, as Harris and Goode (2004) argue that in order to establish an initial relationship with the customer there must first exist a degree of trust. With no personal interaction being made within the online LP, other methods must therefore be utilized in order to create a bond of trust.

Lastly an argument is made concerning the importance of allowing the customers to interact with one another both through physical discussions as well as the possibility to create different forms of communication tools online. With some previous research made by Gruen *et al.* (2006) suggesting that by allowing C2C-interactions affects the e-WOM of the company's offerings and their value, as the C2C e-WOM is considered by the customer as a reliable source of information. Additionally following Pei-Yu and Hsien-Tung (2011) suggestion that by allowing customers to interact the improvements can be made to product innovation and development, furthermore by allowing customers to interact there is a possibility to reduce the service costs of products.

Beyond the additional categories an expansion of Berman (2006) type is also argued as the original types does not take into consideration the usage of a VIP-LP or a so called tier-based system within the online LP where the most loyal members are able to socialize and interact during certain events hosted by the organization as argued by García-Gómez *et al.* (2012).

The findings of the research indicate that all of the categories have some degree of importance within the identification of online LP types, as well as the expansion of the table by adding a fifth type with added complexity.

8.2 MANAGERIAL IMPLICATIONS

From the findings of the research a series of noteworthy observations was done, within the setup, utilization and development of an online LP.

Setup of an online LP

- Create a series of short-term goals in order to reach the long-term goals. As if only long-term goals are made the risk of obtaining a long-term goal at the cost of another is increased.

- A necessity to observe competitors and their online LP offerings as to know how advanced the industry of online LPs is set at. Although the strategic approach is a defensive response it is necessary in order to create a foundation that can be expanded upon and that remains familiar to the customers.

- In order to maximize the utilization of the online LP there is a need for a high degree of technical skill and capacity. If internal knowledge concerning the setup and management of databases is low a need for external assistance is higher in order to avoid unnecessary costs from extensive development or opportunity costs from data

misusage.

- Consideration is necessary of that an online LP is a long-term commitment that will require some time before the benefits are visible. Therefore management will need to be willing to commit time and resources into the online LP in order to establish fundamental customer trust and loyalty.

Utilization of online LPs

- Consider a spread of incentives for the customers to return beyond a single financial bonus system. As the lower the commitment level and switching cost of the online LP the lower is also the customers' loyalty to the individual LP. Possibility to introduce initial entry barriers into the online LP as e.g. entry fee or minimum purchase volume in order to obtain LP membership.
  Alternatively by supplying differentiated values the overall switching cost for the customers increases.

- Partnerships a viable source of supplying additional value within the online LP, however a necessity to carefully plan the partnership in advance. The overall handling of the partnership such as customer support, distribution and database handling are required in order to avoid unnecessary maintenance costs as well as dissatisfied customers.

- Consider sharing information with suppliers as by sharing information about the customers' behavior improvements can arguably be made in creating a better match in the offerings of the online LP and reduce costs of popular products.

- Additional value for both the company and customers can be obtained by allowing customers to interact with one another, previous studies have found that the customers' interactions can reduce support costs as well as if monitored by the company assist in product innovation and product development. Additionally previous research has found that customers' as a source of information is a reliable, and therefore a desirable tool of communication for spreading word of mouth.
  A possibility is to add some kind of forum into the company website that can be monitored and handled continuously in order to maintain a pleasant environment for the customers to interact at.

- The handling of the online LP should preferably avoid being managed by too many departments, as the bigger the distance between the departments handling the data gathered from the online LP the higher is the possibility for loss of important information. Thus opportunity costs are created and decisions have less reliable data to be based upon.

- A balance is necessary concerning the user-friendliness of the online LP and the amount of information that is supplied to the customers. As a too complicated LP can discourage less technically advanced customers from participating in the membership. However if the benefits of the online LP membership and the security of the website are not clearly stated then the likelihood of a long-term membership decreases as well

as the trust among the customers.

- Careful consideration of how the products of the online LP are segmented as well as the usage of customer segmentation is required in order to create more personalized offerings. The better the customization of product offerings are to the individual members the higher the likelihood of continued participation within the online LP.

- Previous research also suggests that there is low dangers in supplying trustworthy members of a LP with the possibility of obtaining a full refund as long as the product cost does not exceed 988$ as of the year (2004). As those members are less likely to perform opportunistic behavior or otherwise make efforts to cheat the system in order to obtain more value.

Future development of online LPs

- Maintain a continuous frequency of LP offering updates as to cater to the most active members of the online LP, as those customers will most likely have the highest frequency of return and will desire new desirable offerings in order to maintain the high frequency.

- There is a need to consider the degree to which the company strives to differentiate the online LP from competitors. As a competitive advantage can supply higher switching costs for the members of the LP, but at the same time must be balanced with maintaining a clear structure that does not have unnecessary maintenance costs in order to maximize the profitability of the LP.

- Continuous development of the online LP is also required as if the development stops the effectiveness of the online LP is reduced and competitive advantages are harder to maintain. As online LPs are a long-term commitment the necessity to maintain a steady investment into the system is therefore a necessity in order to remain effective.

8.3 LIMITATIONS OF THE STUDY

Due to limitations in terms of resources the amount of cases in the study was only four. This meant that arguably the external validity suffered as each case operated within different industries and originated from the country of Sweden. Additionally the empirical data was gathered during a specific period with the only additional data being gathered from company websites and annual reports. In addition all of the interviews were conducted remotely through telephone communication; arguably additional information could have been gathered in physical one-to-one interviews if conducted at a neutral location. A more extensive analysis could also have been made if all of the cases had agreed to be published by name, allowing more specific data and examples to be utilized. Furthermore as Berman's (2006) framework

utilizes rather vague limitation descriptions in combination with limitations in resources the LP type identification analysis becomes rather subjective resulting in lower reliability. Lastly some of the theoretical framework utilized in the study have not been deeply investigated or connected leading to the different components of the theory arguably having weak connections in the online environment investigated.

8.4 FUTURE RESEARCH SUGGESTIONS

Future research could arguably expand upon the research regarding the different LP identity types in an online perspective as the subject has limited previous research. Further research is also required as to validate or reject the argued components added onto Berman's (2006) framework regarding LP types. Additionally the theoretical framework of LP identification types also requires further research as to obtain a more objective analysis that can increase the reliability and external validity of the studies. E.g. could be to conduct a quantitative approach as to investigate the importance of the different components of the framework and thus assign different scores relative to the importance of the component in general. In addition a discussion is needed as whether the type identification should be based on how advanced the LP is compared to competitors or the relative effectiveness of the LP among the markets customers. Arguably additional research regarding the development of current online LPs is required to further understand the setup and development of future LPs. Furthermore a better understanding of how the development and management of online LPs are conducted could arguably increase the understanding of the effectiveness of CRM-tools such as a LP. Future search could also combine an investigative approach towards observing the phenomenon of online LP's development from both a company's as well as its customers' perspective in order to improve the understanding of the continued development of the phenomenon and its effects on the different parties. The phenomenon of LPs also requires further research as to if there are differences in the benefits and drawbacks between a physical LP card system and a fully online based LP. E.g. within the study indications was found that the handling of databases benefited online based LPs as the identification of members was seemingly easier than the physical card, which the customer could decide to not utilize or identify themselves with. Additionally future research could also go more in-depth as to why the companies reported to not actively try to limit opportunistic behavior among its customers', while at the same time seemingly utilize different measures to limit the behavior.

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APPENDICES

APPENDIX 1: BACKGROUND LITERATURE ABS RANKING

Journal	Subject	ABS ranking	Number of articles	Percentage of papers total articles
Journal of Retailing	Marketing	4	5	8,5%
Journal of Marketing	Marketing	4	5	8,5%
Journal of Marketing Research (JMR)	Marketing	4	3	5,1%
Harvard Business Review	General management	4	1	1,7%
MIS Quarterly	Information management	4	1	1,7%
Marketing Science	Marketing	4	1	1,7%
Journal of Business Research	Marketing	3	4	6,9%
Journal of the Academy of Marketing Science	Marketing	3	3	5,1%
Journal of Marketing Management	Marketing	3	3	5,1%
European Journal of Marketing	Marketing	3	2	3,4%
Psychology and Marketing	Marketing	3	2	3,4%
Communications of the ACM	Information management	3	1	1,7%
International Journal of Management Reviews	General management	3	1	1,7%
Journal of Service Studies	Sector studies	3	1	1,7%
California Management Review	General management	3	1	1,7%
Journal of Advertising Research	Marketing	3	1	1,7%
MIT Sloan Management Review	General management	3	1	1,7%
Journal of the Association of Information Systems	Information management	3	1	1,7%
International Journal of Research in Marketing	Marketing	3	1	1,7%

EXPERT SYSTEMS WITH APPLICATIONS	Information management	3	1	1,7%
Journal of Advertising	Marketing	3	1	1,7%
Service Industries Journal	Sector studies	2	2	3,4%
Quantitative Marketing & Economics	Marketing	2	1	1,7%
Behavior and Information Technology	Information management	2	1	1,7%
Journal of Services Marketing	Marketing	2	1	1,7%
Journal of Business & Psychology	Psychology	2	1	1,7%
Journal of Retailing & Consumer Services	Marketing	1	5	8,5%
International Journal of Retail & Distribution Management	Marketing	1	2	3,4%
Journal of Consumer Marketing	Marketing	1	2	3,4%
International Review of Retail, Distribution and Consumer Research	Marketing	1	1	1,7%
Electronic Markets	Marketing	1	1	1,7%
Managing Service Quality	Operations, technology & management	1	1	1,7%
Management Decision	General management	1	1	1,7%
			59	~ 100%

1. Outlining Loyalty Program Objectives

2. Developing a Budget

3. Determining Loyalty Program Eligibility

4. Selecting Loyalty Program Rewards

5. Considering Partnerships with Others

6. Building an Appropriate Organization

7. Developing and Maintaining the Loyalty Program Database

8. Managing an Internal Data Warehouse and Data Mining Capacity

9. Evaluating the Success or Failure of the Loyalty Program

10. Taking Corrective Action
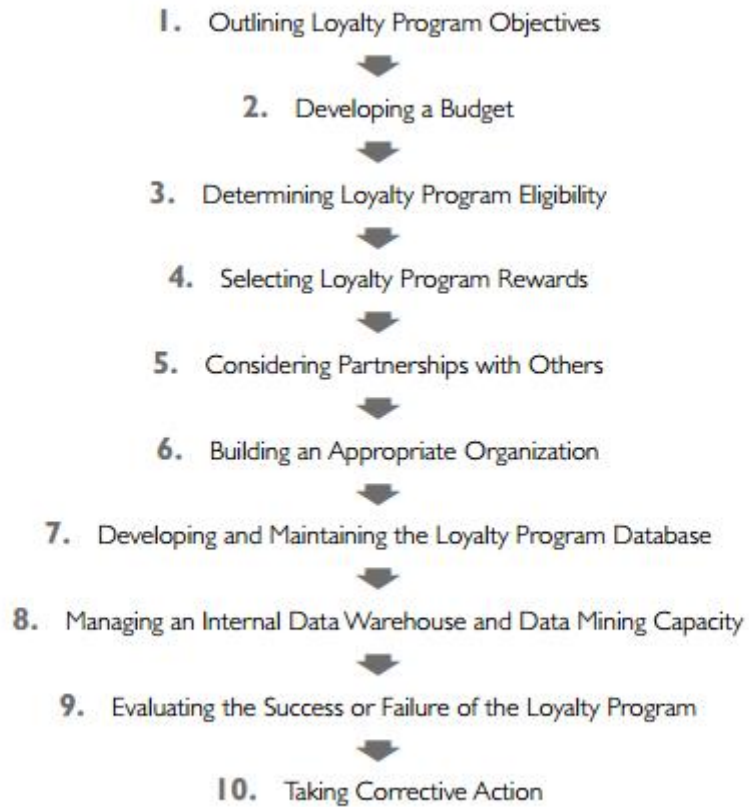
(Berman, 2006, p 133) Ten step process of planning, implementing and controlling effective LP

Concept	Conceptual definition	Operational Definition	Measure	Related Questions
Loyalty program structure	*How advanced is the loyalty program, what components and features are interconnected and are the company utilizing the loyalty program to its full potential* (Berman, 2006; Butscher 2002)	How is the loyalty program structured, i.e. what features and components are offered and utilized by the company	**Q11**: Usage of fee to discourage low potential customers **Q12**: Utilize partners to increase effectiveness and profitability **Q13**: Basis for the added value for the customer within the loyalty program **Q14**: If the company work towards offers to the customers' based on segments **Q15**: How long/short is the customer's membership lifecycle within the loyalty program **Q16**: If the company is working with personalized offerings based on the customer's behavior **Q17**: Are additional benefits given to the customer's based upon their behavior **Q18**: Are the loyalty programs offers delimited in time to discourage irregular purchase behavior among customers' **Q19**: Is specific information gathered concerning the customer's behavior while at the company site/loyalty program **Q20**: What is the basis for the company's data analysis? (segments or products) **Q23**: What measure is used by the companies to analyze the effectiveness of the loyalty program / customer behavior **Q25**: Is the loyalty program in continuous development? **Q28**: Are penalties used to discourage inactivity/disloyalty	Q11, Q12, Q13, Q14, Q15, Q16, Q17, Q18, Q19, Q20, Q23, Q25, Q28, Q29, Q31, Q32, Q34, Q40

			towards the loyalty program **Q29**: Is interaction between the customers' encouraged? **Q31**: Does the loyalty program/website offer the customers' with additional information beyond the observed product **Q32**: Is the security of payment handled by the company itself or external sources **Q34**: Does the company have a physical loyalty program in addition to the online one **Q40**: Is the company actively working towards differentiating the loyalty program from competitors	
Pre-planning of loyalty program	*In order to obtain the optimal amount of benefits from the loyalty program, it is necessary to carefully plan the loyalty program before it is introduced in the market* (Ngai *et al.,* 2009; Chiou and Pan, 2009; Berman, 2006; Payne and Frow, 2005; Lewis, 2004; Dowling and Uncles, 1997; Zeithaml *et al.,* 1990)	What short- and long-term goals were set on the loyalty program and are the goals either achieved or about to be achieved	**Q5**: Was the development of the loyalty program performed internally or externally **Q6**: Did the loyalty program exceed the expectations in concerns to cost **Q7**: Annual maintenance cost of the loyalty program **Q8**: Is the maintenance cost increasing or decreasing **Q9**: Were there specific goals and expectations set on the loyalty program, is so what kind **Q10**: Was the loyalty program introduced as a defensive measure **Q23:** What measure is used by the companies to analyze the effectiveness of the loyalty program / customer behavior **Q34:** Could the physical loyalty program have affected the online loyalty programs development **Q39**: Have the loyalty	Q5, Q6, Q7, Q8, Q9, Q10, Q23, Q34, Q39

		program met the expectations and goals	
Loyalty program type identification	*There currently exist four different types of loyalty program, with varied amounts of degree in difficulty in both technology and maintenance* (Berman, 2006)	Evaluating if the existing theories concerning different types of loyalty programs also apply to online environment	**Q10**: Was the loyalty program introduced as a defensive measure **Q11**: Usage of fee to discourage low potential customers **Q12**: Utilize partners to increase effectiveness and profitability **Q13**: Basis for the added value for the customer within the loyalty program **Q14**: If the company work towards offers to the customers' based on segments **Q18**: Are the loyalty programs offers delimited in time to discourage irregular purchase behavior among customers' **Q20**: What is the basis for the company's data analysis? (segments or products) **Q21**: Extent of utilization of the loyalty program by the companies **Q22**: Extent of utilization of the loyalty program by the companies **Q23**: What measure is used by the companies to analyze the effectiveness of the loyalty program / customer behavior **Q24**: Measurement of effectiveness of the loyalty program **Q25**: Is the loyalty program in continuous development? **Q26**: Are components of the process outsourced **Q28**: Are penalties used to discourage inactivity/disloyalty towards the loyalty program **Q30**: Extent of utilization of the loyalty program by the companies	Q10, Q11, Q12, Q13, Q14, Q18, Q20, Q21, Q22, Q24, Q25, Q26, Q28, Q30, Q32, Q36, Q40

			Q32: Are components of the process outsourced **Q36**: What future developments are the company aspiring towards (type upgrade) **Q40:** What efforts are made to differentiate the loyalty program from competitors	
Added values beyond utilitarian rewards for customers	*To avoid the loyalty program becoming a defensive strategy, it is necessary to supply the customers with as benefits beyond the most basic utilitarian rewards* (García-Gómez *et al.,* 2012; Chiou and Pan, 2009; Vesel and Zakbar, 2009; Allaway *et al.,* 2006; Mauri, 2003; Kivetz and Simonson, 2002; Childers *et al.,* 2001; Bolton *et al.,* 2000; Alba *et al.,* 1997; Zeithaml *et al.,* 1990)	Evaluating if the online loyalty programs are moving towards offerings in addition to financial benefits for the customers	**Q11**: Possibility of status and exclusivity within the loyalty program **Q12**: Utilize partners to increase effectiveness and profitability **Q13**: Basis for the added value for the customer within the loyalty program **Q16**: If the company is working with personalized offerings based on the customer's behavior **Q17**: Are additional benefits given to the customer's based upon their behavior **Q25**: Is the loyalty program offers varied and not stagnated? **Q29**: Is interaction between customers' encouraged, possibility of lower support costs for the company **Q31**: Does the customer have access to the additional information beyond the observed product **Q34**: Does the company have a physical loyalty program in addition to the online one **Q36**: What future developments are the company aspiring towards **Q40:** What efforts are made to differentiate the loyalty program from competitors	Q11, Q12, Q13, Q16, Q17, Q25, Q29, Q31, Q34, Q36, Q40
Evaluation of loyalty	*To further develop and improve upon the loyalty*	Are companies evaluating online	**Q6**: Did the loyalty program exceed the expectations in	Q6, Q7, Q8, Q13, Q15, Q16,

program effectiveness (Satisfaction)	*program it is necessary to understand what the loyalty program is currently affecting and how the firm can best utilize those affects* (Bridges and Florsheim, 2008; Bridson *et al.,* 2008; Cyr *et al.,* 2008; Doong *et al.,* 2008; Leenheer and Bijmolt, 2008; Liang *et al.,* 2008; Liu, 2007; Wallace *et al.,* 2004; Anderson and Srinivasan, 2003; Lal and Bell, 2003; Luarn and Lin, 2003; Gefen 2002; Bergeron, 2001; Elinder, 1993)	loyalty programs in a similar fashion as the physical ones, as well as seeing how and to what degree the companies utilize the information from the loyalty program	concerns to cost **Q7**: Annual maintenance cost of the loyalty program **Q8**: Is the maintenance cost increasing or decreasing **Q13**: Is the rewards supplied by the loyalty program effective **Q15**: How long/short is the customer's membership lifecycle within the loyalty program **Q16**: If the company is working with personalized offerings based on the customer's behavior **Q17**: Is it a cost effective method of supplying additional value to the customers **Q18**: Are the loyalty programs offers delimited in time to discourage irregular purchase behavior among customers' **Q19**: Extent of utilization of the loyalty program by the companies **Q20**: What is the basis for the company's data analysis? (segments or products) **Q21**: Extent of utilization of the loyalty program by the companies **Q22:** Extent of utilization of the loyalty program by the companies **Q23**: What measure is used by the companies to analyze the effectiveness of the loyalty program / customer behavior **Q24**: Measurement of effectiveness of the loyalty program **Q25**: Is the loyalty program in continuous development? **Q27:** Is the company actively working towards removing opportunistic behavior that can be costly for	Q17, Q18, Q19, Q20, Q21, Q22, Q23, Q24, Q25, Q27, Q28, Q30, Q35, Q37, Q39, Q40

		the company **Q28**: Are penalties used to discourage inactivity/disloyalty towards the loyalty program **Q30**: Extent of utilization of the loyalty program by the companies **Q35**: Current satisfaction with the loyalty program **Q37:** Specific parts of the loyalty program problematic / costly **Q39:** Have the loyalty program met the expectations and goals **Q40:** What efforts are made to differentiate the loyalty program from competitors	
Cheating behavior (opportunistic behavior)	*The lower the risk of being caught the higher the probability of customers showcasing opportunistic behavior* (Wirtz and Kum, 2004; Chu *et al.*, 1998)	Are the companies actively working towards removing opportunistic behavior among the customers and does the companies think it is harder to remove cheating behavior online	**Q27:** Is the company actively working towards removing opportunistic behavior that can be costly for the company **Q28**: Are penalties used to discourage inactivity/disloyalty towards the loyalty program **Q38:** Are there differences in handling a loyalty program online compared to ordinary loyalty program cards	Q27, Q28, Q38
Online security	*Online shops have had a tendency of having a bigger problems in portraying security for the customers, as not all of the components are visible for the customer* (Chiou and Pan, 2009; Kwon and Lennon, 2009; Bakos 1998)	How are companies working with security questions with the loyalty program and the company website	**Q32**: Is the security of payment handled by the company itself or external sources **Q33:** Are efforts made from the company to increase the customers' perception of security while on the site **Q38:** Are there differences in handling a loyalty program online compared to ordinary loyalty program cards	Q32, Q33, Q38
Continued development of loyalty program	*If the loyalty program is not continuously supported and updated with desirable features and offerings then*	What features and components are currently sought after in online	**Q9**: Were there specific goals and expectations set on the loyalty program, is so what kind	Q9, Q15, Q16, Q17, Q18, Q19, Q20, Q21, Q22, Q23, Q25, Q28,

		loyalty programs by companies	**Q15**: How long/short is the customer's membership lifecycle within the loyalty program **Q16**: If the company is working with personalized offerings based on the customer's behavior **Q17**: Are additional benefits given to the customer's based upon their behavior **Q18**: Are the loyalty programs offers delimited in time to discourage irregular purchase behavior among customers' **Q19**: Extent of utilization of the loyalty program by the companies **Q20**: What is the basis for the company's data analysis? (segments or products) **Q21**: Extent of utilization of the loyalty program by the companies **Q22:** Extent of utilization of the loyalty program by the companies **Q23**: What measure is used by the companies to analyze the effectiveness of the loyalty program / customer behavior **Q25**: Is the loyalty program in continuous development? **Q28**: Are penalties used to discourage inactivity/disloyalty towards the loyalty program **Q29**: Is interaction between the customers' encouraged? **Q30**: Extent of utilization of the loyalty program by the companies **Q31**: Does the customer have access to the additional information beyond the observed product	Q29, Q30, Q31, Q32, Q34, Q35, Q36, Q37, Q38, Q39, Q40
	the loyalty program will most likely not affect the market share (Berman, 2006; Capizzi and Freguson, 2005; Stauss et al., 2005; Kopalle and Neslin, 2003; Butscher, 2002; Elinder, 1993)			

		Q32: Is the security of payment handled by the company itself or external sources **Q34**: Does the company have a physical loyalty program in addition to the online one **Q35**: Current satisfaction with the loyalty program **Q36**: What future developments are the company aspiring towards **Q37:** Specific parts of the loyalty program problematic / costly **Q39:** Have the loyalty program met the expectations and goals **Q38:** Are there differences in handling a loyalty program online compared to ordinary loyalty program cards **Q40:** What efforts are made to differentiate the loyalty program from competitors	

Question	Case 1 summary	Case 2 summary	Case 3 summary	Case 4 Summary
5. *Was the setup and introduction of the loyalty program performed in house or outsourced to an external party?*	1. A combination of both internal and external development sources 2. External consultants assisting in technical aspects such as the databases of the LP	1. A combination of both internal and external development sources 2. External consultants utilized in technical aspects of the development 3. Today the running and maintenance of the LP is handled internally, whereas the development is mainly handled by external sources	1. A combination of both internal and external development sources 2. External consultants assisted with technological aspects throughout the setup phase of the LP 3. The handling of the LP handled internally	1. All of the initial development and setup was managed internally
6. *Was there a financial estimate made for the setup of the loyalty program?*	1. A financial estimate was made on the setup and development of the LP	1. A financial estimate was made on the setup and development of the LP 2. Additional projects were added during the planning and setup phase which meant that the costs exceeded the estimate	1. A financial estimate was made on the setup and development of the LP 2. The costs exceeded the estimates; however the respondent did not want to reveal what the source of the cost increase was	1. No financial limit was put on the loyalty program during its setup and development
8. *Have the expenses of the online loyalty program averagely increased or decreased on a yearly basis?*	1. The costs and investments into the LP have averagely increased on a yearly basis 2. 2014 will be the year that the company makes its biggest investment into the online LP	1. The costs and profitability of the LP has increased yearly so far 2. As a result of the profitability of the LP the company plans to continue to invest into the online LP	1. The expenses into the LP have averagely decreased on a yearly basis 2. The investments by the company into the online LP have decreased and as a result the expenses have been lowered	1. The costs of the development and management of the LP has stayed roughly the same 2. Tendency towards costs increasing at some years as major investment and

				developments are made
9. *Did the company place any short- alternatively long-term goals on the loyalty program?*	1. -	1. Specific short- and long-term goals were made during the planning and setup of the online LP 2. The goals were mostly connected with financial desires 3. E.g. Increase in customers' frequency of visit, volume of product purchase as well as increase in annual turnover	1. Specific short- and long-term goals were made during the planning and setup of the online LP 2. The goals oriented towards increasing the amount of members in the LPs of the company	1. The company did not place any specific short- or long-term goals 2. Company instead focused on the overall strategy that had been put into place before the development
10. *Where there other competing online loyalty programs on the market that the company observed and took inspiration from during the setup and development of the company's own online loyalty program?*	1. Probably the respondent was not personally present during the development of the company's LP 2. Company avoids observing competitors LPs and instead focus on the company's own LP 3. Mentioned that LPs in other industries are observed	1. Competitors LPs were observed during the planning and setup of the company's online LP 2. Competing LPs functions and offerings were observed to see what kind of bar the own LP had to reach in order to be competitive 3. Company wanted to supply customers with as much added value as possible	1. Competitors LPs were observed during the planning and setup of the company's online LP 2. Respondent did not want to reveal specifics as of what was observed	1. The company currently observes competitor's LPs. 2. Additionally although the interviewee were not present at the initial LP setup, the company has been actively observing competing LP in and outside the industry. 3. Competing industries such as (airlines and grocery retailers)
11. *Does the loyalty program use any initial membership fee or minimum purchase quantity*	1. No membership fee or minimum purchase quantity used in order to enter the company's online LP 2. Company's	1. No membership fee or minimum purchase quantity used in order to enter the company's online LP 2. Although the company did utilize	1. No membership fee or minimum purchase quantity used in order to enter the company's online LP 2. Motivation was connected to one of	1. No membership fee or minimum purchase quantity used in order to enter the company's online LP

in order to become a member in the loyalty program?	motivation was that a decision had been made to not utilize any fees or minimum purchase quantity in the online LP membership	membership removal if inactivity exceeded two years	the goals of the LP was to reach as many members as possible	2. Reasoning behind the choice that the company want as many members as possible 3. If a customer makes a purchase at the company, they automatically become LP members
12. *Does the company have partners? And if so is the loyalty program interconnected with the partners loyalty programs?*	1. The company's LP is currently connected to both partners and subsidiary companies 2. E.g. A partnering travel agency that offered the opportunity to go to different sporting events 3. Subsidiary company did not have a LP, however purchases made at the subsidiary was registered at the company's LP	1. There were currently no partners connected to the company's LP 2. Motivation as to why no partners were currently interconnected was that it was too early in the LPs development 3. Company had a positive attitude towards cooperating with partners in the future	1. There were currently no partners connected to the company's LP 2. The LP had previously been interconnected with a large grocery retailer chain 3. Respondent did not want to go into detail as to why the partnership was no longer active	1. The company currently has no partners that are connected to the LP 2. Although the company has had partnerships before, and are open to the possibility of using them in the future
13. *What incentives to the customers are created by the loyalty program in efforts to make them return?*	1. Membership welcome offerings in addition to the existing offerings in the company's LP 2. Also mention of utilization of net promoter score (NPS) to calculate customer satisfaction	1. The LP currently utilizes a point system to reward customers based on previous purchases 2. LP also used as a communication tool between the company and customers 3. Bulk of the incentive for the customer are financial benefits	1. The LP currently utilizes a point system to reward customers based on previous purchases 2. According to the respondent one of the most generous point systems in the company's market 3. Utilization of mass e-mails and messages sent to the customers with offerings	1. The company uses several different initiatives for the customers to return 2. Financial rewards such as reduced costs of shipping as well as discounts based on consumption volume 3. Experiential

				rewards such as possibility of preview viewing of cinema movies
14. *Within the online loyalty program do you actively work towards segmenting the customers?*	1. Segmentation done in varied ways in the LP 2. Based on behavior, e.g. observing if and what organizations the customer donates to. 3. Demographic segmentation based on aspects such as age and gender 4. None of the segmentation visible for the customer or any form of customer ranking system	1. Segmentation done based on a variety of things in the LP 2. Based on customer's frequency of return, purchase volume as well as purchase history 3. Segmentation used to make customer offerings as relevant as possible 4. Currently no segmentation visible for the customer 5. Company currently looking in to possible adding a customer ranking/title system into the LP based on points acquired	1. Segmentation done based on the customers purchase history 2. All memberships are the same and as a result no segmentation visible for the customer	1. The segmentation of customers is made based on the purchase volume. 2. The segmentation is visible for the customers through the use of membership ranking 3. The rankings are evaluated and updated yearly 4. The benefits received in each rank as well as how far the customer is in obtaining the next rank is visible at the customers own page
15. *Is there information on the customers total membership time?*	1. Customers membership lifecycle in the LP are calculated 2. In need of update as it is four years old	1. Current customer membership lifecycle based on the physical LP currently calculated to two years	1. Customer membership lifecycle calculated together with the physical LP 2. No current calculation complete for the updated online LP	1. The company are calculating the customer lifecycles 2. Although a specific number for all does not exist, as the life cycles are calculated based on the different membership rankings
16. *Within the online loyalty*	1. Offerings are made based on the previous purchases	1. Offerings are made based on the previous purchases	1. Offerings are made based on the previous purchases	1. The offerings are made based on the volume of

program do customers receive additional discounts based upon their behavior?	made by the customer 2. E.g. if a customer purchased a pair of running shoes, offerings of relevant products to the activity such as running clothing would be made	and frequency of purchases made by the customer 2. Product offerings made based on the precious purchases as closely connected to the original product as possible	made by the customer 2. If the customer regularly purchases children clothing then discounts of children clothing would be made available for the customer	money spent by the consumer 2. Additional offerings are also made within the different customer ranks. e.g. Cinema and new discounts
17. *Does a customer that spends more than the average customer receive any additional benefits over other customers?*	1. Customers that spends more than the average customer receives additional benefits 2. Personal appreciation postcards are sent at special occasions 3. Customers that have made purchases above 2000 SEK receive a magazine with special offerings, only obtainable with the magazine	1. No additional benefits are currently made available for customers that spends more than the average consumer 2. Company currently developing a reward system based around points acquired by the customer	1. No additional benefits are made available for customers that spends more than the average consumer 2. Offering system based on previous purchases, meaning that customers that purchase products within many segments receive more offerings	1. Customers that spend more than other customers receive additional benefits in the forms of cheaper product shipping, events, special discounts as well as a Christmas present from the company 2. Five different ranks within the LP. Where each rank receives additional benefits
18. *Do the offerings in the online loyalty program have any expiration dates?*	1. No static offerings in the online LP 2. Limitation in offering timeframe depending on campaigns and seasons.	1. Limitations in offering timeframe currently utilized by the company 2. Current limitation quite generous 3. Alternating limitations in timeframe in efforts to temporarily increase sales	1. Limitations in offering timeframe utilized by the company 2. Limitation based on different campaigns and seasons	1. The offerings in the system is based on campaigns, monthly offerings as well as on a yearly basis 2. Company also utilizes a customer loyalty bonus system, in which customers receive coupons that can be utilized at the website.

19. *Does the company collect and evaluate data concerning the customer's purchases and behavior while on the website?*	1. Observation is done on both members and non-members behavior on the website 2. E.g. if the customers went straight for checkout after putting a product the basket, or if the customer browsed afterwards 3. Motivation behind observing the behavior was to increase the possibility in turning non-members into members (returning customers)	1. Company currently performing data collection around the activity on the website 2. Currently just a small portion of the data utilized 3. Reason behind the current lack of data utilization connected to the presentation of the data not fully realized	1. Observation done on customer activities while on the website 2. Most interested data connected to the time spent by the customers at specific parts of the LP and products 3. Website still under development and therefore things are subjects to change	1. All activity on the website is observed and analyzed 2. All customers are considered members as long as a purchase has been made
20. *Is the data collected and analyzed based on customer segments or products? (Alternatively both)*	1. The data collection and analysis based both on customer segments as well as individual products	1. The data collection and analysis based both on customer segments as well as individual products	1. Data collection and analysis done based on customer segments 2. Motivation as to why product analysis was not made was that the product portfolio is too large to observe them individually (1000+)	1. All of the data analyzed based on customer segments 2. Motivation behind why individual products are not analyzed being that the product portfolio is too large to observe all of them and troublesome
21. *Does the company utilize the loyalty program in order to evaluate the effectiveness of marketing campaigns?*	1. The online LP functioned as an evaluation tool for marketing efforts 2. Special interested in observing if an influx in purchases were made during and after the	1. Both the physical and online LPs used as evaluation tool of marketing efforts 2. Observations also made in regional activity at the LPs and physical stores	1. The online LP functioned as an evaluation tool for marketing efforts 2. Observation made on increases in website visits, memberships and sales during and after a campaign	1. Company observe how whole segments react to different marketing campaigns

	campaign			
22. *Does the company use the loyalty program data in efforts to predict future trends?*	1. Utilization of the LP was done to evaluate the purchasing habits and popularity in products in order to predict possible trends 2. In addition to using the LP as a tool to evaluate what internal development to focus on	1. The company did not currently utilize any of the online LPs data in efforts to predict future product or market trends	1. No current utilization of LP data in order to make efforts to predict future trends	1. Company make efforts to actively predict possible future trends
23. *Have the company noticed any changes in customer behavior since the introduction of the loyalty program?*	1. The frequency of visit has increased since the introduction of the online LP	1. Too early to credit the LP for any major changes in behavior among the customers	1. Company observed increased both in product purchase volume as well as the frequency of return among customers 2. Additionally increase in amount of customers since the online LP was introduced	1. Company has observed increased quantity of products purchased by individual customers 2. Customers striving for higher rankings within the LP
24. *Within which bracket would you place a loyal customer based on how frequently they return?*	1. Company made loyalty calculation based on members that made three purchases yearly 2. Currently 73% of the members made one purchase yearly 3. The one purchase yearly could still be considered loyal as many of the customers were so called season shoppers, where the product could only be used during specific seasons	1. Company would consider a member that makes a purchase at a frequency between a monthly and quarterly basis. 2. Currently the majority of the members do not make purchases at that frequency 3. Although some members perhaps do meet that purchase frequency if you were to divide their purchases throughout the year,	1. Company would consider members that makes a purchase at a frequency between every quarter and two times a year 2. Which was a frequency that the majority of the online LP members currently possessed	1. Company would consider members that makes a purchase at a monthly frequency 2. Majority of members are not making purchases at a monthly frequency 3. All customers are considered members, therefore the current majority of members are making a couple

		as some members had high seasonal activity		of purchases throughout the year
25. *Are the offerings in the loyalty program updated or changed? If so how often?*	1. No static offerings so updates required regularly 2. Updated averagely on a monthly basis 3. Additional updates depending on marketing campaigns and seasons	1. Offerings in the online LP updated seven times a year 2. Based on marketing campaigns and seasons	1. LP offerings updated every other week in order to follow the different marketing campaigns	1. The LPs different rank offerings are updated on a yearly basis 2. With customer wide discounts updated on a monthly basis
26. *Is the product delivery performed through external shipping or gathered from a physical store or warehouse owned by the company?*	1. Internal delivery is done on all products purchased through the company's website	1. Product delivery was performed internally	1. All product delivery performed internally 2. Motivation being that it being something that the company had always done and therefore would not outsource it	1. Product delivery performed internally
27. *Does the company actively search and identify opportunistic customers within the online loyalty program?*	1. The company do not actively search for cheating or opportunistic behavior among customers 2. Motivation being that one of the goals of the LP was to increase activity and sales which opportunistic behavior was not considered an obstacle	1. The company is currently operating actively in efforts to identify and remove opportunistic behavior among the LP members and at physical stores 2. One tool that was utilized to reduce the opportunistic behavior was in legislation and handling procedures of discounts	1. The company do not actively search for opportunistic behavior among the LP members 2. With the motivation that the company did not consider opportunistic behavior as an issue	1. The company is not currently searching for opportunistic customers in the LP
28. *Is inactivity in the online loyalty program penalized?*	1. Following Swedish data storage laws inactivity beyond three years resulted in removal from the LP	1. Inactivity exceeding two years resulted in a loss of membership and with it all of the points collected.	1. The company removed members that had been inactive beyond two years	1. All of the LP information is updated yearly 2. Customers rankings are calculated through the

	2. The membership database was also reviewed and updated on a yearly basis			accumulated points and is either promoted or demoted in the system
29. *Does the company promote interaction between customers on the site?*	1. The company is not actively promoting customer interaction at the website 2. Although possibility for customers to leave comments and make product reviews were available	1. The company is currently making efforts to promote social interaction between customers 2. Comments and reviews being made available, which were monitored by the company	1. The company is not actively trying to promote social interaction between customers at the site 2. Instead the company is trying to use the online LP and social medias as a communication tool towards the customers 3. It was noted that comments on the company's Facebook site were enabled and monitored	1. The company is making efforts to allow customers to interact with one another through reviews and social medias 2. Previously had a comment section available. However it was removed do to issues with maintaining and handling a enjoyable environment without unruly or offensive comments
30. *Does the company share any information gathered from the online loyalty program with suppliers?*	1. Currently no data is being shared with any suppliers 2. However it was noted that if asked by an supplier the company might consider it as long as it was not customer sensitive information	1. The company is not currently sharing any LP data with any suppliers	1. The company is not currently sharing any LP data with any suppliers 2. Motivation as to why not being that all of the production is made internally	1. The company is sharing information with suppliers 2. With the motivation that the company wants to supply better prices for the customers, especially the higher ranked ones
31. *Is there a product comparison option available within the online loyalty*	1. There is currently no product comparison option available at the website or within the online	1. A product comparison tool was available at the website 2. Product comparison limited	1. There is currently no product comparison tool made available for the customers of the website	1. No product comparison tool is available within the LP or at the website. 2. A feature that

program?	LP. 2. External comparison available at other websites.	to only product sold by the company		just have not been explored yet by the company
32. *Is the payment and payment security of the order handled by an external party?*	1. Online payments are handled by an external party	1. All online payments handled by an external party	1. All payments are handled externally	1. All payments handled externally through a payment company
33. *What efforts are made to increase homepage security, in addition to the perception of security among the customers?*	1. Information presented on a fact page where the security is explained 2. Little to no visual presentation on the actual frontpage of the website itself. 3. Previously utilized diploma.	1. The company utilizes different internet security diplomas and certifications to promote homepage security for the customers	1. The company presents and utilizes internet security emblems and diplomas to illustrate homepage security for the customers	1. Relies on the credibility of the external partner, additionally diplomas and certificates are utilized in order to promote homepage security for the customers
34. *Does the company have some sort of physical loyalty program card?*	1. The company currently have a physical and online LP that is interconnected 2. Although the customer only receives a physical LP card if they specifically ask for one 3. The tracking method within the LPs are the customers social security number 4. Currently operating towards a fully online based LP	1. The company currently have a physical and online LP that is interconnected 2. Although the customer only receives a physical LP card if they specifically ask for one	1. The company currently have a physical and online LP that is interconnected 2. Customers are identified within the LPs by their social security number or physical loyalty card	1. The company has no physical loyalty cards 2. Additionally the company is completely online based
35. *Is the company pleased with the*	1. The company is pleased with the current state of the	1. Although the online LP is still young and in	1. Company pleased with the current situation of the	1. Company never satisfied with where it is

current state of the loyalty program or does it require further improvements?	online LP 2. Considers its online LP to be the market leader	development the company is pleased with the progress and current situation of the LP.	online LP 2. Notes that future development and improvements are still required	2. Always components that can be improved upon
36. *Looking at the future development of the loyalty program, what sort of features does the company hope to implement?*	1. The company currently developing a segmentation tool for younger customer demographics 2. The mobile web shop is still under development 3. Company opted to not go into mobile applications as the company wanted to go its own path and saw no need to follow others at its LP is a market leader	1. Future developments that the company was hoping to improve upon was segment identification and accuracy of the offerings supplied to the customers 2. Additionally to make the online LP more user friendly both for the customers and the company	1. The company does not want to reveal what kind of features it might currently have in development 2. Although notes that different forms of LP developments are being made by the company	1. The customer loyalty bonus refund is currently being reformulated in order to reintroduce it
37. *What have been the biggest struggles with the development and maintenance of the online loyalty program?*	1. Most problematic had been the technological aspects of the online LP 2. E.g. given of a platform change that had improved data collection but had taken over a year to completely implement	1. Most problematic aspect of the online LP had been the integration of the LP 2. With all of the technological aspects that had to function properly to handle the data	1. No major struggles come to mind	1. During a previous partnership the company had to handle which customers that were to receive a magazine that the company was connected to but did not handle 2. Lead to customer support issues as customers flooded the company with questions regarding the magazine that was outside of the companies

38. *Would you say that the problems and/or benefits of the online loyalty program differ from the physical card based loyalty program?*	1. The company did not see any major benefits or extra problems with the online LP over the physical card LP 2. Although noted that it could be problematic with the physical card LP to track customer movements, as some customers would make purchases at physical stores in other regions during travel which would affect region segmentation	1. The company stated that there should be no drawbacks or benefits that differ between the physical card LP and the online LP 2. Although noted that a limitation in the physical LP is that sometimes the customers did not utilize their LP cards, which meant that sometimes important data was missed.	1. There should be no additional benefits or drawbacks as the LPs are considered one and the same	1. Company completely online based
39. *Have the goals set on the loyalty program changed from its inception?*	1. -	1. The goals have not changed	1. The goals have moved away from membership recruitment and instead moved towards financial goals such as sales improvements and campaign efficiency	1. No changes have been made to the overall strategy
40. *Is there efforts made to differentiate the company's online loyalty program from competitors beyond the products offered?*	1. The company did not actively work towards differentiating the online LP from competitors 2.Although notes that the company follows geographical movements of competitors and creates special offerings based in those regions 3. Motivation as to why the company is	1. The company is actively trying to differentiate the online LP from competitors 2. Although notes that the LP cannot be allowed to become too complicated.	1. The company focuses on the percentage of bonus given to the customers with every purchase as the main differentiating aspect of their online LP as compared to competitors	1. The company never pleased with the LP, therefore will continue to strive for improvement 2. Company considers its LP to be the market leader within the industry

	not actively trying to differentiate the online LP was based on the company considering itself to the market leader of LPs			

APPENDIX 5: INTERVIEW QUESTIONS (ENGLISH)

Section 1: *Introduction questions*

1. **How long have you personally worked within the industry?**

   - *Follow up***: How long have you worked within the company and more specifically the online loyalty program?**

2. **How long has the company operated within the specific market and industry where the online loyalty program is active?**

3. **How long have the loyalty program been active online?**

   - *Follow up:* **For how long was the loyalty program planned before the introduction?**

4. **How would the interviewee describe the company's loyalty program?**
   (Clarification: If you were to pitch the company's current loyalty program how would you describe its features and benefits for the company?)

Section 2: *Loyalty program construction*

5. **Was the construction and introduction of the loyalty program performed in house or outsourced to an external party?**

   - *Follow up (external party):* **Is the loyalty program still run or maintained by an external party?**

   - *Follow up (In house):* **Have the company considered letting an external party handle the loyalty program alternatively the customer database?**

6. **Was there a financial estimate made for the setup of the loyalty program?**

   - *Follow up (if yes):* **What percentage of the annual turnover was the estimated cost?** (specific numbers will not be published)

- Follow up (if yes): **Did the setup and development of the loyalty program exceed the expected costs?**

7. **About how much is spent annually for the development and maintenance of the online loyalty program?**

8. **Have the expenses of the online loyalty program averagely increased or decreased on a yearly basis?**

9. **Did the company place any short- alternatively long-term goals on the loyalty program?**

   - Follow up (if yes): **Could you give an example of the sort of goals that was placed on the loyalty program?**

   *- Follow up (if no)***: Is there a particular reason as to why no goals were placed before the implementation of the loyalty program?**

10. **Where there other competing online loyalty programs on the market that the company observed and took inspiration from during the setup and development of the company's own online loyalty program?**

<div align="center">

Section 3: *The loyalty program*

</div>

11. **Does the loyalty program use any initial membership fee or minimum purchase quantity in order to become a member in the loyalty program?**

    - Follow up: **What is the motivation behind the fee/minimum purchase demand?**

12. **Does the company have partners? And if so is the loyalty program interconnected with the partners loyalty programs?**

    - Follow up (if yes): **Does the company offer mixed offerings together with the partner?**

13. **What incentives to the customers are created by the loyalty program in efforts to make them return?**
    (Clarification: Would the interviewee describe them as financial, exclusivity or experiential?)

14. **Within the online loyalty program do you actively work towards segmenting the customers?**
    (Clarification E.g. segmenting customers based on the quantity of product purchased within a timeframe)

    - Follow up (if yes 1): **What is the segmentation based upon?**

    - Follow up (if yes 2): **Is that segmentation visible for the customer? (In ways such**

as different membership names E.g. silver customer versus gold customer)

- Follow up (if no): **Is there a specific reason as to why the company does not want to segment the customers?** (At least visibly for the customers)

15. **Is there information on the customers total membership time?**
    (Clarification E.g. the lifecycle of the customers loyalty program activity, is there a certain point when the activity in the loyalty program decreases exponentially? even among loyal customers?)

16. **Within the online loyalty program do customers receive additional discounts based upon their behavior?**
    (Clarification: with behavior is meant based upon E.g. purchase behavior, products previously purchased or similar products purchased by other customers)

    - Follow up (if yes): **What sorts of product discounts are then given and what are they based upon?**
    (Clarification: static offerings or products/services based on the product placed in the customers "cart"?)

17. **Does a customer that spends more than the average customer receive any additional benefits over other customers?**
    (Clarification E.g. faster more personal support, gifts or lottery participation)

    - Follow up (if yes): **Can you describe what kind of benefits?**

    - Follow up (if no): **Are there any specific reasons as to why the company does not reward consumers that spend more than the average consumer?**

18. **Do the offerings in the online loyalty program have any expiration dates?**
    (Clarification: can the offerings only be purchased/utilized within a specific time frame, e.g. January - May)

19. **Does the company collect and evaluate data concerning the customer's purchases and behavior while on the website?**

    - Follow up (if yes): **What sort of data are the company most interested in and what are the motivations behind the interest of the specific information?**

    - Follow up (if no): **Are there specific reasons as to why the company do not collect alternatively analyze the data collected?**
    (Connected to technological know-how and resources?)

20. **Is the data collected and analyzed based on customer segments or products? (Alternatively both)**

21. **Does the company utilize the loyalty program in order to evaluate the effectiveness of marketing campaigns?**

(Clarification E.g. TV-ads, newspaper ads etc.)

22. Does the company use the loyalty program data in efforts to predict future trends?

<div align="center">Section 4: Evaluation of loyalty program</div>

23. Have the company noticed any changes in customer behavior since the introduction of the loyalty program?

- Follow up (if yes): **What kind of changes has occurred in the behavior?**
(E.g. Increase of quantity of product purchased at every individual visit, increased frequency of visit from the customer or reduced amount of time spent on the site at purchase situations)

- Follow up (if no): **Does the company have any thoughts as to why the behaviors of the customers' remain unchanged?**

24. Within which bracket would you place a loyal customer based on how frequently they return?
0-1 Month   1-3 Months   3-6 Months   6-12 Months   > 12 Months

- Follow up: **At what frequency would you place the majority of the online loyalty members?**

25. Are the offerings in the loyalty program updated or changed?

- Follow up (if yes): **how often are they changed or updated?**

26. Is the product delivery performed through external shipping or gathered from a physical store or warehouse owned by the company?

- Follow up (if external shipping): **Do you enable the customers to track their package? (either at your own site or at the shipping company's site)**

- Follow up (if physical store): **How does that procedure work? Additionally is there a specific reason as to why you prefer to deliver the product internally?**

27. Does the company actively search and identify opportunistic customers within the online loyalty program?
(Clarification E.g. several customers grouping up in order to draw bigger benefits from a single membership instead of creating several individual memberships?)

- Follow up (if yes): **Does the company actively work against such behavior?**

- Follow up (if no): **Do you think it is hard to identify customers that are trying to cheat the system? Alternatively do the company not mind if customers share**

memberships?

28. **Is inactivity in the online loyalty program penalized?**

29. **Does the company promote interaction between customers on the site?**
(Clarification E.g. enable product reviews, forum discussions on the homepage or social media discussions)

    - *Follow up (if yes):* **Do the company then monitor such interactions and analyze the information?**

30. **Does the company share any information gathered from the online loyalty program with suppliers?**

31. **Is there a product comparison option available within the online loyalty program?**
(Clarification E.g. is the customer supplied with information of similar products, alternatively substitutes / competitors' products?)

32. **Is the payment and payment security of the order handled by an external party?**
(Clarification E.g. is another company in charge of handling the security of the payment? E.g. Klarna)

33. **What efforts are made to increase homepage security, in addition to the perception of security among the customers?**
(Clarification E.g. does the company present security contracts / diplomas to the customer)

34. **Does the company have some sort of physical loyalty program card?**

    - *Follow up (if yes):* **is the online loyalty program integrated with the card based loyalty program?**

Section 5: *Future development of the loyalty program*

35. **Is the company pleased with the current state of the loyalty program or does it require further improvements?**

36. **Looking at the future development of the loyalty program, what sort of features does the company hope to implement?**

37. **What have been the biggest struggles with the development and maintenance of the online loyalty program?**

38. **(Situational) Would you say that the problems and/or benefits of the online loyalty program differ from the physical card based loyalty program?**

39. Have the goals set on the loyalty program changed from its inception?

40. Is there efforts made to differentiate the company's online loyalty program from competitors beyond the products offered?

- Follow up (if yes): **What sort of factors or features would you say is important to differentiate the loyalty program?**

- Follow up (if no): **Is there a specific reason as to why the company chooses not to differentiate the loyalty program from the competitors?**

41. To conclude we would like to ask you if there is any question that you would like to describe or formulate differently?

APPENDIX 6: INTERVIEW QUESTIONS (SWEDISH)

Sektion 1: *Introduktionsfrågor*
1.   Hur länge har du personligen arbetat inom industrin?

Följdfråga: **Hur länge har du arbetat i företaget samt med dess lojalitetsprogram?**

2.   Hur länge har företaget arbetat inom lojalitetsprogrammets specifika marknader eller industri?

3.   **Hur länge har lojalitetsprogrammet varit aktivt online?**

Följdfråga: **Ungefär hur lång tid innan introduktionen av lojalitetsprogrammet var det i utveckling?**

4.   **Hur skulle du själv beskriva företagets lojalitetsprogram?**
(Förklaring: Ifall du skulle göra en kort pitch utav det nuvarande lojalitetsprogrammet, hur skulle du beskriva dess komponenter och fördelar för företaget samt kunderna?)

Sektion 2: *Lojalitetsprogramsutveckling*
5.   **Skedde utvecklingen av lojalitetsprogrammet internt inom företaget eller hanterades det av ett extern företag?**

Följdfråga (internt): **Har företaget haft funderingar på att outsourca hanteringen av lojalitetsprogrammet och dess databaser?**

Följdfråga (externt): **Drivs lojalitetsprogrammet fortfarande av det externa företaget?**

6.   Sattes en budget för den grundläggande utvecklingen av lojalitetsprogrammet?

Följdfråga (1): **Ungefär hur mycket var budgeten planerad till?** (Specifika siffror publiceras inte)

Följdfråga (2): **Höll budgeten?**

7. **Ungefär hur mycket spenderas på utvecklingen och hanteringen av lojalitetsprogrammet årligen?**

8. **Har kostnaderna kring lojalitetsprogrammet i genomsnitt ökat eller minskat årligen?**

9. **Sattes specifika kortsiktiga samt långsiktiga mål på lojalitetsprogrammet under dess utveckling?**

Följdfråga (vid ja svar): **Kan du ge något exempel på ett sorts mål som sattes på lojalitetsprogrammet?**

Följdfråga (vid nej svar): **Fanns det någon specifik anledning varför mål inte sattes redan innan implementationen av lojalitetsprogrammet?**

10. **Fanns det konkurrerande lojalitetsprogram på marknaden som företaget tittade på under utvecklingen av det egna lojalitetsprogrammet?**

Sektion 3: *Lojalitetsprogrammet*

11. **Använder företaget någon sorts av avgift eller minimum köp för att vara medlem i lojalitetsprogrammet?**

Följdfråga: **Vad är motiveringen bakom avgiften/minimum kravet?**

12. **Finns det partners, dotter/moderbolag som företagets lojalitetsprogram är ihopkopplat med?**

Följdfråga (vid ja svar): **Erbjuds det kombinationserbjudanden av deras produkter eller tjänster i lojalitetsprogrammet?**

13. **Vilka initiativ till kunden finns i lojalitetsprogrammet till att återvända?**
(Förklaring: Skulle du beskriva dem som ekonomiska, status eller erfarenhets baserade motiv?)

14. **Arbetar företaget aktivt med att segmentera kunderna inom lojalitetsprogrammet?**

Följdfråga (1 vid ja svar): **Vad är segmenteringen baserad på?**
Följdfråga (2 vid ja svar): **Är segmenteringen synlig för kunden?**
(Förklaring: I t.ex. de erbjudanden som kunden får, alternativt rangordnings tecken givna till kunderna, silverkund alternativt guldkund)

Följdfråga (vid nej svar): **Finns det någon specifik anledning till varför företaget väljer att inte segmentera kunderna inom lojalitetsprogrammet?** (baserat på deras beteende)

15. **Har företaget information på kundernas totala medlemskap?**
(Förklaring: den genomsnittliga längd som en kund är aktiv i lojalitetsprogrammet innan köpen blir mindre frekventa - kundlivscykel)

16. **Erbjuds nya erbjudanden till kunderna i lojalitetsprogrammet baserat på deras beteende?**
(Förklaring: med beteende menar vi t.ex. produkter som kunden tidigare inhandlat alternativt liknande produkter som andra kunder har tidigare köpt)

Följdfråga (vid ja svar): **Vad för sorts erbjudanden ges och vad är de i så fall baserade på?**

17. **Har kunder som spenderat mer än genomsnitts kunden i lojalitetsprogrammet några extra förmåner?**

Följdfråga (vid ja svar): **Skulle du kunna beskriva vad för sorts erbjudanden?**

Följdfråga (vid nej svar): **Finns det någon specifik anledning till varför företaget inte erbjuder extra förmåner till kunder som spenderar mer?**

18. **Är erbjudanden begränsade inom någon form av tidsram?**
(Förklaring: Kan kunden bara ta del av erbjudanden inom en specifik tid, t.ex. mellan januari och maj)

19. **Samlar företaget in och analyserar information kring kundens beteende och mängd tid spenderad på hemsidan?**

Följdfråga (vid ja svar): **Vilken sorts information är företaget mest intresserad av? Och varför?**

Följdfråga (vid nej svar): **Finns det någon specifik anledning till varför företaget väljer att inte analysera information kring kundernas beteende?**

20. **Analyseras lojalitetsprogrammets data baserat på kund segment eller kring varje individuell produkt? Alternativt både och?**

21. **Använder företaget lojalitetsprogrammet för att analysera markandsföringsprojekt så som tv-annonser eller tidnings-annonser?**

22. **Försöker företaget använda lojalitetsprogrammets information för att förespå trender?**

Sektion 4: *Utvärdering av lojalitetsprogram*

23. **Har företaget märkt några förändringar i kundernas beteende sedan introduktionen av lojalitetsprogrammet?**
(Förklaring: har kunderna börjat spendera mer vid varje köp, handla oftare eller spenderar mer tid på hemsidan?)

Följdfråga (vid ja svar): **Vad för sorts förändringar har företaget lagt märke till?**

Följdfråga (vid nej svar): **Har företaget några funderingar kring varför kund beteendet inte har förändrats?**

24. **Inom vilket alternativ skulle du placera lojala kunderna baserat på hur frekvent de handlar?**

0-1 månad   **1-3 månader**   **3-6 månader**   **6-12 månader**   **>12 månader**

Följdfråga: **Vart skulle du säga att majoriteten av lojalitetsprogrammets medlemar ligger?**

25. **Uppdaterar företaget sina erbjudanden i lojalitetsprogrammet?**

Följdfråga (vid ja svar): **Hur ofta förändrar/uppdaterar företaget lojalitetsprogrammet?**

26. **Leverars produkterna genom externa företag eller hanteras det via företagets egna affärer eller lager?**

Följdfråga (externa): **Erbjuder ni kunderna att följa sitt paket vid er hemsida alternativt hos leverantörens hemsida?**

Följdfråga (internt): **Hur fungerar leveransen? Och vad är motivationen till att företaget använder intern leverans?**

27. **Arbetar företaget aktivt med att identifiera kunder som utnyttjar lojalitetsprogrammet?**
(Förklaring: kunder som grupperar sig i ett medlemskap för att få bättre erbjudanden)

Följdfråga (vid ja svar): **Arbetar företaget aktivt för att begränsa/ta bort sådant utnyttjande?**

Följdfråga (vid nej svar): **Tror du det är svårt att identifiera kunder som utnyttjar lojalitetsprogrammet? Finner företaget något problem med att kunderna delar medlemskap?**

28. **Förlorar kunden sina kundpoäng/medlemskap ifall de är inaktiva under en längre period?**

29. **Uppmuntrar företaget sina kunder att diskutera med varandra på hemsidan?**
(Förklaring: Erbjuds möjlighet för produktutvärdering, forum möjligheter alternativt speciella social media trender t.ex. hashtags/taggning?)

Följdfråga (vid ja svar): **Följer företaget kundernas interactioner med varandra inom t.ex. sociala medier eller forum?**

30. **Delar företaget med sig av lojalitetsprogrammet information till företagets produktleverantörer?**

31. Finns ett produktjämförelse verktyg tillgängligt för kunden på hemsidan?
(Förklaring: kan kunden se produktspecifiker jämfört med konkurrenter eller substitut, alternativt priser som produkterna vunnit)

32. Hanteras betalningen av ett externt företag?

33. Hur arbetar företaget med att främja betalsäkerhet samt att inge kunden en känsla av säkerhet på hemsidan?

34. Använder företaget något fysiskt lojalitetskort?

Följdfråga (vid ja svar): **Är databaserna mellan online lojalitetsprogrammet och det fysiska kortet ihopkopplade?**

Sektion 5: *Framtida utveckling av lojalitetsprogram*

35. Är företaget nöjd med den nuvarande situationen av lojalitetsprogrammet?
(Förklaring: dess effektivitet samt möjligheterna det ger företaget samt kunderna)

36. Vilka sorters attribut eller komponenter hoppas företaget kunna implementera i lojalitetsprogrammet framöver?

37. Vad/Vilka delar av lojalitetsprogrammet har varit mer problematiskt att implementera eller hantera?

38. (<u>Kort-fråga</u>) Skulle du säga att problemen och/eller fördelarna av ett online lojalitetsprogram är annorlunda än de vid det fysiska lojalitetskortet?

39. Har målen som sattes på lojalitetsprogrammet förändrats sedan dess utveckling och introduktion?

40. Arbetar företaget aktivt med att skilja lojalitetsprogrammet från konkurrenternas utöver de produkter som erbjuds?

Följdfråga (vid ja svar): **Vad för sorts faktorer och komponenter skulle du säga är viktigast för att skilja lojalitetsprogrammet ifrån konkurrenterna?**

Följdfråga (vid nej svar): **Finns det någon specifik anledning till varför företaget väljer att inte arbeta aktivt med att skilja sitt lojalitetsprogram från konkurrenterna?**

Section 1: *Introduction questions*

1. **How long have you personally worked within the industry?**
   I have been working within the industry for about four years.

   *- Follow up***: How long have you worked within the company and more specifically the online loyalty program?**
   The same length.

2. **How long has the company operated within the specific market and industry where the online loyalty program is active?**
   There have been fluctuations, however in around 1996 a decision was made to really commit to the loyalty program.

3. **How long have the loyalty program been active online?**
   The online portion probably came later, when the website became available it also gave the possibility to become a member, as it is the same loyalty program weather you decide to become a member online or at one of the stores.

   - Follow up: **For how long was the loyalty program planned before the introduction?**
   The online portion is handled by a separate department, which handles the website, which as a domain existed before the loyalty program and the so called "my pages" section which is a part of the loyalty program.

4. **How would the interviewee describe the company's loyalty program?**
   (Clarification: If you were to pitch the company's current loyalty program how would you describe its features and benefits for the company?)
   -

Section 2: *Loyalty program construction*

5. **Was the construction and introduction of the loyalty program performed in house or outsourced to an external party?**
   Technically the company has had consultants involved; however the loyalty program has always been handled internally. The technical portion of the loyalty program as well as the implementation was handled externally, although we have not utilized external help when it comes to the segmentation or the send outs, that portion. That we have always handled ourselves, but the implementation of the databases and the platform we utilize today was nothing that we developed in-house.

   - Follow up (external party): **Is the loyalty program still run or maintained by an external party?**

   - Follow up (In house): **Have the company considered letting an external party**

handle the loyalty program alternatively the customer database?

6. **Was there a financial estimate made for the setup of the loyalty program?**
I can almost guarantee that an estimate was made.

   - Follow up (if yes): **What percentage of the annual turnover was the estimated cost?** (specific numbers will not be published)

   - Follow up (if yes): **Did the setup and development of the loyalty program exceed the expected costs?**

7. **About how much is spent annually for the development and maintenance of the online loyalty program?**
This year will be the year that we have invested the most into the loyalty program, I will need to get back to you with you with any specific numbers, although it is a rather large increase, so I will look into the exact numbers instead of try and guess on the top of my head.

8. **Have the expenses of the online loyalty program averagely increased or decreased on a yearly basis?**
The costs have steadily increased on a yearly basis; the loyalty program is one of the things that the company puts extra efforts towards as the amount of members keep increasing each year. As of today we have more than 70% of the members being active consumers.

9. **Did the company place any short- alternatively long-term goals on the loyalty program?**
I was not personally present so I will have to talk to someone who was to expand upon the question.

   - Follow up (if yes): **Could you give an example of the sort of goals that was placed on the loyalty program?**

   - Follow up (if no): **Is there a particular reason as to why no goals were placed before the implementation of the loyalty program?**

10. **Where there other competing online loyalty programs on the market that the company observed and took inspiration from during the setup and development of the company's own online loyalty program?**
I can probably go out on a limb and say that the company did not observe competitors loyalty program activities as it is something try and avoid today. However we are absolutely open towards receiving hints for improvements, although we do not want to focus too much on our competitors but rather handle ourselves. So competitors we rarely observe, it does however occasionally happen that we observe different grocery retailers and other companies outside of our industry for inspiration and improvements.

<div align="center">**Section 3:** *The loyalty program*</div>

11. Does the loyalty program use any initial membership fee or minimum purchase quantity in order to become a member in the loyalty program?
No.
- Follow up: **What is the motivation behind why no fee/minimum purchase is utilized?**
That is simply a decision that has been made by the company that there should be no cost to becoming a loyalty program member, we do however segment our customers which means that not all customers receive the same benefits depending on where on the scale they place. But we do not rate our customers and we do not require any fee even if you are not an active member.

12. Does the company have partners? And if so is the loyalty program interconnected with the partners loyalty programs?
Yes we are cooperating with both external partners as well as subsidiaries. And they are all from travel agencies in connection with sporting events to more local events where customers get the opportunity to win prices such as sporting event seats or additional discounts. When cooperating with partners the most important thing is that there needs to be an understandable connection to our business and philosophy. We for example do not supply our customers with the possibility to win ticket to a party destination or liquor discounts. Everything needs to be connected to active living and therefore we are strict with who we decide to partner up with. When it comes to subsidiaries we have a subsidiary that currently uses no loyalty program, however any purchase made at the subsidiary can be registered to our loyalty program membership. The difference being that purchases made at the subsidiary only receives half the points they would receive at our own stores, which is based upon the price of the products. However it is not possible to activate a membership at our subsidiary that can only be done at our stores or our website.

13. What incentives to the customers are created by the loyalty program in efforts to make them return?
(Clarification: Would the interviewee describe them as financial, exclusivity or experiential?)
When a customer becomes a member they first receive special welcoming offerings and from there we continue to work around the purchases made. If however a customer has not made a purchase for quite some time they receive a so called "We miss you" card. We also sometimes choose to let some members go as some members are only active at special events, especially after events like one that we just had with store discounts up to 25% for new and existing members, in such events there are always a considerable amount of people who only becomes members for that specific event and if that is the case then we choose not to nag at those customers. At specific events and marketing campaigns that we have started looking at net promotion score (NPS), which is questions related to if the customers would consider promoting the loyalty program to a friend or relative. And depending on what the customers' answer on the scales they can get the possibility to become an ambassador for the company. And if there is little to no likelihood of the customer becoming an ambassador but rather just a costly investment, then we decide to let that person go, but that does not

mean they are prohibited from continuing in being loyalty program members or shop at our stores, we simply decide not to nag at them to return to the store. We instead focus on the customers with the highest potential.

14. **Within the online loyalty program do you actively work towards segmenting the customers?**
(Clarification E.g. segmenting customers based on the quantity of product purchased within a timeframe)
Yes.

- Follow up (if yes 1): **What is the segmentation based upon?**
It varies a lot between different campaigns and purchase history. We operate a lot around the customers purchase history, but it can also be soft values such as e.g. if the customer supports any organizations and what that means is that we supply the option to donate 3% of your purchases to an organization of the customers choosing. And depending on if the customer donates and if so to what we can segment the interests. Then of course we also look at other demographics such as gender, age and if the customers have children. But mostly we follow purchase history.

- Follow up (if yes 2): **Is that segmentation visible for the customer? (In ways such as different membership names E.g. silver customer versus gold customer)**
No, what are visible for the customer at the personal section of the website are what organizations that the individual is supporting. We do not operate for instance with any cross sections where the customer can showcase what interests he or she has.

- Follow up (if no): **Is there a specific reason as to why the company does not want to segment the customers?** (At least visibly for the customers)

15. **Is there information on the customers total membership time?**
(Clarification E.g. the lifecycle of the customers loyalty program activity, is there a certain point when the activity in the loyalty program decreases exponentially? even among loyal customers?)
I myself started with customer lifecycles when I first started working at the company four years ago, although that calculation is starting to become rather old and is something that we will be looking at and updating now during the spring season.

16. **Within the online loyalty program do customers receive additional discounts based upon their behavior?**
(Clarification: with behavior is meant based upon E.g. purchase behavior, products previously purchased or similar products purchased by other customers)
Yes.

- Follow up (if yes): **What sorts of product discounts are then given and what are they based upon?**
(Clarification: static offerings or products/services based on the product placed in the customers "cart"?)
We pretty much segment everything even if it is not visible for the customers, although there are cases where we are very selective in our offerings. For instance if a

customer purchases a pair of running shoes, then three days later that same customer can receive a discount offering for a pair of socks suitable for long distance running. And within that offering we portray the importance of using a good pair of socks that are suitable for the shoes as well as for the user.

17. **Does a customer that spends more than the average customer receive any additional benefits over other customers?**
(Clarification E.g. faster more personal support, gifts or lottery participation)
Yes, here in Sweden we supply a special magazine which is only sent out to select customers who have made continuous purchases. It is very rare that we send out mass post cards for instance, but rather to special customers. Although the post cards are only sent at some instances depending on the budget and what sort of post card that we want to send, but the magazine is sent on a regular basis.

   - Follow up (if yes): **Can you describe what kind of benefits?**

   - Follow up (if no): **Are there any specific reasons as to why the company does not reward consumers that spend more than the average consumer?**

18. **Do the offerings in the online loyalty program have any expiration dates?**
(Clarification: can the offerings only be purchased/utilized within a specific time frame, e.g. January - May)
Yes. There are no static offerings in the loyalty program, but they are instead updated depending on the seasons and different campaigns that are going on.

19. **Does the company collect and evaluate data concerning the customer's purchases and behavior while on the website?**
Yes I know that the department in charge of the website is working around the behavior on the site. But it can also vary on what we are looking at, but most of all we do follow up on our send outs and discounts, if the customers have simply gone directly to those products and then checked out, and if they were previous members we can analyze them even further. But the web department observes the customers that are not members as it is not required to become a member to make a purchase at our web shop. Typically they will then make a send out to those customers in efforts to promote them into becoming members.

   - Follow up (if yes): **What sort of data are the company most interested in and what are the motivations behind the interest of the specific information?**

20. **Is the data collected and analyzed based on customer segments or products? (Alternatively both)**
We analyze based upon both customer segments and individual products.

21. **Does the company utilize the loyalty program in order to evaluate the effectiveness of marketing campaigns?**
(Clarification E.g. TV-ads, newspaper ads etc.)
It happens occasionally. Right now we are looking at if the so called sports customer is similar or the same as our members, that question would probably be more better

aimed at our marketing department, But we are not quite sure at how much value we can draw from such analysis to be perfectly honest.

22. Does the company use the loyalty program data in efforts to predict future trends?
Yes, our purchasing department usually send us who it is that have sent a specific product or what average demographics that a particular member has, so I guess we can use the information for purchasing, logistics and design.

Section 4: *Evaluation of loyalty program*

23. Have the company noticed any changes in customer behavior since the introduction of the loyalty program?
We have seen a tendency for customers to increase their frequency of visit after becoming members in the loyalty program.

- Follow up (if yes): **What kinds of changes have occurred in the behavior?**
(E.g. Increase of quantity of product purchased at every individual visit, increased frequency of visit from the customer or reduced amount of time spent on the site at purchase situations)

- Follow up (if no): **Does the company have any thoughts as to why the behavior of the customers' remains unchanged?**

24. Within which bracket would you place a loyal customer based on how frequently they return?
0-1 Month   1-3 Months   3-6 Months   6-12 Months   > 12 Months

- Follow up: **At what frequency would you place the majority of the online loyalty members?**
We observe if customers have made at least three purchases throughout twelve months, we do not really mind if the purchases are made on a quarterly basis or all within three months. It is not uncommon without our industry that customers are so called seasonal shoppers. E.g. customers in need of skis or related merchandize are as important to us as customers that come in need of gold equipment. Currently 73% of our online loyalty program members made at least one purchase during the year.

25. Are the offerings in the loyalty program updated or changed?
We have no static offerings; they are updated regularly depending on various things such as seasons or campaigns. If we were to talk about member discounts they can be updated almost every month. Additionally within the magazine all customers do not receive the same offerings even if they receive the same edition of the magazine. We for example do not use the same 20% offering on products in every magazine throughout the year, we do not want constant offerings but instead varied offerings that change over and over.

- Follow up (if yes): how often are they changed or updated?
Roughly every month.

26. Is the product delivery performed through external shipping or gathered from a physical store or warehouse owned by the company?
 We have our own warehouse and logistics, additionally the delivery itself is handled by the Swedish post office.

- Follow up (if external shipping): **Do you enable the customers to track their package? (Either at your own site or at the shipping company's site)**
The customer can track the delivery by following the serial number of the package at the Swedish post office website. Additionally if the customer was logged in when the purchase was made it is also possible to track it at the company's website.

- Follow up (if physical store): **How does that procedure work? Additionally is there a specific reason as to why you prefer to deliver the product internally?**

27. Does the company actively search and identify opportunistic customers within the online loyalty program?
(Clarification E.g. several customers grouping up in order to draw bigger benefits from a single membership instead of creating several individual memberships?)
No, we do not actively look for cheating or opportunistic behavior.

- Follow up (if yes): **Does the company actively work against such behavior?**

- Follow up (if no): **Do you think it is hard to identify customers that are trying to cheat the system? Alternatively do the company not mind if customers share memberships?**
No I do not believe it is hard to identify such behavior, but then again we have to ask ourselves the question what is opportunistic behavior of a loyalty program? Because when we release an offering we are actually looking for customers to take advantage of said offering. We want our members and customers to use a discount of offerings given by us, so I would not say they are abusing the loyalty program but rather taking advantage of the possibilities given by the membership, which is something that we want them to be able to do.

28. Is inactivity in the online loyalty program penalized?
There exists a recommendation in Sweden that you are only allowed to save customer information for three years and if the customer has not made a purchase within said three year period then the customer is removed from our databases. And this is mostly for the customers benefit, that we as a company shall not have information about customers that are not participating actively in the loyalty program. Additionally the whole point is that we reset every year as to have the possibility to begin anew.

29. Does the company promote interaction between customers on the site?
(Clarification E.g. enable product reviews, forum discussions on the homepage or social media discussions)
I dare not answer too much concerning the web as I am not in charge of such subjects

and we do not have open forum discussions available. However we do work with social medias such as Instagram and Facebook, where the customers can leave comments concerning products, but I am not sure how that information is used, so I will leave it untouched.

It is possible for the customer to write blog posts about the products as well as create product reviews.

- Follow up (if yes): **Do the company then monitor such interactions and analyze the information?**
Yes the company observes social medias and forums.

30. **Does the company share any information gathered from the online loyalty program with suppliers?**
We are rather secretive when it comes to what information we share as we ourselves have come rather far with the development of the loyalty program. If a company were to approach us and make a request for information concerning what customer segments that have purchased their products then we would consider sharing that information. For instance if a shoe manufacturer would ask for information on what segments that had purchased their latest product. Although it is very rare, I think we have shared information once or twice in the latest four years. We would not however share information on how much a specific customer have spent or similar.

31. **Is there a product comparison option available within the online loyalty program?**
(Clarification E.g. is the customer supplied with information of similar products, alternatively substitutes / competitors' products?)
It is currently not available at the company website. However it is possible to see product comparisons of our products at external websites which we supply with information.

32. **Is the payment and payment security of the order handled by an external party?**
(Clarification E.g. is another company in charge of handling the security of the payment? E.g. Klarna)
Yes we are utilizing an external party.

33. **What efforts are made to increase homepage security, in addition to the perception of security among the customers?**
(Clarification E.g. does the company present security contracts / diplomas to the customer)
We are operating with established companies that handle the payment security. We previously showcased the *"Trygg e-handel"* symbol.

34. **Does the company have some sort of physical loyalty program card?**
Yes and no, we have a physical loyalty program card, however we are aiming towards achieving a digital based loyalty program in the future, without the need for a physical card. As of right now customers will only receive a physical card if they specifically request one.

- Follow up (if yes): **is the online loyalty program integrated with the card based loyalty program?**

In Sweden we are quite generous with giving out social security numbers, which enable us to keep track of purchases made with either the physical card or through the online website. Which also means that the points gathered in one system is automatically recorded in the other.

Section 5: *Future development of the loyalty program*

35. **Is the company pleased with the current state of the loyalty program or does it require further improvements?**

    Yes we are very pleased and proud with our loyalty program; we believe that we have made huge progress with it. That of course does not mean that we are not developing the program, as it requires continuous development. Recently we introduced so called digital coupons, which mean that the likelihood of misplacing or forgetting the coupons is lower, than with the other physical coupons that we also offer.

36. **Looking at the future development of the loyalty program, what sort of features does the company hope to implement?**

    As of right now we are currently working on a project to start collecting information regarding the age of the customers' children, that is something we are lacking today. Additionally one of my colleagues is working with the development of the mobile version of the website. We have made a conscious decision to focus on the mobile version of the site instead of creating a mobile application for the company.

37. **What have been the biggest struggles with the development and maintenance of the online loyalty program?**

    In 2009 we purchased a new platform which implementation took over a whole year, which one completed made a big commotion, but it is also the reason we are so successful at segmentation as well as the technical development.

38. **(Situational) Would you say that the problems and/or benefits of the online loyalty program differ from the physical card based loyalty program?**

    We operate around having one loyalty program; there should be no differences between them. As of right now the only difference between the programs is that a customer or member belongs to a region in connection to the physical loyalty program, whereas online we segment the customers based on their area codes instead. But for us it is important that it the programs are one and the same.

39. **Have the goals set on the loyalty program changed from its inception?**

40. **Is there efforts made to differentiate the company's online loyalty program from competitors beyond the products offered?**

    We never observe competitors loyalty programs, instead we work with the philosophy of going our own path. We do however follow the competitors' physical movements

such as opening a new store or entering a new city. If they do then we supply our members in that city or region with offerings as to reduce the amount of possible customers or members lost.

- Follow up (if yes): **What sort of factors or features would you say is important to differentiate the loyalty program?**

- Follow up (if no): **Is there a specific reason as to why the company chooses not to differentiate the loyalty program from the competitors?**
For us starting to focus or following competitors would be to go ten steps backwards. We consider ourselves to be ahead in the market as far as loyalty programs go, you could say we consider ourselves to be market leaders.

APPENDIX 8: INTERVIEW RESPONSES (CASE 2)

Section 1: *Introduction questions*

1. **How long have you personally worked within the industry?**
   I have been working with CRM for 14 years

   *- Follow up***: How long have you worked within the company and more specifically the online loyalty program?**
   For 2 years

2. **How long has the company operated within the specific market and industry where the online loyalty program is active?**
   95 years

3. **How long have the loyalty program been active online?**
   2 years...I was involved with the implementation and introduction of the loyalty program in Sweden

   - Follow up: **For how long was the loyalty program planned before the introduction?**

4. **How would the interviewee describe the company's loyalty program?**
   (Clarification: If you were to pitch the company's current loyalty program how would you describe its features and benefits for the company?)

Section 2: *Loyalty program construction*

5. **Was the construction and introduction of the loyalty program performed in house or outsourced to an external party?**
   It was a combination, we were an internal project group working with a clear structure together with external IP suppliers implementing and developing different functions in different systems for both current and new ones… We run it internally but the

development is primarily driven externally

- Follow up (external party): **Is the loyalty program still run or maintained by an external party?**

- Follow up (In house): **Have the company considered letting an external party handle the loyalty program alternatively the customer database?**

6. **Was there a financial estimate made for the setup of the loyalty program?**
   Yes.
   - Follow up (if yes): **What percentage of the annual turnover was the estimated cost?** (specific numbers will not be published)

   - Follow up (if yes): **Did the setup and development of the loyalty program exceed the expected costs?**
   The budget did exceed due to many challenges on the way and in respect to other ongoing projects at the same time as the implementation was conducted together with our new e-commerce platform, cash register and so on. It affected our initial requests, forcing us to change the demands and in the end both the price and development time was higher compared to the original plan. However the scope may change during the development phase but the business case itself have been the same from the start. It is just the cost and implementation that was different

7. **About how much is spent annually for the development and maintenance of the online loyalty program?**

8. **Have the expenses of the online loyalty program averagely increased or decreased on a yearly basis?**
   The question is somewhat hard to answer, the costs have increased due to the handling of the customers however we have managed to estimate a certain increase in profitability among the customers in the program for a year….. The costs will probably increase in the future but it is important to keep it down at the same time…. There are high ambitions for the loyalty program and this is an important strategic decision that we have made

9. **Did the company place any short- alternatively long-term goals on the loyalty program?**

   - Follow up (if yes): **Could you give an example of the sort of goals that was placed on the loyalty program?**
   The goals are in general traditional goals, that is turnover within the loyalty program, the frequency of customer purchases and how much to expect in frequency, turnover and purchase. This should be good numbers in the quarterly report.

   *- Follow up (if no)***: Is there a particular reason as to why no goals were placed before the implementation of the loyalty program?**

10. **Where there other competing online loyalty programs on the market that the company observed and took inspiration from during the setup and development of the company's own online loyalty program?**
Yes they were, a benchmark review on actors in the same market was performed in order to evaluate the level of offerings we could offer to our customers and members, for example the gathering of points and the different types of offerings so we may determinate an appropriate level. Moreover, there is also a strategic partner involved whom has been working with Customer Relationship Management and loyalty programs for many years; a consulting company has been helping us.

Section 3: *The loyalty program*

11. **Does the loyalty program use any initial membership fee or minimum purchase quantity in order to become a member in the loyalty program?**
No, we will remove non-active members after two years but we don't have any fees or anything else.

- Follow up: **What is the motivation behind the fee/minimum purchase demand?**

12. **Does the company have partners? And if so is the loyalty program interconnected with the partners loyalty programs?**
No not currently, we have not arrived so far yet. The priority is to make sure everything is running smoothly in the infrastructure and shops, clear in our communication in the beginning before we take the next step and get involved in a partnership to add value for our members of our loyalty program as possible.

- Follow up (if yes): **Does the company offer mixed offerings together with the partner?**

13. **What incentives to the customers are created by the loyalty program in efforts to make them return?**
(Clarification: Would the interviewee describe them as financial, exclusivity or experiential?)
Primary it is the traditional score and bonus system which is our cost and the appreciation to our customers…. But also the communication in terms of offers we send out to our members to simply show our appreciation. We segment the customer in terms of purchases and within what kind of product segmentation. It should be relevant information with relevant offers.

14. **Within the online loyalty program do you actively work towards segmenting the customers?**
(Clarification E.g. segmenting customers based on the quantity of product purchased within a timeframe)
Yes

- Follow up (if yes 1): **What is the segmentation based upon?**

It is value based on the total amount of purchase and frequency, product segmentation and what you have been buying within the recent year in order to communicate relevant offers and relevant content.

- Follow up (if yes 2): **Is that segmentation visible for the customer? (In ways such as different membership names e.g. silver customer versus gold customer)**
Not yet, the different value based levels will be utilized within the communication in the future. In the current situation today we are using our own segmentation category which the customers don't know about

- Follow up (if no): **Is there a specific reason as to why the company does not want to segment the customers?** (At least visibly for the customers)

15. **Is there information on the customers total membership time?**
(Clarification E.g. the lifecycle of the customers loyalty program activity, is there a certain point when the activity in the loyalty program decreases exponentially? even among loyal customers?)
If you stop buying today, we will after two years remove all personal data. For those who still are active members, the purchase information will be kept in order to keep a link to us and review how interesting the information might be for us… We introduced the loyalty program in March last year and we have been working for two years, we are so far just in the start-up phase in the customer life cycle so we don't actually know how long the members are staying.

16. **Within the online loyalty program do customers receive additional discounts based upon their behavior?**
(Clarification: with behavior is meant based upon E.g. purchase behavior, products previously purchased or similar products purchased by other customers)
Yes

- Follow up (if yes): **What sorts of product discounts are then given and what are they based upon?**
(Clarification: static offerings or products/services based on the product placed in the customers "cart"?)
Based on frequency and what they have purchased earlier

17. **Does a customer that spends more than the average customer receive any additional benefits over other customers?**
(Clarification E.g. faster more personal support, gifts or lottery participation)
Not in the current situation of today… a bit linked to the communicated levels we utilize and something we hope to offer our best customers.

- Follow up (if yes): **Can you describe what kind of benefits?**

- Follow up (if no): **Are there any specific reasons as to why the company does not reward consumers that spend more than the average consumer?**

18. Do the offerings in the online loyalty program have any expiration dates?
(Clarification: can the offerings only be purchased/utilized within a specific time frame, e.g. January - May)
Yes, there are different factors that determine how long the offerings will be valid. We have a generous policy in order to keep everyone happy and pleased but at the same time we want to establish a little bit of traffic to our stores which is why we choose to alternate with the expiration date of the offerings.

19. Does the company collect and evaluate data concerning the customer's purchases and behavior while on the website?
Not in a structured way, we analyze the activity on the website but nothing is used in our CRM system and can be utilize in our communication or segmentation… We haven't applied it since it requires development and competence in order to practice that data for segmentation or sending relevant information. We have not arrived so far yet, however it has been kept it mind.

- Follow up (if yes): **What sort of data are the company most interested in and what are the motivations behind the interest of the specific information?**

- Follow up (if no): **Are there specific reasons as to why the company do not collect alternatively analyze the data collected?**
(Connected to technological know-how and resources?)

20. Is the data collected and analyzed based on customer segments or products? (Alternatively both)
Both are somewhat integrated, we are just as everyone else mostly focused on products and aim for becoming more customer focused. A good base for segmentation is the product basket analysis which is the most vital data and reveals interest and behavior so we utilize both I think.

21. Does the company utilize the loyalty program in order to evaluate the effectiveness of marketing campaigns?
(Clarification E.g. TV-ads, newspaper ads etc.)
We are making efforts to observe everything.

22. Does the company use the loyalty program data in efforts to predict future trends?
No we haven't gotten so far yet.

Section 4: *Evaluation of loyalty program*

23. Have the company noticed any changes in customer behavior since the introduction of the loyalty program?
As I mentioned we have been active for only a year so we don't know if the behavior has changed, it is mostly during the second year we might be able to observe this change and draw conclusions.

- Follow up (if yes): **What kind of changes has occurred in the behavior?**
(E.g. Increase of quantity of product purchased at every individual visit, increased frequency of visit from the customer or reduced amount of time spent on the site at purchase situations)

- Follow up (if no): **Does the company have any thoughts as to why the behavior of the customers' remains unchanged?**

24. **Within which bracket would you place a loyal customer based on how frequently they return?**
    0-1 Month   *1-3 Months*   *3-6 Months*   *6-12 Months*   *> 12 Months*

    - Follow up: **At what frequency would you place the majority of the online loyalty members?**
    The majority does not belong to the loyal bracket since we recruited a lot of volume during the first year which might cause the quality to suffer, currently we have a lot of people making one time purchases and it is more observable during the second year.

25. **Are the offerings in the loyalty program updated or changed?**
    Yes of course
    - Follow up (if yes): how often are they changed or updated?
    It happens approximately seven times a year and is somewhat campaign driven in order to complement other campaigns.

26. **Is the product delivery performed through external shipping or gathered from a physical store or warehouse owned by the company?**
    Only from our own stores and warehouses.

    - Follow up (if external shipping): **Do you enable the customers to track their package? (Either at your own site or at the shipping company's site)**

    - Follow up (if physical store): **How does that procedure work? Additionally is there a specific reason as to why you prefer to deliver the product internally?**
    Since we have e-commerce we aim for using those channels and deliveries (Posten).

27. **Does the company actively search and identify opportunistic customers within the online loyalty program?**
    (Clarification E.g. several customers grouping up in order to draw bigger benefits from a single membership instead of creating several individual memberships?)
    We try to observe how different customers behave and how well they react on different types of offerings and for our members we try to see the extent of involvement compared to other customers

    - Follow up (if yes): **Does the company actively work against such behavior?**
    It is possible through terms and conditions and the handling of discounts in order to secure the efficiency of management and is done through the help of technology

- Follow up (if no): **Do you think it is hard to identify customers that are trying to cheat the system? Alternatively do the company not mind if customers share memberships?**

28. **Is inactivity in the online loyalty program penalized?**
    As I mentioned earlier, we remove all personal data after two years and this is done according to the order of data legislation while at the same time provide us with a structure of how long we can keep the data and why

29. **Does the company promote interaction between customers on the site?**
    (Clarification E.g. enable product reviews, forum discussions on the homepage or social media discussions)
    Yes but not through any specific channel, we utilize ratings and reviews of our products in order to receive opinions. However it might not cause any discussions but it is a form of communication.

    - Follow up (if yes): **Do the company then monitor such interactions and analyze the information?**

30. **Does the company share any information gathered from the online loyalty program with suppliers?**
    No we don't.

31. **Is there a product comparison option available within the online loyalty program?**
    (Clarification E.g. is the customer supplied with information of similar products, alternatively substitutes / competitors' products?)
    Yes but it is only connected to our own products we offer.

32. **Is the payment and payment security of the order handled by an external party?**
    (Clarification E.g. is another company in charge of handling the security of the payment? E.g. Klarna)
    There are different options

33. **What efforts are made to increase homepage security, in addition to the perception of security among the customers?**
    (Clarification E.g. does the company present security contracts / diplomas to the customer)
    We have high demands with the homepage security in order to have a safe e-commerce activity, we also have the "trygg e-handel" label. Moreover I don't think we have much more than this.

34. **Does the company have some sort of physical loyalty program card?**
    Yes we do, but you can choose to skip it

- Follow up (if yes): **is the online loyalty program integrated with the card based loyalty program?**
Yes

35. **Is the company pleased with the current state of the loyalty program or does it require further improvements?**
Not entirely sure, we started out a year ago and have still a few things to introduce but the things that we have started with are working fine and we are pleased.

Section 5: *Future development of the loyalty program*

36. **Looking at the future development of the loyalty program, what sort of features does the company hope to implement?**
More opportunities for identifying members and how to utilize the personal offerings in order to facilitate the handling of both in physical stores and online but also develop the offerings in a way it can become more relevant which we believe is necessary to keep the members interested in getting information from us.

37. **What have been the biggest struggles with the development and maintenance of the online loyalty program?**
The integration of online is time-consuming and requires a lot of information and tests

38. **(Situational) Would you say that the problems and/or benefits of the online loyalty program differ from the physical card based loyalty program?**
It is the same for us, everything that works online should be applicable in the physical store, and it is a part of our strategy so there is no option for us. It might be easier online since the customer is always identified which is not always possible in the physical store, you cannot always get the customer to identify themselves at the counter causing us to fail to review what they bought and how much.

39. **Have the goals set on the loyalty program changed from its inception?**
We have not changed any of the goals

40. **Is there efforts made to differentiate the company's online loyalty program from competitors beyond the products offered?**
It is vital to have an own profile towards to our competitors and we are eager to perform better than them in this area as well as the product range we offer… So far I would say that we are at the same level.

- Follow up (if yes): **What sort of factors or features would you say is important to differentiate the loyalty program?**

- Follow up (if no): **Is there a specific reason as to why the company chooses not to differentiate the loyalty program from the competitors?**

41. Do you believe that it would be beneficial to stand out from your competitors?
Yes and no, it depends on the loyalty program and our target group. We have a traditional loyalty program that we believe is attractive among our members and I believe it would not beneficial to be too unique. A clear success factor should be simple and clear.

APPENDIX 9: INTERVIEW RESPONSES (CASE 3)

Section 1: *Introduction questions*

1. How long have you personally worked within the industry?
2 years, I have been working with customer loyalty and customer analysis for 15 years but within the company and retail for 2 years.

Follow up: **How long have you worked within the company and more specifically the online loyalty program?**
2 years

2. How long has the company operated within the specific market and industry where the online loyalty program is active?

3. How long have the loyalty program been active online?
We introduced a new updated program in May 2011

- Follow up: **For how long was the loyalty program planned before the introduction?**

4. How would the interviewee describe the company's loyalty program?
(Clarification: If you were to pitch the company's current loyalty program how would you describe its features and benefits for the company?)

Section 2: *Loyalty program construction*

5. Was the construction and introduction of the loyalty program performed in house or outsourced to an external party?
In-house with some help from consultants regarding technical things in our CRM platform and methods of set-up

- Follow up (external party): **Is the loyalty program still run or maintained by an external party?**

- Follow up (In house): **Have the company considered letting an external party handle the loyalty program alternatively the customer database?**
No, the database is located somewhere else but the management is kept internal.

6. Was there a financial estimate made for the setup of the loyalty program?
Yes but I think this was before my time at the company so I don't know

- Follow up (if yes): **What percentage of the annual turnover was the estimated cost?** (specific numbers will not be published)

- Follow up (if yes): **Did the setup and development of the loyalty program exceed the expected costs?**

7. **About how much is spent annually for the development and maintenance of the online loyalty program?**
… And no idea about the budget either, but in general there aren't many budgets that hold

8. **Have the expenses of the online loyalty program averagely increased or decreased on a yearly basis?**
The costs have rather decreased every year; there are not cuts but attempts to keep the budget low, as the invested resources have decreased.

9. **Did the company place any short- alternatively long-term goals on the loyalty program?**
The short term goals were to recruit a certain number of members during a certain amount of time and it was a success. It went much faster than we originally thought

- Follow up (if yes): **Could you give an example of the sort of goals that was placed on the loyalty program?**

- Follow up (if no): **Is there a particular reason as to why no goals were placed before the implementation of the loyalty program?**

10. **Where there other competing online loyalty programs on the market that the company observed and took inspiration from during the setup and development of the company's own online loyalty program?**
This was before my time but I guess, since our competitors already had active loyalty programs. So I guess the competitors were observed.

Section 3: *The loyalty program*

11. **Does the loyalty program use any initial membership fee or minimum purchase quantity in order to become a member in the loyalty program?**
We don't have any fees or minimum purchases in order to become a member since we think it should be allowed and open for everyone

- Follow up: **What is the motivation behind the fee/minimum purchase demand?**

12. **Does the company have partners? And if so is the loyalty program interconnected with the partners loyalty programs?**
Currently, there is no partner involved. Previously had partners but that is no longer the case today but before 2011. The reason might been due to completion of the contract

- Follow up (if yes): **Does the company offer mixed offerings together with the partner?**

13. **What incentives to the customers are created by the loyalty program in efforts to make them return?**
(Clarification: Would the interviewee describe them as financial, exclusivity or experiential?)
The motive for the customer to return is the bonus and with us you get 5% which is very high but also offerings through folders and text messages that the majority like. The text messages are not personal but are only valid for certain members.

14. **Within the online loyalty program do you actively work towards segmenting the customers?**
(Clarification E.g. segmenting customers based on the quantity of product purchased within a timeframe**)**
We segment the customers in different ways, but it's all about purchase history: What you are buying, how much and how frequent

- Follow up (if yes 1): **What is the segmentation based upon?**
It is value based on total amount of purchase and frequency, product segmentation and what you have been buying within the recent year in order to communicate relevant offers and relevant content.

- Follow up (if yes 2): **Is that segmentation visible for the customer? (In ways such as different membership names E.g. silver customer versus gold customer)**
The segmentation is not visible for the customers and we don't have any kind of differentiation between them but rather everyone are members

- Follow up (if no): **Is there a specific reason as to why the company does not want to segment the customers?** (At least visibly for the customers)

15. **Is there information on the customers total membership time?**
(Clarification E.g. the lifecycle of the customers loyalty program activity, is there a certain point when the activity in the loyalty program decreases exponentially? even among loyal customers?)
We have information regarding their total purchases made as a member and work with the customer life cycle and review how many people that currently are active and people who used to be… We haven't existed for that long so we don't have a genuine number

16. **Within the online loyalty program do customers receive additional discounts based upon their behavior?**
(Clarification: with behavior is meant based upon E.g. purchase behavior, products previously purchased or similar products purchased by other customers)
Depending on what is bought, you get new offering based from it. If you have never purchased children's clothing and I have not figured out why you won't get any offering concerning children's clothing

- Follow up (if yes): **What sort of product discounts is then given and what are they based upon?**
(Clarification: static offerings or products/services based on the product placed in the customers "cart"?)
Based on frequency and what they have purchased earlier

17. **Does a customer that spends more than the average customer receive any additional benefits over other customers?**
(Clarification E.g. faster more personal support, gifts or lottery participation)
No you don't get any additional benefits for purchasing more in quantity. But rather in the case of segmentation if you buy a large amount of clothing from all departments of women, children and men you will get more offerings.

- Follow up (if yes): **Can you describe what kind of benefits?**

- Follow up (if no): **Are there any specific reasons as to why the company does not reward consumers that spend more than the average consumer?**
No there is no specific reason for this choice

18. **Do the offerings in the online loyalty program have any expiration dates?**
(Clarification: can the offerings only be purchased/utilized within a specific time frame, e.g. January - May)
All offerings are limited in time and discounts are only valid a certain number of days

19. **Does the company collect and evaluate data concerning the customer's purchases and behavior while on the website?**
We are utilizing it and trying constantly to develop our website by following what the customers are clicking… It would be beneficial if the website could become more or less automatized and customized depending on what the customers are looking at. If I would look at a lot of men's clothing the website would in that case show relevant men's clothing… but it is something we don't have today.

- Follow up (if yes): **What sort of data are the company most interested in and what are the motivations behind the interest of the specific information?**

- Follow up (if no): **Are there specific reasons as to why the company do not collect alternatively analyze the data collected?**
(Connected to technological know-how and resources?)

20. **Is the data collected and analyzed based on customer segments or products? (Alternatively both)**
No on individual products but on customer segmentation and product categorization on a general level as we have more than 1000 products available.

21. **Does the company utilize the loyalty program in order to evaluate the effectiveness of marketing campaigns?**
(Clarification E.g. TV-ads, newspaper ads etc.)

We are sending out surveys to our members in order to see if our attempts are effective and trying to learn from it… In relation to big television campaigns we are able to see often that the attendance on the web is higher than usual and there is a link between them, but how strong each relation is differs from campaign to campaign

22. **Does the company use the loyalty program data in efforts to predict future trends?**
We don't work in that way

Section 4: *Evaluation of loyalty program*

23. **Have the company noticed any changes in customer behavior since the introduction of the loyalty program?**
I believe they are buying more and often on a general level, but specifically on just the website… I am not sure. There are no big differences but those who choose to become a customer are doing it consciously which we believe is a way of approving that we are doing the right thing. It is difficult to see if it could have been done better and we are trying to constantly evolve. I believe that the customer loyalty programme is one of the reasons why we have recruited more customers as we are able to see the raising number of members and you start to wonder where to limit is but it seems like there is none.

- Follow up (if yes): **What kind of changes has occurred in the behavior?**
(E.g. Increase of quantity of product purchased at every individual visit, increased frequency of visit from the customer or reduced amount of time spent on the site at purchase situations)

- Follow up (if no): **Does the company have any thoughts as to why the behavior of the customers' remains unchanged?**

24. **Within which bracket would you place a loyal customer based on how frequently they return?**
0-1 Month   1-3 Months   3-6 Months   6-12 Months   > 12 Months
Every third month I believe, up to six months. The majority are probably buying clothes more than twice a year

- Follow up: **At what frequency would you place the majority of the online loyalty members?**

25. **Are the offerings in the loyalty program updated or changed?**
We are sending out offering every second week in different ways but they are somewhat similar so you could almost say that we are doing it almost all the time. It is not like that you get from each half-year to another receive a different bonus but rather through campaigns by for instance winter, summer, autumn and spring which is one of the different ways we modify the offerings. All the offers are limited in certain period of time.

- Follow up (if yes): how often are they changed or updated?

26. Is the product delivery performed through external shipping or gathered from a physical store or warehouse owned by the company?
It is all in-house, everything that we sell, manufacture or purchase is done through our warehouse. Except trucks which we don't have.

- Follow up (if external shipping): **Do you enable the customers to track their package? (Either at your own site or at the shipping company's site)**

- Follow up (if physical store): **How does that procedure work? Additionally is there a specific reason as to why you prefer to deliver the product internally?**
I am not sure, we have a big transhipment warehouse next to my office and I believe it is due to historical reasons. It has been done this way in the past and still works today

27. Does the company actively search and identify opportunistic customers within the online loyalty program?
(Clarification E.g. several customers grouping up in order to draw bigger benefits from a single membership instead of creating several individual memberships?)
We don't operate in that specific way, if people decides to joint account they won't be receiving more bonus but rather offerings more quickly. Besides I don't think there are many people operating this way either.

- Follow up (if yes): **Does the company actively work against such behavior?**

- Follow up (if no): **Do you think it is hard to identify customers that are trying to cheat the system? Alternatively do the company not mind if customers share memberships?**
I don't think people would have the energy to do these things, if any of our stores saw that someone was purchasing a lot every week we would rather get happy that there is someone who buys a lot… You are allowed to purchase a lot and then return it since it is troublesome to carry home everything and then send half of it back, we don't see this as a problem.

28. Is inactivity in the online loyalty program penalized?
Yes you do and it is approximately after 2 years

29. Does the company promote interaction between customers on the site?
(Clarification E.g. enable product reviews, forum discussions on the homepage or social media discussions)
We don't but we have and pretty vivid facebook page where people comment which is also the opportunity for it to exist… We use the page to reveal new garments, it is no place to hang but rather to show off pieces of clothing and such

- Follow up (if yes): **Do the company then monitor such interactions and analyze the information?**

30. Does the company share any information gathered from the online loyalty program with suppliers?

No since we produce all of our products ourselves, this question become inapplicable to our case

31. **Is there a product comparison option available within the online loyalty program?**
(Clarification E.g. is the customer supplied with information of similar products, alternatively substitutes / competitors' products?)
No.

32. **Is the payment and payment security of the order handled by an external party?**
(Clarification E.g. is another company in charge of handling the security of the payment? E.g. Klarna)
The payment handling is performed by an external company

33. **What efforts are made to increase homepage security, in addition to the perception of security among the customers?**
(Clarification E.g. does the company present security contracts / diplomas to the customer)
I am not sure how we operate but I assume we have some sort of logotypes that gives a better feeling of security

34. **Does the company have some sort of physical loyalty program card?**
…And we have a physical loyalty card

- *Follow up (if yes):* **is the online loyalty program integrated with the card based loyalty program?**
It is the same loyalty program so if you are online and type you social security number you will get the same bonus

35. **Is the company pleased with the current state of the loyalty program or does it require further improvements?**
Yes but we are of course aiming to become even better and evolve in a better way, there has been no catastrophes

Section 5: *Future development of the loyalty program*

36. **Looking at the future development of the loyalty program, what sort of features does the company hope to implement?**
No good answer, we are constantly trying to become better but there is nothing we will apply to the program shortly which I can tell you about

37. **What have been the biggest struggles with the development and maintenance of the online loyalty program?**
I can't come to think about anything

38. **(Situational) Would you say that the problems and/or benefits of the online loyalty program differ from the physical card based loyalty program?**
The question is not applicable to our case since both are them are the same

39. Have the goals set on the loyalty program changed from its inception?
The goals have changed, in the beginning the purpose was the recruit members quickly which we have done and now we are rather trying to have the members account for a certain proportion of the sales

40. Is there efforts made to differentiate the company's online loyalty program from competitors beyond the products offered?
It's the aspect of having the 5% bonus which is fairly high and we try to promote is as much as we can

- Follow up (if yes): **What sort of factors or features would you say is important to differentiate the loyalty program?**

- Follow up (if no): **Is there a specific reason as to why the company chooses not to differentiate the loyalty program from the competitors?**

APPENDIX 10: INTERVIEW RESPONSES (CASE 4)

Section 1: *Introduction questions*

1. How long have you personally worked within the industry?
Within the industry, at most 7 years in this extent

*Follow up***: How long have you worked within the company and more specifically the online loyalty program?**
Within the company for 7 years

2. How long has the company operated within the specific market and industry where the online loyalty program is active?
For 10 years.

3. How long have the loyalty program been active online?
The loyalty program was already implemented when I first started here, maybe not the same extent as it is today but it existed. I am not sure how long it has been running but at most 10 years at least… and we have continuously modified it which is something we striving for to sharpen every year.

- Follow up: **For how long was the loyalty program planned before the introduction?**
I have no idea but I don't believe it was that long to be honest.

4. How would the interviewee describe the company's loyalty program?
(Clarification: If you were to pitch the company's current loyalty program how would you describe its features and benefits for the company?)
The best thing to do is to enter our site and check "your status makes a difference" since the full explanation is available with clear structures, benefits and what is the purpose. The purpose is to create loyalty and return to us instead of our competitors.

Section 2: *Loyalty program construction*

5. **Was the construction and introduction of the loyalty program performed in house or outsourced to an external party?**
I am 99, 9% sure it was all in-house

   - Follow up (external party): **Is the loyalty program still run or maintained by an external party?**

   - Follow up (In house): **Have the company considered letting an external party handle the loyalty program alternatively the customer database?**

6. **Was there a financial estimate made for the setup of the loyalty program?**
I don't think so.

   - Follow up (if yes): **What percentage of the annual turnover was the estimated cost?** (Specific numbers will not be published)

   - Follow up (if yes): **Did the setup and development of the loyalty program exceed the expected costs?**

7. **About how much is spent annually for the development and maintenance of the online loyalty program?**

8. **Have the expenses of the online loyalty program averagely increased or decreased on a yearly basis?**
They have been relatively constant, we had one year in 2012 were we implemented a refund for our members. If you purchased more than 15. 000 SEK, the amount that exceeded 15. 000, as a member you could get 3% of that amount refunded. This was clearly an increase in costs compared to earlier years, it did not work out so well but the end and we choose to phase it out in 2013. However, we are now trying to implement it again with a new modified version… Besides this you could say that the costs have been constant.

9. **Did the company place any short- alternatively long-term goals on the loyalty program?**
I was not involved during the development of the loyalty program but I don't think they had any specific goals in mind but rather an overall strategy to build loyalty

   - Follow up (if yes): **Could you give an example of the sort of goals that was placed on the loyalty program?**

   - Follow up (if no): **Is there a particular reason as to why no goals were placed before the implementation of the loyalty program?**

10. Where there other competing online loyalty programs on the market that the company observed and took inspiration from during the setup and development of the company's own online loyalty program?
I was not a part of the development phase itself but if you look at the recent 7 years since I started, we have been observing competing firms a lot as well as for instance the airline industry which is very skilled when it comes to frequent flyer programs, organizing and graphical design. We have also been watching the grocery retail industry with companies offering refund bonuses and another industry competitor which also have had their refund-project

Section 3: *The loyalty program*

11. Does the loyalty program use any initial membership fee or minimum purchase quantity in order to become a member in the loyalty program?
You don't need to pay anything in order to become a member, as soon as you have made a purchase you've become a part of the loyalty program… 1 SEK is enough

- Follow up: **What is the motivation behind the fee/minimum purchase demand?**
We want as many as possible to become a part of our loyalty program, thereafter in order to receive the most beneficial privilege as a member you need to spend more money, it is the same with the membership at airlines. All you need is to apply for a bonus card but it is not until you start to spend in order to get a silver status… It is all about offering the program to as many as possible

12. Does the company have partners? And if so is the loyalty program interconnected with the partners loyalty programs?
Not currently, we have been having cooperation with various publishing companies. Especially the magazine subscription which is something we have removed today… But the opportunity is still something we consider

- Follow up (if yes): **Does the company offer mixed offerings together with the partner?**

13. What incentives to the customers are created by the loyalty program in efforts to make them return?
(Clarification: Would the interviewee describe them as financial, exclusivity or experiential?)
If you take a closer look at the program there is cheaper shipping and better conditions of payment, things that makes you want to buy more… Moreover there is for example an invitation to cinema screenings 4 times a year to both our tier four and five members which is something that is not close to our usual benefits but still appreciated. For those who still haven't reached up to this status, this might be a small sign to start buying more.

14. Within the online loyalty program do you actively work towards segmenting the customers?
(Clarification E.g. segmenting customers based on the quantity of product purchased within a timeframe**)**

Yes…

- Follow up (if yes 1): **What is the segmentation based upon?**
… And it is based on the purchase amount

- Follow up (if yes 2): **Is that segmentation visible for the customer? (In ways such as different membership names e.g. silver customer versus gold customer)**
… Yes since the customers are able to see what the members themselves have accomplished so far, which is clearly stated when logging in to "My account" and see exactly how many points gathered as well as how much left until you reach the next status level… We know that the members are actively trying to reach the next level when it is clearly stated what is needed to do.

- Follow up (if no): **Is there a specific reason as to why the company does not want to segment the customers?** (At least visibly for the customers)

15. **Is there information on the customers total membership time?**
    (Clarification E.g. the lifecycle of the customers loyalty program activity, is there a certain point when the activity in the loyalty program decreases exponentially? even among loyal customers?)
    Yes of course, we are able to extract the data on an individual level but it is rather hard to do this in a whole piece. We rather look at how many people are involved within each category between 3, 4 and 5. As by just looking at a specific member is troublesome, but it is possible.

16. **Within the online loyalty program do customers receive additional discounts based upon their behavior?**
    (Clarification: with behavior is meant based upon E.g. purchase behavior, products previously purchased or similar products purchased by other customers)
    Yes, as you buy more the more offers you get. In addition we are continuously trying to add more value for our members like for instance our refund for those who purchase more than 15. 000 SEK

    - Follow up (if yes): **What sorts of product discounts are then given and what are they based upon?**
    (Clarification: static offerings or products/services based on the product placed in the customers "cart"?)

17. **Does a customer that spends more than the average customer receive any additional benefits over other customers?**
    (Clarification E.g. faster more personal support, gifts or lottery participation)
    All of the information about our offerings are visible at the website.

    - Follow up (if yes): **Can you describe what kind of benefits?**

    - Follow up (if no): **Are there any specific reasons as to why the company does not reward consumers that spend more than the average consumer?**

18. Do the offerings in the online loyalty program have any expiration dates?
(Clarification: can the offerings only be purchased/utilized within a specific time frame, e.g. January - May)
Yes in the case of the refund, which is based on the amount of money spent during a calendar year, we generate gift vouchers which have an expiration date which we still haven't decided fully but approximately you have 1-2 month to utilize it.

19. Does the company collect and evaluate data concerning the customer's purchases and behavior while on the website?
Absolutely we analyze everything that occurs on our website, above all with our analytics program in order to know exactly how much time the average customer spends as well as money, what the members' comments, what kind of campaigns are successful, and such, it is the key to the e-commerce.

- Follow up (if yes): **What sort of data are the company most interested in and what are the motivations behind the interest of the specific information?**

- Follow up (if no): **Are there specific reasons as to why the company do not collect alternatively analyze the data collected?**
(Connected to technological know-how and resources?)

20. Is the data collected and analyzed based on customer segments or products? (Alternatively both)
We look at different customer groups since it is too troublesome to manage on an individual level… We observe how the whole groups react on different campaigns and so on.

21. Does the company utilize the loyalty program in order to evaluate the effectiveness of marketing campaigns?
(Clarification E.g. TV-ads, newspaper ads etc.)
Yes

22. Does the company use the loyalty program data in efforts to predict future trends?
Yes

Section 4: *Evaluation of loyalty program*

23. Have the company noticed any changes in customer behavior since the introduction of the loyalty program?
We have noticed that it is important for customers to be a part of a loyalty program, especially in order to reach the higher categories of the loyalty program

- Follow up (if yes): **What kind of changes have occurred in the behavior?**
(E.g. Increase of quantity of product purchased at every individual visit, increased frequency of visit from the customer or reduced amount of time spent on the site at purchase situations)

- Follow up (if no): **Does the company have any thoughts as to why the behaviors of the customers' remain unchanged?**

24. **Within which bracket would you place a loyal customer based on how frequently they return?**
<mark>*0-1 Month*</mark> *1-3 Months* *3-6 Months* *6-12 Months* *> 12 Months*
I would say that they have a monthly purchase; the most loyal customers do it absolutely every moth

- Follow up: **At what frequency would you place the majority of the online loyalty members?**
… As the majority of the members in the loyalty program become a member of the program as soon as a purchase has been made, the average customer would therefore make a purchase every year.

25. **Are the offerings in the loyalty program updated or changed?**
We update the loyalty program on a yearly basis, were we usually have an overview of the program in order to see if there is something new that can be added or removed.

- Follow up (if yes): how often are they changed or updated?

26. **Is the product delivery performed through external shipping or gathered from a physical store or warehouse owned by the company?**
It is currently managed internally.

- Follow up (if external shipping): **Do you enable the customers to track their package? (Either at your own site or at the shipping company's site)**

- Follow up (if physical store): **How does that procedure work? Additionally is there a specific reason as to why you prefer to deliver the product internally?**
The loyalty program as it is today, operates in the sense that the diamond customers receives a Christmas present personally which is administrated through our common logistic channel by logging into the website and choosing a product which is further send to the member via our regular transportation route, besides this there are not many physical beneficial objects that exist but rather discounts which we don't send by mail.

27. **Does the company actively search and identify opportunistic customers within the online loyalty program?**
(Clarification E.g. several customers grouping up in order to draw bigger benefits from a single membership instead of creating several individual memberships?)
No this is not a problem, of course we actively handle and try to identify our customers but that happens automatically. I mean as you make purchases, you get categorized into a certain customer level and we are constantly trying to offer the different membership levels exciting offers but at the same time take care of them as well as possible.

- Follow up (if yes): **Does the company actively work against such behavior?**

- Follow up (if no): **Do you think it is hard to identify customers that are trying to cheat the system? Alternatively do the company not mind if customers share memberships?**

28. Is inactivity in the online loyalty program penalized?
You collect your points during a calendar year and the amount of points gathered becomes the basis for the membership status you will receive the upcoming year but once each year the points you gathered will be reset and the points then will be the basis for the next upcoming year… In theory you are bound to delete customer information after certain years, but before then you need to keep the data active and the member will be designated to the lowest membership status in our system until they start spending more

29. Does the company promote interaction between customers on the site?
(Clarification E.g. enable product reviews, forum discussions on the homepage or social media discussions)
Yes you could say that, we put a lot of emphasize in letting the customer grade and give review to our products which is also something that happens on a larger scale. We have also had a community lookalike consideration were you had the ability to comment different things but this did not work out in the same way as "Aftonbladet" and "Expressen" removed this function, there are many people who likes to talk nonsense and whine so currently we have only the option to grade and write comments among the products which we think is great… We introduce the community lookalike during spring 2008 and removed it during autumn 2008.

- Follow up (if yes): **Do the company then monitor such interactions and analyze the information?**

30. Does the company share any information gathered from the online loyalty program with suppliers?
Yes you could say that since we often want to offer our special customers among the higher ranked members a bit more and in this case we turn to our suppliers in order to get better prices and such but we never give out concrete information about who they are but rather how many they are and such.

31. Is there a product comparison option available within the online loyalty program?
(Clarification E.g. is the customer supplied with information of similar products, alternatively substitutes / competitors' products?)
No I don't think so; we haven't managed to get to it.

32. Is the payment and payment security of the order handled by an external party?
(Clarification E.g. is another company in charge of handling the security of the payment? E.g. Klarna)
Confirmative, Klarna

33. What efforts are made to increase homepage security, in addition to the perception of security among the customers?
(Clarification E.g. does the company present security contracts / diplomas to the customer)
This is one of the reasons why work with Klarna, lately they have received negative writings about them but we think they are an extremely sincere supplier and we want that spirit to impregnate our experience…

34. Does the company have some sort of physical loyalty program card?
Nope

- Follow up (if yes): **is the online loyalty program integrated with the card based loyalty program?**

35. Is the company pleased with the current state of the loyalty program or does it require further improvements?
We are probably never fully satisfied and are rather striving towards becoming bigger and more exciting for our customers. We are continuously looking at how we can make it better, so no not fully satisfied.

Section 5: *Future development of the loyalty program*

36. Looking at the future development of the loyalty program, what sort of features does the company hope to implement?
The refund options are something that has been requested by many… We have other plans as well but nothing that is concrete

37. What have been the biggest struggles with the development and maintenance of the online loyalty program?
When we had magazine subscriptions through an partnership earlier, it was troublesome to keep track of it since we were only an intermediate between the customer and our partner. The customer service had a hard time as once a member got promoted to the next membership level we just sent the customer information to our partner but sometimes due to release date of the magazine, the customer might just have missed it which then resulted in many conversations and questions which in the end was very problematic and the reason we choose the end the cooperation… But of course we are still evaluating everything and not just excluding options but this set-up did not turned out to be optimal.

38. (Situational) Would you say that the problems and/or benefits of the online loyalty program differ from the physical card based loyalty program?
The company is completely online based.

39. Have the goals set on the loyalty program changed from its inception?
No the overall strategy have remained the same.

40. Is there efforts made to differentiate the company's online loyalty program from competitors beyond the products offered?
We have without any doubt the most elaborated loyalty program compared to our competitors, of course it's a positive thing to have such an elaborated program but at the same time we cannot stay pleased but rather striving for constant development and keep it positive and better for our customers, we are not pleased with it but think it is alright.

- Follow up (if yes): **What sort of factors or features would you say is important to differentiate the loyalty program?**

- Follow up (if no): **Is there a specific reason as to why the company chooses not to differentiate the loyalty program from the competitors?**