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Can club cards create customer commitment?



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Preface

Firstly we would like to thank our tutor Ulrika Holmberg for her support and guidance. She has given us good advice, recommendations and constructive feedback and been a great help throughout the thesis. We will also give thanks to the librarians from the University libraries in Gothenburg and Oslo for their help with finding relevant literature to our thesis. It has been an interesting and educational process and we are pleased with the results we have achieved.

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Abstract

In a more interlinked market where customers get more knowledge of product alternatives and are harder to get attention from, companies have to put more effort in keeping their customers and trying to attach them to their companies. This thesis shows how companies through loyalty program can increase customers switching costs and tie the customers to stores. We discuss what loyalty and being a loyal customer is. We have looked at earlier theories and gathered own information to see what customers think about the concept of loyalty. We also find out what customer bases their choice of store on, and what benefits they look for in a loyalty program. Another thing we looked at was whether a loyalty program could be perceived intruding to customer's privacy. Our research question was:

"Has a grocery stores use of loyalty programs a positive impact on a consumer's choice of store?"

In order to answer this question we departed from a theoretical framework of theories and models we found relevant to our study. We compared them to find out what theories that are in line with each other and what theories that are contradicting. We collected general theories, company-based theories and customer-based theories. This was to get an understanding of concepts, but also to be able to see the value of loyalty in both companies and customers point of view. In terms of loyalty, we found student as a target group interesting to study. We made some comparisons to another market - the Norwegian, which do not have a very developed tradition of loyalty programs. Some companies that are established in both markets have different approaches concerning loyalty programs. Many companies that use customer cards in Sweden do not use it in Norway. To make an own contribution to our discussed research problem we conducted a survey by questionnaire and carried out interviews in two focus groups. The questionnaire was sent out to young people in Sweden, mostly students in order to limit us to a smaller target group. One of the focus groups was held in Gothenburg, Sweden, and the other one in Oslo, Norway, in order to compare opinions from the different markets.

We analyzed our results out of three problem areas (customer loyalty, loyalty programs and personal integrity) with six sub-questions. Our conclusion was that a grocery stores use of loyalty program has a big impact on the consumers' choice of store, mostly because of the trade-off between discounts and special offers in exchange of information. We found that it was the stores with loyalty cards that had the best combinations of prices, product assortments and placements for the customers.

Key words: Loyalty, Customer loyalty, Loyalty programs, Customer relationship management (CRM), Switching cost, Customer club card, Grocery market.

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1. Introduction

This introductory chapter will serve to give an overview to our bachelor thesis. We present the background of our problem and a problem discussion, which led us to form the problem formulation. Furthermore, our aim, problem formulation and delimitations can be read in the end of this chapter.

In this thesis we want to explore companies' ways to create loyalty and commitment among their customers through designed loyalty programs. We look at what impact it has on consumer's choice of store. This is interesting for companies that want to build deeper relationships with their customers, and thereby create higher profits through higher sales, better planning, lower costs of storage keeping and better promotion. The advantages with a loyalty program are many, but we will also discuss whether it could have disadvantages too. We have decided to focus on the Norwegian and Swedish markets, since we have found approach differences in attitudes among companies towards these markets, concerning loyalty programs. We look at whether customers in these markets wish for loyalty programs or not. We also investigate possible reasons for resistance.

1.1 Background

The companies' investments in marketing look different now than they did 10 years ago (Keller 2008). Today, companies have a bigger focus on creating a long-term relationship with their customers by using a one-to-one marketing strategy. Many companies have left the traditional transaction marketing, where the intention is to sell as much as possible, as quick as possible (one-to-many marketing) in order to focus on one-to-one marketing (Söderlund 2001). Relationship marketing concerns database marketing, interaction marketing and network marketing (Zineldin 2000), all of which can be found in contemporary loyalty programs.

Relationship marketing is characterized by customer retention, orientation to customer values, long time-scale, high customer emphasis, commitment and contact. While transaction marketing is focused on a single sale, orientation towards product feature, short time-scale and little or limited focus on service, commitment and contact (Payne 1995). Since direct marketing plays an important role in creating the firm's identity, it is important to be outstanding somehow. The company has to build brand equity, not just brand knowledge (Keller 2008). Keller argues that a customer that feels seen by a company will acknowledge this and in return – be loyal.

Technological developments, a bigger media flow and increased competition are some of the reasons why companies chooses to spend a lot on marketing communication today (Blomqvist 2004). Nowadays, consumers have higher demands on companies' products and services (Keller 2008). Customers' new capabilities are more customer power, greater variety of available goods and services, more information and more

interaction with other customers. In order to satisfy customer needs and create loyalty; the companies have to know which marketing activities they should focus on. We believe that many companies choose their communication channels without knowing much about the effects in advance. This is shown by lacking result of specific campaigns that even could harm the firm instead of increase sales. One example of this is McDonalds twitter campaign #McStories (Hill 2012), in which McDonalds used twitter to make customers to tell stories from their McDonalds visits. The idea was to get satisfied customers to share good experiences from the fast food chain. But the campaign backfired and a horde of customers started to tweet about their bad experiences instead. McDonalds tried to stop the campaign but the harm was already done.

By not knowing the customers perception the companies bears a risk for expensive mistakes – to use the wrong marketing channels trying to reach their target group. Or even worse, not knowing how the chosen channel works – as in McDonalds case. The goal with effective marketing is to choose the right media channels, pointing it at the main target group, at the right moment to be successful. Companies should be concerned about that the marketing really stands out from the buzz and not just makes one in the crowd. Companies have to find a way to personalize the marketing to create customer loyalty towards the firm. This is why we choose to write our bachelor's thesis about how designed loyalty programs can affect customer's choice of store.

The reasons why we chose to make a comparison between the Swedish and the Norwegian markets are many. Firstly, we find it very interesting that companies that are established in both countries use different marketing strategies in the two countries (Table 1). If we just look at the phenomena of club cards we can see that it is not as widely used in Norway as in Sweden. This favours our study to be comparative. Secondly, we wanted to take advantage of the fact that Anna lives in Gothenburg, Sweden and Martin lives in Oslo, Norway. We have good networks at both places and are well experienced as customers, which would help us during our work with this thesis.

There are also other advantages when it comes to comparing Norway's market against the Swedish one. Norway is a much more fragmented market than Sweden (Bengtsson 2009) and therefore it is harder to make customers committed. Meanwhile, the countries have similar cultures and there is a big interaction and trade between the countries. However, many companies from Sweden find it difficult to establish their business in Norway because of trade barriers (Maric 2012). According to the National statistic institutes and Euro stats both countries had a surplus in their balance of trade 2010 as well as an increasing foreign trade (Nordic Statistic Yearbook 2011).

Company	Sweden	Norway
ICA	X	
HM	X	
Statoil	X	X
Coop	X	X
MQ	X	X
SJ/NSB	X	
IKEA	X	X

Table 1. Companies with presence in Norway and Sweden with customer cards

A critical part of engaging in loyalty programs is that it could hurt the customer's personal integrity. We want to know if the gathering of information could be confining to someone's privacy.

1.2 Problem Discussion

Club cards, customer magazines, newsletters, Twitter tweets, Facebook fan pages, and VIP events – the list of different ways companies can communicate to their loyal customers is long. The main purpose of loyalty programs is creating benefits for both the customers and the companies. However, is loyalty marketing something that all consumers appreciate? Do the customers really want to be a part of a loyalty program? Could such memberships only be seen as a purchase-stimulating argument? (Mårtensson 2009). This is one of the difficulties for a company to handle when they choose what activities they are using in their loyalty programs. It is important for all companies in a competitive market to achieve customer satisfaction and create long-term customer relationships to survive and be profitable (Söderlund 2001).

But which customers give the companies the highest profitability? Is it new customers who generate the biggest cash flow to the company (offensive strategy) or is it the old customers a company should keep focusing on to increase their revenue? Old customers are more likely to repurchase, pay premium prices and buy products with higher margins (defensive strategy). Usually, a company do not choose only one of these two strategies, because both customer groups are important for a company's profitability. It is difficult to divide and measure the revenues from each group and therefore hard to say that one target group more profitable than another. Many companies uses a combination of offensive and defensive strategies, but focus more on one of them (Mårtensson 2009).

Many companies use loyalty programs to be customers' first choice and a top-of-mind brand (Mårtensson 2009). But what happens if the customers do not respond or react in the way the companies expect when they invest in loyalty program? Is it possible that customers do not appreciate to be contacted by companies through different channels? Could it be perceived intrusive to their privacy? Some people find loyalty programs

unethical and manipulating (Evans, Jamal, Foxall 2008) and because of that reason they choose to not be a part of it. There are also other customers that can be seen as loyal, but who does not engage in programs. This explains why it is hard for a company to know if the loyalty program is successful. What other things makes customer attached to a company? There are a lot of stores who do not have club cards, Facebook pages or newsletters, but still have loyal customers. A classic example of this kind of loyalty is a person who always buys cheese or charcuterie products from small producers; this can be due to high quality, kind treatment and other personal linkages. The location of the store is a key component in consumers' assessment of total shopping cost (Keller 2008).

Many companies view the Nordic market as one and have the same approach to all countries. But are they actually so alike? Do customers in the Norwegian market have the same view of loyalty programs as those in the Swedish market? Is wealth a factor that decreases the demand for discounts, bonus programs and special offers?

What do companies benefit from loyalty programs? Do the benefits of a loyalty program outweigh the costs of it? What are the legal regulations concerning loyalty programs and is a company really allowed to gather all information they can? Scandinavian Airlines were forbidden to implement their loyalty program for domestic flights, because of the risk of getting a monopolistic position (Söderlund 2001). An example of a company that invest a lot of money on loyalty programs is ICA. They use both a defensive strategy and an offensive strategy in their direct marketing strategy (Söderlund 2001, Mårtensson 2009). ICA is, according to their CEO P.E. Kenneth Bengtsson, known as a company that quickly respond to their customers' needs, wishes and preferences. (Bengtsson2009). Their loyalty program is one of ICA's key strategies to satisfy their customers' needs (ICA AB 2012). But if their loyalty program is such a great competition advantage as they describe it, why can they (ICA) not implement it in the Norwegian grocery market?

Dealing with customers and the gathering of information about them, one has to be aware of people's personal integrity. Purchases in a grocery store can be of highly private character and is therefore something that companies need to pay attention to. Even if they know a lot about the consumers, they do not always have to show it. ICA, for example, record individual customers in terms of products they buy, when they buy it, what price they paid and so on. This is used to form special campaigns towards that specific customer and to track the customers over time to find out consumer behaviours and life situation (ICA AB, 2012). When a customer subscribe to a loyalty program it is stated in the general agreement what information that is gathered by the firm. *The right to privacy* is the right of individuals to decide how much of their thoughts, feelings and parts of their personal life they want to share with a company (Laczniak & Murphy, 1985). However, the concept of privacy is something subjective and everyone has their own view of it. To some age and income is private, to others weight and address is. According to Goldfield (1977) the general public is getting more concerned with the right to privacy (Laczniak & Murphy, 1985).To intrude on someone's personal integrity,

which is bad business ethics, will hurt the business in the longer run. As Velasquez (2012) states it; “Who would keep on doing business with someone who is repeatedly doing wrongly towards it customers?” (Velasquez 2012).

Dolnicar and Jordaan (2007) argue that there might be a coincidence between customers that are concerned about their personal integrity and lower revenues. Their explanation to this is that customers who do not confide in a company will choose other companies or channels for their purchases. To not be too intrusive ICA makes regular surveys to see what customers think about their loyalty program, this survey include questions concerning integrity (Jireskog, Larsson 2011)

1.5 Problem formulation

“Has a grocery stores use of loyalty programs a positive impact on a consumer’s choice of store?”

To answer this question we created three major sub-problem categories – **customer loyalty**, **loyalty programs** and **personal integrity**. These categories help us create a better structure and divide our theories, answers and results in an organized way.

1.5.1 Sub problem 1 – Customer loyalty

- What makes a customer loyal to a grocery store?
- When do consumers think that they are loyal to grocery stores?

1.5.2 Sub problem 2– Loyalty programs

- What are the advantages and disadvantages with loyalty programs and what benefits can the companies and the customers receive from it?
- Would the customers in Norway choose to subscribe to a loyalty program and be more satisfied, if the major grocery chains in Norway introduced it?

1.5.3 Sub problem 3– Personal integrity

- Are the consumers attitudes positive or negative to the companies’ gathering of information about the customers?
- What do customers think about the issue of gathering relevant information versus supervising?

1.6 Purpose

The purpose with this thesis is to discover how a company's use of loyalty programs in the grocery store market can create loyal customers and how it affects the consumers' choice of store. The study is undertaken from the customers' point of view even though we also look at the companies' gains and losses from the programs. We want to discover whether loyalty programs have a positive impact on the customers' purchasing behaviour. This study will compare attitudes towards loyalty programs between Sweden and Norway, two markets in which companies use different approaches when dealing with loyalty programs.

1.7 ICA AB – an example of a Swedish grocery stores loyalty program

During 1990, ICA introduced their first edition of their nationwide loyalty program (Blom 2012). The program made it possible to make credit purchases, which later on developed to a payment function. ICA was the first grocery store in the world to have a self-designed loyalty program (Detterman 2008). ICA expanded to the Norwegian grocery market in 1992. But their loyalty program has not been introduced to the Norwegian market.

ICA developed their loyalty program towards customers' needs and requirements and started to use CRM in their new versions of their loyalty program. The bonus system was implemented on all ICA-customer cards in 1999 and since 2001 ICA has their own bank, with accounts tied to the customer cards. The main purpose with the new loyalty program was to facilitate the payment and develop ICA's marketing strategy to achieve a more customer-oriented marketing. The money on their accounts gives higher interest rate than other banks, but can only be spent within ICA. The new design of the loyalty program gave ICA an opportunity to gather more information about the customers and send out personal offers through direct marketing (Detterman 2008).

Today, ICA has becoming more than 3.1 million customers with ICA- cards, of which 1.4 million have the ICA- bank accounts (Sällberg 2004). The benefits a customer receives when becoming a member of ICA's loyalty program are bonus points, percentage discount on each trade and personalized offers on products. As an ICA member you also receive a monthly newspaper called "Buffé", if you spend more than SEK 1200 at ICA every month. ICA has also started a special loyalty program for students, which gave students better discounts, more benefits and double bonus on every purchase (ICA AB 2012). Since 2011, over 33 000 students have become members of ICA student (ICA AB 2011). ICA will be mentioned more times further in this thesis, known as a grocery store with a developed loyalty program at the Swedish market. But we have chosen not to immerse ourselves in the company ICA, but only use it as an example.

1.8 Differences between the Swedish and Norwegian grocery markets

Sweden is a country with high food and grocery prices in comparison with other European countries. But from a Nordic perspective, Sweden has far lower prices than Norway and Denmark. According to a study from *Konkurrensverket* (2009) Norway has a 40% higher price level than the average 15 EU countries have. One important thing that concerns our study is the difficulties to compare international prices in the grocery market. This is due to different consumer patterns and competitive pressure such as labour costs, transport costs, political approaches, taxes and other barriers. (Hansen and Lundvall 2009)

Norway is a neighbouring market to Sweden with few language and cultural barriers. Norway is the second largest export market (Statistiska Centralbyrån 2012) to Swedish companies, in particular for companies at the grocery market. With higher prices and a more impulsive behaviour from the Norwegian consumers, Swedish companies have the opportunity to increase their margins by establish their brand or company in the Norwegian market. Unfortunately the grocery market in Norway is strongly protected by high tariffs and other trade barriers in order to promote the domestic production. This prevents many Swedish firms from taking a step into the Norwegian grocery market, although there is a great need for new competition and an increased demand from both business and consumers. The fact that Norway's grocery market is highly protected gives companies that are established in more markets (e.g. ICA) a competition advantage compared to companies. It is easier for foreign companies to keep costs down and have a broader product offering. However, it is harder to establish in Norway in the first place (Maric 2012).

Sweden scores the lowest of all Scandinavian countries on the consumer price index. While Sweden has a price trend of a 7.9 % increase from 2005 to 2010, Norway's prices increased by 11.9 % over the same period. This change wills possible lead towards higher price sensitivity in Norway over time, which makes consumers look for opportunities of better deals. Compared to the EU 15, Norway's final prices to consumers on foods are 54% higher, while it is "only" about 10% higher in Sweden (Nordic Statistic Yearbook, 2011)

According to ICA's financial report from 2011, a study show that 35% of the urban customers in Norway choose a grocery store based on freshness of products and perceived quality. Norwegian customers' buy groceries more than once a week, therefore a short distance to the grocery stores is an important factor for the customer. That is also a reason why the market traditionally has been characterized by small grocery stores located close to the customers' homes (ICA's Financial Report 2011). Low prices and healthy food are mentioned as important factors in a consumer's choice of grocery stores in Norway. The Norwegian grocery market is characterized by big chains, which often are owned by large corporate groups that own other chains too. Norway is,

according to the founder of the Reitan Group, Ole Robert Reitan, the hardest grocery store market in the world to establish in (Andersen, Rognmo, Thømt, 2008). This is due to high trade barriers, strict laws and many regulations. In addition to this the price level is very high, so that you need a lot of capital to establish in this market (due to costs of personnel, facilities and bureaucracy).

1.9 Delimitations

In order to achieve our purpose, this thesis is limited to loyalty program in form of club cards. We will not study other types of direct marketing methods in our chosen field. According to Butscher, there are many kinds of customer clubs, such as end-user clubs, business-to-business clubs and so on (Butscher 2002). We think that customer club cards aimed to students are a good way to narrow such study down. We thought that the market of grocery stores was the best market to study, since everyone has to buy groceries. Our respondents were mostly students at business universities in Gothenburg, Sweden and Oslo, Norway. Why we focus on this customer group can be read further on in the paragraph *3.3 Selection* under *3. Methodology*.

1.10 Disposition

In this initial chapter we have given an introduction to our thesis and a description of what we are going to study. In next chapter we have concluded the theoretical frameworks and showed what theories we have chosen. Chapter three presents our choice of methods and includes some criticism of our sources. In chapter four our results from our chosen methods will be present and in chapter five we analyse the results and compare it to our theoretical framework in line with our sub questions in mind. The sixth chapter includes a conclusion in which we answer our problem formulation. In this chapter we are also present our limitations and give recommendation for companies and further studies. Chapter seven present our references and in the end of the thesis the appendix can be found.

2. Theoretical Framework

In this chapter, we will present definitions, concepts, theories and relevant information related to our problem formulation and purpose in this thesis. The chapter is divided into three main sections; Customer loyalty, loyalty programs and personal integrity but will also include a definition of the concept of Customer relationship management.

2.1 Definition of loyalty and customer loyalty

We provide some definitions of loyalty and customer loyalty in order to show what view we have taken for the concept of loyalty. Loyalty is an example of a stretched word that has over 53 measures (Söderlund 2001). In his book *Philosophy of Loyalty* (1908), Royce explains loyalty in the following way.

"...A man is loyal when, first, he has some cause to which he is loyal; when secondly, he willingly and thoroughly devotes himself to this cause; and when, thirdly, he expresses his devotion in some sustained and practical way, by acting steadily in the service of his cause" (Royce 1908 quoted by Holmberg 2004, p. 17)

Customer loyalty can be described in many different ways, depending on which company we are talking about and what kind of customer loyalty the company wants to achieve. In some industries, loyal customers have a greater impact for companies' survival and viability than to other industries (Blomqvist 2004). According to Söderlund (2001) a general definition of customer's loyalty is a satisfied customer who gets what he expect to get from the company and repeats his purchasing behaviour over time. Every time he has the same needs to be fulfilled, he will come back to the company.

"Consumer loyalty is viewed as the tendency for a person to continue overtime to exhibit similar behaviour in situations similar to those he has previously encountered; e.g. to continue to purchase the same brand and product in the same store each time he needs or wants an identical or similar item" (Reynolds et al. 1974-75, p.75, quoted by Svensson and Toshach 2010).

The difference between loyalty and customer loyalty is, according to Holmberg (2004), that you can be *loyal* to virtually anything; a person, a place, an object or a brand while *customer loyalty* is more about a business relationship between a company and a customer. According to Holmberg's study the concept of loyalty can be looked at in both an individual and relational context. A prerequisite for a person to be loyal to something is that the person must have a relationship to the subject or object. The person's sense of loyalty can be individually and differently strong and the relationship does not have to be mutual. Other explanatory words to describe loyalty are faithfulness, trustworthiness and solidarity (Holmberg 2004)

Customer loyalty is more than just showing humility to something. Every company cannot win all customers loyalty and gain the benefits from it. The customers choose the company they know will satisfy their needs and where they feel they would get the most perceived value from. Customer loyalty can create a mutual exchange of benefits between the company and the customers, if they can engage in a relationship with each other (Söderlund 2001).

2.1.2 Customers' perception of loyalty

"Loyalty from a customer's perspective is often about choosing a dealer, even if there are other alternatives. At the same time both parts have to express a mutual relationship, which is crucial for the continued loyalty."(Translated from Blomqvist et al p. 121. 2004)

The meaning of loyalty for a customer is individual and can be experienced in different ways. The term loyalty is often used in business as an explanation of whether the customers are coming back or not, but loyalty is more than a repurchasing behaviour and a business relationship. Customer loyalty is a promise or an obligation to help each other to create synergy effects.

In a study by Fournier & Yao (1997) about customers' brand-loyalty she found that consumer's relationship to companies can be at different levels. She found that some consumers expressed no desire to switch brand even if they were aware of better alternatives from competitors. Fournier described one consumer's relationship to a brand as a "classic long-term marriage metaphor" where the brand is associated with words like "trustworthy" and "honest partner" for the consumer. Fournier found that a customer's feelings to brand could have a huge impact on behaviour. This explains why loyalty sometimes can be hard to understand and define as a general concept; it is individual for every consumer (Fournier & Yao 1997, Holmberg 2004).

In Holmberg's study (2004) she found that the consumers' most prominent descriptions of loyalty to a grocery store were these four; patronage, satisfaction, support one's store and having a close relationship with the store. In her study there were consumers who described store loyalty with making purchases in a store only because you cared about the store. Their choice was not based on the stores performance of fulfilling needs. Holmberg states that some consumers see loyalty as a moral activity and something you choose to be. The customer shows it through action and not through emotions and thoughts. The results from her studies clearly indicate that a consumer can have a positive attitude toward a grocery store, but if he never goes to the store and shop, he could never be called a loyal customer. According to Mårtensson (2009) is it important for companies to understand their customers' view of loyalty, how they should satisfy their needs and prevent them from buying products and services from competitors.

2.1.3 Attitudinal loyalty

Attitudes are often explained as one of our strongest forces to motivate and influence our purchasing decisions. When a customer shows a strongly positive attitude towards something, for example a brand or a product, it is considered to be personally relevant to the consumer. At least the customer must be able to differentiate these products from other competing alternatives on the market. The customer is also likely to show a greater loyalty and trust to this object. This *true loyalty* shows the important relationship between relative attitude and a high level of confidence, which is demonstrated in figure 1.3 (Evans, Jamal, Foxall, 2008 p. 254)

		Level of confidence	
		High	Low
Relative attitude	High	Loyalty	Latent Loyalty
	Low	False Loyalty	No Loyalty

Figure 1. The relative attitude-behaviour relationship. Source: Dick and Basu model 1994 p 101 (Evans, Jamal, Foxall 2008)

A customer can show loyalty to more than one brand, which usually occurs when the customer has a low relative attitude but a high confidence in the brand. This is called *false loyalty* and is one of the reasons why it is difficult for companies to measure how trustful a customer's loyalty really is. An example of this false loyalty is when customers consider themselves as loyal, when buying a product of pure habit. A customer with low commitment might buy a brand just because of its low price. These products usually are quite generic consumables such as vegetables, milk and fruit¹

There are also customers who have *latent loyalty*. These customers have a high relative attitude towards a company, brand or product but because of normative or social factors they do not choose to buy it. (Evans, Jamal, Foxall, 2008) An example of customer's latent loyalty is organic products, to which consumers often have a positive attitude and consider buying it, but when they come in to the grocery store they do not have enough motivation to choose the more expensive organic products. Instead they buy products from their usually brands or cheaper alternatives. (Mårtensson 2012)

¹ Mårtensson, Rita: Professor in Market Communication and Branding by the School of Business, Economics and Law by the University of Gothenburg. 2012. Lecture 6, Bachelor level, 2012-02-21

As a fourth category of loyalty, according to Dick and Basus model (Evans, Jamal, Foxall 2008), we have the *non-loyalty* customers who have both low attitude and confidence toward a brand or product. These customers are not long-term relationship customers for a company.

2.1.4 Behavioural loyalty

Behavioural loyalty is the kind of loyalty companies struggle for when they want to stimulate the demand for a brand. The goal with market communication is to encourage customers to purchase a product. One way to achieve behaviour loyalty is if a house of brands promotes test purchases of other products they sell. Companies with a good, personalized, relevant, targeted marketing communications have a better chance to gain customer awareness. This makes the product recognition easier and it becomes easier to separate the company's brand from competitor's brands. A purchase-stimulating argument for a customer is the basis for behavioural loyalty (Mårtensson 2009).

A study from Reinartz and Kumar (2002) explain how important it is for companies in competitive markets to have long-term relationships with customers who have a strong attitude- and behaviour loyalty towards the company. They concluded that a customer with both loyalty terms could generate a 120 % higher profit to a company (especially in grocery stores), in comparison to customer who only reveals a behavioural loyalty (Mårtensson 2009).

2.1.5 Operant conditioning as an explanation of repurchase behaviour

B.F. Skinner defines operant conditioning as: "The consequences of behaviour determine the probability that the behaviour will occur again" (Cherry, 2012). Repurchases may be linked to operant or respondent conditioning, which is a behaviouristic approach and an explanation of learning focused on past experiences (Evan, Jamal, Foxall 2008). The model of operant conditioning was developed by Skinner, an American scientist who argued that our behaviour is more influenced by positive and negative external factors from the environment, rather than internal thoughts and motivations (Cherry, 2012). The theory described shows a certain behaviour can be encouraged and strengthened by the use of positive and negative reinforces and lead to a repetitive behaviour. When a customer feel satisfied with something he would repeat his behaviour in purpose to become equally or more pleased than last time. An example of operant conditioning is when a grocery store offers a price reduction of goods, which the customer usually buys. Creating incentives by giving the customer discounts, leads to a better image of the store. The satisfaction of a good deal will probably lead to repurchase behaviour. The larger the bonuses are for the customers as rewards incentives, for example special offers, bonus checks, personal service or discounts, and the more times will the customer repeat his purchases. The instrumental learning theory can thus also explain a customer's different form of habitual purchases when

they every time purchase the same good in the same store or from a specific brand (Evan, Jamal, Foxall 2008). A way to maintain positive reinforcement to the consumers is to provide them through loyalty programs.

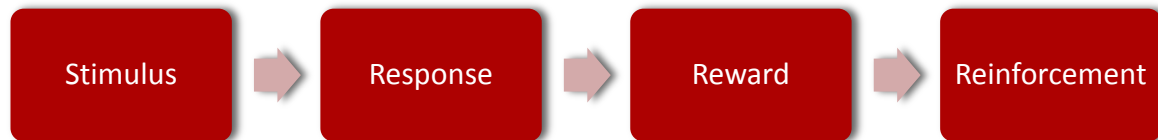


Figure 2: Respondent conditioning (Evan, Jamal, Foxal 2008 p, 71)

2.1.6 Customer loyalty and store location

As the society develops in a direction where time is a major limited resource and people have to prioritize things in their lives. Mundane activities such as grocery shopping is time consuming but necessary. Therefore, consumers will prefer and be more loyal to a store if the distance between the store and customer's home is short. According to Söderlund (2001), a fourth of the Swedish populations think that grocery shopping is boring and something that just has to be done. The store-location can create customer's loyalty and be a competitive advantage for companies at the grocery market if the customers find the distance to the store as an important factor in their grocery-shopping. Countries differ in retail structure and cultures make the store location more important and sensitive in some countries than in others. (Meyer- Waarden 2007).

2.2 Loyalty Programs

"A loyalty program is a way for companies to cluster customers, who all meet some criteria the company has set up, and give them benefits for some sort of action, which would not be given if they were not members of the program (Translated from Blomqvist et al. 2004, p 130).

A customer club is used to contact returning customers on a regular basis and activate them by special offers to create an emotional relationship with the firm. (Butscher 2002). To gain such benefits from a loyalty program the customers have to give out some information about themselves to the companies. This is not always very easy, so the companies have to create incentives for regular customers to subscribe to such programs. This is done through percentage discounts, special offers and other rewards. The customer clubs are formed to gather data from the customers. When creating a loyalty program the company has to choose if the offered benefit should be related to the core product or to cooperate with an external partner to expand the programs range of benefits (Butscher 2002).

In Sweden, there are clear laws and regulations that may prohibit companies from using loyalty programs if they do not follow provided instructions by the country's authorities. The Consumer Agency (*Konsumentverket*) has developed a common guideline for loyalty

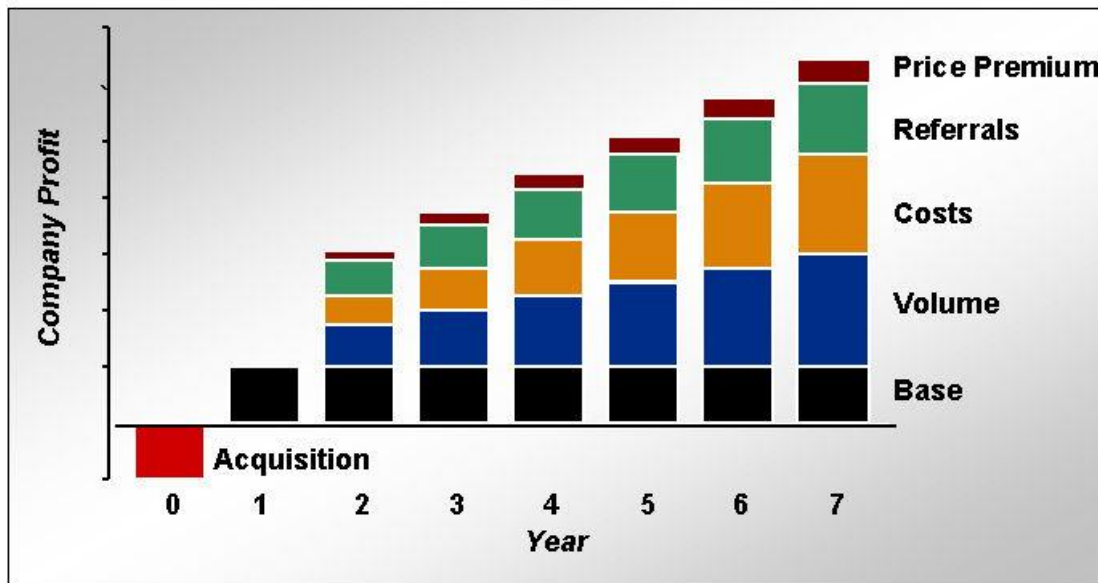
programs for the Nordic countries in order to protect consumers. Furthermore, we have the Competition Authority (*Konkurrensverket*), which is ensuring that corporate loyalty programs do not contribute to any monopoly on the market (Söderlund2001).

2.2.1 Why loyal customers are more profitable

Reichheld (1996) describes the customer loyalty effect as a spiral upwards, better customers creates higher surpluses, which are invested and creates more loyal customers witch spend more and so on. This table from the Harvard Business Review (Reichheld, Sasser 1990) shows how a loyalty program affects profits. Initially it cost money to acquire loyal customers, but over time they generate much higher profits. The expensive part is attracting the customers, advertising, forming the loyalty programs and so on. As soon as a potential customer buys a goods or services from our company, they generated a base profit. The base profit is unaffected by loyalty, it is just a natural income from a customer. The next step is when a satisfied customer returns to buy more of what we produce. According to Reichheld, A customer that is held on to tends to spend more money over time. This is because customers get to know the store, they know where things are placed, how much things costs and they recognize the employees. Loyalty programs make marketing and planning cost cheaper. The firms get to know the members of the programs' behaviour and can adjust after that. Special offers and recommendations are sent out, often through email, which keep printing costs down.

Further on, another benefit for the company is the positive word-of-mouth the satisfied customers create. If customers think a chain is especially good he will spread the word and attract new customers. Reichheld and Sasser also point out that a customer that shows up on recommendations usually are of higher quality and stay longer with the firm. At last, loyal customers are not as price sensitive as new ones. When a relationship is deep they tend to value the relationship and not just the special campaigns (Reichheld 1996).

However, Butscher points out that customer loyalty cannot be bought, but must be earned. There are many reasons why a company wants to create a loyalty program. One major is that the company does not have to attract new customers all the time, but instead secure revenues from existing ones. This action saves a lot in marketing costs (Zineldin 2000). "The right customers" can be categorized in three different groups (Reichheld 1996), unconditional loyal, more profitable and customer who value your products higher than competitors' products. The more customers a company can gather from these groups (a customer can belong to more than one group), the easier it is to maintain a deep customer relationship. Aaker too claims that loyal customers are more profitable than other customers (Keller 2008).



Source: "Zero Defections: Quality Comes to Services," *Harvard Business Review*.

Figure 3: The profit structure of a loyalty program over time (Reichheld, Sasser (1990))

2.2.2 A Customer's switching cost

According to Sällberg (2004) a customer's switching cost is caused by a customer's purchases and loyalty. Switching cost is the cost a customer faces of switching from one supplier or company to another. A customer is supposed to choose the utility that maximizes the benefits. The alternatives are to stay with the current brand/company or to switch to another. Factors the customers need to consider before they make their choice is more than just the satisfaction of the product. A study by Mittal and Lassar (1998) conclude that it is not only dissatisfied customers who switch from one store to another, but also satisfied customers switch as much as 38% of the times. This indicates that a company must be careful before they define their satisfied customer as loyal customer. Loyal customers are not as likely to switch to another company or brand as **only** satisfied customers are. A loyalty program is to prevent customer from switch their purchases from one company to another. An example of this is when a member of ICA's loyalty program chooses to buy food at *Willys* instead. If the customer's present value of a purchase at a competing grocery store such as *Willys* is lower than the present value at ICA (with the bonuses and discount coupons), the customer might switch to the other grocery store. This will cost him the benefits the loyalty program from ICA gives him, even though he saves money for the moment (Sällberg 2004).

According to Sällberg (2004) and the concept of "share-of-wallet" (Leenheer 2007) the consumers need to spend more than one third of their food budget in one store to be considerate loyal to a company. For example, a customer could purchase more frequently at one grocery store but spend more money in another one. From the companies point of view he will be loyal and profitable to the store in which he is

spends the most (i.e. share-of-wallet). Sällberg does not find this “share-of-wallet” phenomenon as a good definition of customer loyalty, he defines it as more preferable to combine a repeated purchasing behaviour with share-of-wallet and switching costs as an explanation of customers’ loyalty.

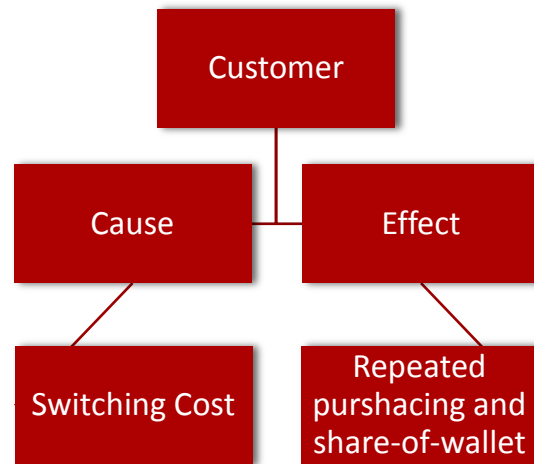


Figure 4: (Sällberg 2004 p 42.)

A company’s loyalty program can increase their customers’ share-of-wallet to their grocery store by creating different kinds of switching costs and barriers that might prevent customers from switching. Most loyalty program gives the customers personalized offers, benefits and rewards that make them feel like favoured customers. When a company fulfil many of the customers’ needs and the customer has a positive attitude and engagement to the company, the switching costs for ending this long-term relationship with a company can be high and emotional (Meyer-Waarden 2007).

According to Meyer-Waarden’s (2007) study, the average European or American customer owns three loyalty cards from three different stores. This statement may create a “cherry picking behaviour” from the customers, which means that the customers do their purchases in all three stores, but only buy items on discount through the loyalty program. When a customer is committed to more than one loyalty program, the customers do not always show a high degree of repurchasing behaviour or share-of-wallet in one specific grocery store. It is more likely that the customer shop in the store where he gets the best pay-off from his loyalty cards (Meyer-Waarden 2007). The results from Meyer-Waarden’s study also tell us that the more frequent a customer buys in a store; the longer the relationship with the retailer will last. His main point is that loyalty programs prevent customers from buying from competitors and broaden their shopping-pattern. The different benefits from loyalty cards can explain why customers find it worth to join several programs and shop after best offers. The loyalty coefficient is a measurement of how much percent discount a customer needs from a competitor to switch brand (Reichheld 1996). For example, some only needs 2 percent discount to go to another store, while others need at least 10 or 20. These are the customers’ loyalty coefficient, the economic force it takes to move customers.

2.2.3 Advantages and disadvantages of loyalty program for customers

One of the advantages for a customer who takes part of a grocery store's loyalty program is that his own purchase costs decreases when they get special price offers, bonus checks and rebates on products they usually buy. In our theories we also found disadvantage of loyalty programs from a consumer point of view is that the programs sometimes can be difficult to read and understand. Questions about loyalty programs that often are unclear for a consumer are; what kind of benefits that comes with the program and when do they expect to get this. An American study conducted by ACI Worldwide found that more than 40% of consumers surveyed were dissatisfied with their loyalty programs (Östgren 2011). According to the respondents, the reasons were a lack of communication between the company and the consumer or that they did not receive the reward or the benefits they expected to get from their loyalty programs (Östgren 2011).

2.2.4 Advantages and disadvantages of loyalty program for companies

There are two things that companies must be aware of before they introduce loyalty programs in their business. First, the costs for administrating and marketing the program can be high though the costs for configuration and implementation of the program' benefits seem to be low. Second, a company that decides to introduce a loyalty program in their business must know that it is very difficult to regret their decision (Blomqvist 2004)

A benefit for a company is that they through a loyalty program can access the customers' personal information and use direct marketing to the customers in order to create higher sales and show appreciation. The drawbacks with a loyalty program are that it is expensive for companies and that many of the clients who utilize the programs are loyal to the company for other reasons than the loyalty programs (Söderlund 2001). Customers can be loyal to another brand and because of this have to deal with a supplying company. A good example of this was Brämhult's freshly pressed blueberry juice. The juice could earlier only be bought at ICA stores and customers who demanded that specific juice had to go to ICA in order to get it. This created revisits to ICA without a loyalty program bundled to the company. These customers did not have to come back to ICA when other stores started to sell the juice (Blomqvist 2004, Mårtensson 2009). This is an important thing to keep in mind for resellers who sells other companies products.

According to the Pareto principle, loyal customers are more profitable than other customers. The Pareto principle says that around 20 per cent of company's customers stand for 80 per cent of the company's profits (Blomqvist 2004). Blomqvist questions this statement; he says that 20% of the loyal customers usually do not create 80% of the profits, but rather 80% of the purchase volume. Since profits of a company can be negative, the Pareto principle is not always reliable. Blomqvist (2004) provides an

explanation of why large customers can be very unprofitable for a company. These customers often want some kind of reward from the company and they can put pressure on the company by threats of switching to another supplier. Companies should not only reward the most profitable customers, but also the once with a small purchasing volume. It might be the smaller customers that create the largest revenues for a company.

In line with these arguments Söderlund (2001) says that loyal customers are not always the most profitable for a company because they tend to require more time, attention and various special conditions. These requirements and adjustments made for a company's loyal customers cost a lot of money and the question is whether it is worth it. In order to find out if a company's loyal customers are the most profitable, the companies can develop an individual profitability calculation for each customer, which also might decrease operational costs (Blomqvist 2004). Holmberg (2004) describes in her study that there are different points of views concerning loyalty and profitability. She, along with other, argues that it is important to understand that loyalty is hard to measure since it approaches the individual's behaviour. Revenues provide a measurement of the total performance, and not each individual's profitability. A reason why loyal customers are considered to be less costly is because they tend to spend more money in their favourite store. They do not spread their purchases between different stores in the same way as non-loyal customers. Costs for marketing and services are lower for loyal customers in the retail market (Holmberg 2004).

2.3 Customer Relationship Management

The concept of Customer Relationship Management (CRM) is often associated with technology and a way for companies to develop their relationship with its customers. CRM is a support at an operational level and a tool for companies to get more information about their customers. Companies' short-term customer relationship and one-to-many communication has developed to becoming more customer centralized and CRM systems create values and strategies for relationship marketing (Svensson, Toshach 2010). A CRM systems goal is to getting to know more about the customers' feelings and thoughts and reasons to their true loyalty toward a specific company (Holmberg 2004). Today companies manage their organization according to the customers' lifestyles, needs and preferences in purpose to achieve a long-term relationship with every customer and give them a high level of satisfaction. CRM is a good tool for companies to, in a more efficient way, get loyal customers. Through CRM systems a lot of personal information gathered into a customer database, from which companies can easily send out personal and specialized offers to selected customers (Mårtensson 2009).

2.3.1 Gathering of information about customers

In line with basic marketing strategies, companies have to gather as much relevant information about customers as possible. They could use information about needs, demands and preferences (Wallin- Andreassen 2006). However, the marketers cannot assume that all customers want to repeat their purchases or behaviours (Keller 2008). Peppers and Rodgers give us an example of a florist, who has a customer program that reminds customers to repeat orders and contacts customers when there is an upcoming birthday or wedding anniversary. What if a customer ordered flowers in a last attempt to save a marriage, would he really be interesting in repeating that behaviour next year?

2.3.2 Loyalty programs for students

One of the main goals with loyalty programs is to achieve long-term relationship with customers. It might take a couple of years before a customer can be described as truly loyal. According to Butscher (2002) loyalty programs helps companies to build a good and long relationship to its customer's and offer them a value in both financial and non-financial benefits. A loyalty program is an opportunity for both companies and customers to reach higher profit and be aware of changes (Butscher 2002).

Students tend to be a target group that is harder to reach for grocery stores. One reason is that students have a lower monthly income and are more sensitive to high prices. A bachelor thesis made by two students from The School of Business, Economics and Law at University of Gothenburg (Svensson, Toshach 2010) found that 83.9 % of ICA-students cardholders had a monthly income of 9000 SEK or less and this was true for 72.5 % of the non-cardholders group as well. A study from *Statistiska Centralbyrån* showed that many young students have a net income under 7200 SEK and half of this amount is some kind of contribution (Heggeman 2010).

Even if students might not be as profitable as other target groups for grocery stores because of economic reasons, they might be the right group to set up a loyalty programs to. Instead of letting them do their purchases in different stores, students can choose to go to only one store and through loyalty programs get special offers and better prices on all their purchases. When grocery stores make students committed to loyalty programs they get the opportunity to build up a long and good relationship at an early stage. One main goal with reaching students through a loyalty program is to keep them as long-term customer in the company, even after they finish their studies and take new steps in their lives. (Evan, Jamal, Foxall 2008, Butscher 2002) Relationship marketing and loyalty programs is a way to preserve the communication with the customer a longer time and make it possible (due to technological developments) for companies to follow their customers changes in needs, wishes, preferences and lifestyles. Butscher (2002) states that it is a great competitive advantage for a company to get its customer loyal to them at an early stage.

2.4 Summary of framework

To sum up our theoretical framework we have looked in to the concept of loyalty and consumer loyalty. We stated that consumer loyalty from a company's point of view is when a person exhibit similar purchasing behaviour over time and is devoted to something. Thereafter we looked at what customers classifie as customer loyalty. We differed between attitudinal loyalty and behavioural loyalty and find that there are differences in thinking positive about a brand and actually behave from those perceptions. We also discussed operant conditioning and a definition of a loyalty program we have decided to work out of. We touched upon the pros and cons of loyalty program and what a customer's switching cost is. Share-of-wallet and the importance of placement were examined and we also looked at students as a market segment. Lastly we discussed customer relationship management.

2.5 Information Retrieval

In this thesis we explore how a company's use of loyalty programs draws the customers back to their stores. In order to do this we need to gather data and information. In our Internet based survey we have questioned about attitudes concerning three areas – loyalty and loyalty programs, grocery shopping, personal integrity. We also needed some background information from respondents, in order to make sure that they are in our target group for this study (*1.8 Delimitations*). The survey was done in order to find out what makes customers wanting to be a part of a loyalty programs and what benefits they find attractive. We also asked question concerning what customers define as loyalty, to find out what they think of when they answer whether they are loyal or not. In our focus groups we wanted statements and stories from own experience and points of views. In addition to this we needed background information of the interviewees.

3. Methodology

In this chapter we will explain our chosen research methods and present our scientific approach. We clarify our qualitative and quantitative methods and the reason why we chose them. We also discuss how we performed the data gathering and what perspective and selection we used.

We have chosen to study the food retailers and their use of loyalty programs in the Swedish and Norwegian markets, from a consumer point of view. The study of loyalty in the grocery industry is difficult in the sense that the customer group is wide and large and that many consumers do not have one particular store where they do all of their purchases (Holmberg 1994).

3.1 Choice of methods

This thesis is based on both qualitative and quantitative studies. We have used surveys and focus groups to determine the consumers' attitudes to loyalty programs and if there are incentives to be loyal to one single company. The quantitative data can be organised statistically and presented in charts. Two kinds of methods were undertaken, since we wanted these to complete each other. We thought that we could get deeper knowledge about our respondent's approaches to customer loyalty if we had some of them taking part in our focus groups. Therefore, we asked some of the Swedish respondents who had completed our survey if they could participate in our group discussions. So firstly we sent out our questionnaire, and thereafter we invited some of them to our focus groups. In the Norwegian focus groups we asked people through own contacts. After observing the results from the survey as they dropped in, we saw trends that we decided to focus on in our discussions. Through this method we got a better knowledge of how our target group could reason when dealing with our problem formulations. This is also relevant because through group discussions we avoid misconceptions and language barriers (Esaiasson 2007).

We chose to make the study through a deductive method in which we first look at earlier theories, and then compare them to our results. To gather theoretical information we studied earlier research in this area. We had a great gain from being able to use two different university libraries, from different business schools in both the countries of our research (Sweden and Norway). Both libraries have access to several databases and tools to search for key words. We have also used earlier course literature to find new sources through the reference lists. We have also gotten material and books recommended from our supervisor Ulrika Holmberg. The gathering of data was done through a web-based survey, formed and sent out to our target group (1.5 *Delimitations*). An anonymous survey helped us to get honest answers, since they did not have to feel that they were revealing something sensitive or too personal.

In order to sort out if loyalty programs have an impact of customer's choice of grocery store we used focus groups as qualitative method. We think this is the best way to understand how some customer reason about a loyalty program. By a focus group we wanted to create a discussion and discover what a few customers said freely about customer loyalty programs. When a topic is discussed, participants can float more freely in their answers, rather than limiting themselves to one specific well-thought answer to each and every question. These focus groups were helpful to map if customers perceive their personal integrity threatened or not. Since we did not complete a survey in Norway (due to lack of time), we still got information about the Norwegian customers through the Norwegian focus group.

3.1.1 Quantitative

Our survey was made in purpose to see what consumers in the Swedish market thought about customer loyalty. The questions in the survey were about what attracts customers to specific stores, if a loyalty program is an argument to stick to a specific chain and if it could make consumers feel supervised. The reason for making the questions survey is to have a small sample of a bigger population observed, in order to draw conclusions for a bigger population (Newbold, Carlson, Thorne 2010). The questionnaire was spread by email, Facebook and links. Our objective was to gather enough respondents to observe trends and draw conclusions from our studied group. Our target was to achieve over 75 respondents. In the quantitative method we sent a web-based survey to a chosen sample of individual students. The advantage with a web-based survey is that it is easy to spread and a fast method to get many respondents. Another advantage with this kind of survey is that it is very easy to fill in and does not take much time to complete.

We chose Google Docs as a tool to make the questionnaire for our survey. After watching a video demonstration of how to design a questionnaire and summarize the answers, we thought that this would be the best, cheapest and most timesaving alternative. This was also suitable because we did not needed to be able to analyse correlation, standard deviation and such. The web-based questionnaire program had many advantages, not just that it is free. For example, you can choose between several different types of answering methods such as multiple-choice questions, checkboxes or scales. You can also decide whether the questions should be required or not and choose design. Some of these advantages you cannot get in a printed survey (e.g. required answers to continue)

While editing in the questionnaire, you can always choose to see the published version of the questionnaire, which reduces the risk for errors in the survey. The survey can also be edited after it is sent out, if something is misspelled or hard to understand. Another advantage is that the survey was easy to spread to people through e-mail and websites. We decided to publish our questionnaire to people in our target group on Facebook and e-mail. Google Docs also includes a tool to sort the data into charts and diagrams.

However, we chose to redo some of the graphs in Excel, because Excel graphs are easier to handle in a Microsoft Word documents (which we used to write this thesis).

Google docs program for making questionnaires have some more disadvantages. For example, the program is in English but our questions were in Swedish. Therefore, all charts and diagrams were plotted in a mix of Swedish and English. This meant more work for us but it also gave us a chance to walk through the data even closer. Another negative thing with the program, according to Bornholm (2009), is that you are not able to control that the same person only responds once. A person has the opportunity to answer the survey multiple times. Then the results will turn out statistically incorrect.

We chose to use different answering methods in order to get the data we needed. We had a couple of statement in which the respondents plotted themselves on a scale from 1 to 5, where 1 stood for “not agree” and 5 stood for “strongly agree”. This was for respondents to reflect over their standpoint and try to put it in a context. Our tutor Ulrika Holmberg gave us input to the survey, among other things she advised us to put the background questions in the end of the survey, since those questions can be perceived boring to answer.

3.1.2 Qualitative

We have gathered information through focus groups from consumers from two different markets, the Swedish and the Norwegian. Because the focus groups were held in two languages we had to translate the questions to Norwegian. This was to get the questions as similar the Swedish ones as possible, to avoid linguistic subtleties and other differences concerning languages. This is important in ordering to get corresponding answer from both target groups (Esaiaasson 2007). The focus group discussions were held to broaden our perceptions of how the loyalty programs could be experienced. We wanted to have statements about whether the customers desire them or not and how a loyalty program preferably would be formed. One of the reasons why we conducted focus groups was because we think that many Norwegians are not exposed for the same high complex marketing programs as many Swedes are, therefore they could come with new inputs as clean sheets and have other opinions than the Swedes. We also thought that focus group surveys would be a good method for asking questions about how an ideal loyalty program should be constructed and how it could be intruding to someone’s privacy. In the Swedish focus group we asked what the main advantages with a loyalty program is and what reasons they might have to subscribe. We asked what they thought could be bad about loyalty programs. We also discussed if loyalty programs are wished for and if they are designed so that they pleases the customers.

When we conducted our interviews we started with warm-up questions in order to break down social barriers and make respondents feel more comfortable with the situation. We tried to form the questions openly and not twisted towards any kind of

answers. Such questions are called “grand tour” (Esaiaisson 2007), to get an overview of the respondents.

The reason why we chose to make use of focus groups as a qualitative method instead of individual interviews was because of different reasons. One was because of the time-aspect; individual interviews would have taken much more time. Another reason was that we wanted to have a discussion between our interviewees, rather than only getting answers to our questions from the individuals. This is one of the advantages with focus groups; spontaneous thoughts and opinions often come up during the discussion and the respondents can reflect on a particular phenomenon together.

3.2 Configuration of questions

When we designed the questionnaire and the questions for our focus groups we had Esaiaissons (2007) six instruments to create good questions in mind. Firstly, we found relative previous research question about the subject. We looked at existing bachelor and master theses and books from pioneers in the subject. Secondly, we looked at material of how to design surveys and collect information. We followed recommendations and references in our read material. Thirdly we looked deeper into customer loyalty and found researches that were relevant to this thesis. We also got feedback and proposed material from our supervisor, Ulrika Holmberg, as well as her own research. Fourthly, we tested the questions on ourselves, to see how we could formulate them in order to get the information that we needed. Ulrika Holmberg also helped us with this part since she has experience from her own research. Thereafter we tried them on friends, to see if they were understandable and that the answer alternatives were relevant and desired. We did not want respondents to feel that their answers were not a choice in the survey. Lastly, we once again consulted with our supervisor to get her final points of view of our questions.

We also worked on actively avoiding negations in order to not affect respondent’s mind-set and confuse them (Eisaiaisson, 2007). Another aspect that we considered was the sequence of the questions. The order has to be chronological and we wanted our respondents to think freely and not answer randomly or in our favour. We also made some essential questions required, because those questions were necessary for the reliability of the study. Such questions were about the respondent’s background and general questions to open up the discussion. We thought about the sequence of answering alternatives so that the answer considered “most natural” did was not placed first. This was to make respondents read through all alternatives before choosing. In both the survey and focus group we put the questions about personal integrity in the end, since those questions are personal and more about the customers’ mind-set and not just behaviour (Narins 1995).

3.3 Selection

Since we need to have correspondent interviewees and respondents in both Norway and Sweden, we have decided to narrow our target group down to students. Students are quite homogeneous in age, income, living situation, which make them a group that is easy to approach. To narrow our selection out further we choose only students at business. If we had focused on middle age couples there would have been so many more parameters to deal with concerning family, area, income, jobs and living expenses. It would be much harder to track down and specify such segments. Many students are running own households and are responsible for all grocery shopping themselves, in comparison to families, couples and other relatives (Davis and Riguax, 1974).

Another thing to base our questions and focus discussion is whether the respondents have/uses member cards or not. We wanted to have a mix to not receive skewed results towards or against the use of member cards. There might be reasons why people do not use member cards and we also want to highlight this in our thesis. One thing we also based our selections on was gender. We wanted respondents and interviewees from both genders to receive a fair view of the students' experiences and thoughts. It is hard to gather enough respondents for it to be a representative share of the whole population, because the population are so big. But since this thesis is both limited in time and resources, we cannot make such a big survey. However, our result would be enough to draw conclusions for students at The School of Business, Economics and Law by the University of Gothenburg and Handelshøyskolen BI in Oslo.

3.4 Perspective

The thesis is made from the customers' point of view and all our methods gathers data and statements from them. Therefore, our survey and the focus groups were focusing on **the respondent's opinions** about loyalty, loyalty programs and personal integrity. We wanted to know the **consumers** true thoughts, attitude and emotional states to the subject and what **they** believed to be a good definition of customer loyalty. We wanted to know if they saw themselves as loyal to a grocery store.

3.5 Source Criticism

3.5.1 Validity

When writing a thesis based on collected data, its validity is crucial. Have we actually measured what we are saying that we have measured? Eisaiasson (2007) claims that it is principally impossible to extinguish the gap between the theoretical statements and the operational actions. There is a transactional problem between putting our theory into questions to a crowd that should answer unprepared. Hellvik (Eisaiasson 2007) differs between two theories of validity of concepts and validity of results. Validity of concept is the absence of systematic errors and the use of operational actions to describe theoretical models. This together with reliability gives us validity of results – the absence of systematic and unsystematic errors (Eisaiasson 2007).

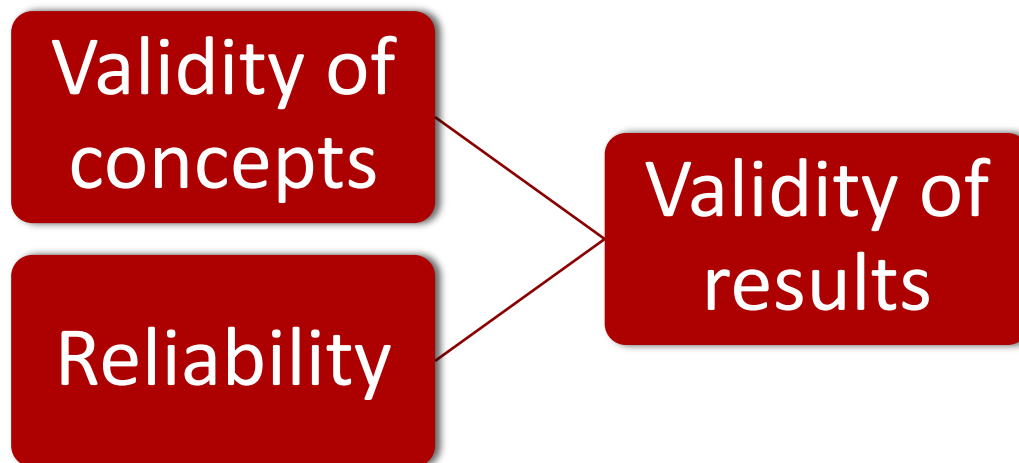


Figure 5: Esaiasson's creation of valid results (2007)

Validity of concepts is the way theoretical models are pinned down into questions. It can be argued that our choices of methods -focus groups and questionnaires are not the ultimate ways to gather the information we wanted, since all respondents knew they took part in our study. Another way to gather the data could have been through observations in grocery stores. However, this would have been hard since it needs much resources and time that we did not have. We would have needed access to loyalty programs data collection, bank statements and such. In the beginning of our progress we asked ICA if we could get some access to their customer base in exchange for a thesis focused on their customers, however they declined our offer.

We had the consideration of validity in mind during the process of formulating the questions. Esaiasson (2007) is talking about copying other researchers generalisations in order to make them comparable, but also evaluating them by own hand in order to see if they are relevant and fair. We did this by looking at studies within the same area such as Holmberg (1994), Svensson and Toshach (2010), Andersson and Petersson (2009). In addition to this we used our face validity - common sense to evaluate relevant alternatives.

Another concept of validity we have used concerns the background of the respondents. Here we conclude that we do not have to ask some questions, since other questions can be considered measuring the same thing. If a young student who lives alone points out that prices are important and that he spends a big share-of-wallet on food, we can conclude that he is not in a strong economic position.

3.5.2 Reliability

Reliability is according to Esaiasson (2007) usually due to mistakes that can be traced to human factors. To avoid this we recorded the focus group interviews and took notes at the same time. Thereafter, we completed the notes with a second hearing of the recoding. The reliability of our questionnaire was also proven in the focus groups when we heard the discussion. We asked for feedback on formulations from our supervisor Ulrika Holmberg and took these in consideration. Concerning the language barriers we took help from native speakers when gathering data from Norway. However, reliability is more flexible than the validity of concepts, since the differences tend to even out, rather than pointing the study in the wrong direction. We cannot know whether our respondents understood our questions in the way we did, but we reserve ourselves from that some might answer wrongly/not accordingly to their thoughts.

4. Results

This chapter will present the results from our survey and focus groups interviews. The data has been collected and summarized into charts. We will first present the result from our survey, categorized into background, consumer loyalty, loyalty programs and personal integrity. Thereafter we present the focus group discussion. First the one we made in Gothenburg and then the one made in Oslo.

4.1 Result from the survey

All results are to be found in Appendix 3.

4.1.1 Background of respondents

We received 103 answerers from the survey of which 54% were female and 46% were male. Of all the respondents a majority (82.5%) were between 19-24 years old and 85% of the respondents were students. Furthermore, 38% of the respondents spend SEK 1000-1500 and 27% between SEK 1500-2000 on food purchases every month. But we had a distribution covering all our alternatives. With this background information about our respondents in mind we can continue with the questions about customer loyalty.

4.1.2 The concept of customer loyalty

The questions concerning loyalty were placed first because we wanted to know what the respondents thought about loyalty and customer loyalty in general, before they answered further questions. 28% answered that a loyal customer is someone who speaks well about a company and 37% thought that it was about being a customer to the same company for many years.

In our survey we also found what factors that attract loyal customers according to our respondents (This was a multiple choice question; the answers are in absolute numbers). Here we found factors that our respondents considered important. These were; *good location of the store* (56), *long opening hours* (40), *a wide range of products* (37) and *benefits and discounts* (35). A factor that our respondents did not think were of much importance in order to create loyalty was the *non-food related offers from grocery stores* (3) (such as travel discounts, events and amusement parks).

If the respondents did not see themselves as loyal to a grocery store, we gave room for them to answer what would make them loyal to a grocery store. Here follows some of these comments (translated from Swedish).

- The store has a lower price level than others and is close located.
- Good prices, ecological products, kind personnel.
- Personal treatment.

- Stores have to niche themselves more, now there are mostly low-price and “ordinary”, so it is easy to switch between them.
- I will consider it if it gives me something more than I expect.
- Good prices that do not fluctuate and kind personnel.
- Closeness, it has to be “natural” to buy there.

4.1.3 Grocery stores impact on consumers purchases

Our next part of the questionnaire was about the specific grocery stores and what relation our respondents had to them. The respondents answered whether they are loyal to a grocery store or not. They placed themselves on a five-point scale, where 5 on the scale was; *Yes, I see myself as a very loyal customer to a grocery store* and 1 on the scale was *No, I do not consider myself loyal*. More than 39.8% answered 4 and 23.3% 3 on the scale, which indicate that the respondents are more loyal than not loyal to a grocery store. One can favour a store without naturally be loyal to that store. Factors such as prices, placement and product range can drag the customers to other stores. Therefore, we asked if the respondents had any **favourite** store they used to shop their groceries in and how many times a month they used to shop there. 78.6% answered that they had a favourite store, the regularity of the visits were quite deviated but had a median of 5-6 times each months. We saw that 32.2% of our respondents shop more frequently than in their favourite store. When we knew about the regularity of visits, we also wanted to see how much money of their monthly budget for food they spend in their favourite store. We got a pretty even distribution of answers to this question. 33.3% answered that they usually spend *a major part, around 75%* of their monthly food budget in their favourite store. 26.2% stated that they spend around 25% or less of their food budget in their favourite store.

4.1.4 Loyalty programs in purpose to create loyalty

One of our reasons we made this survey was to find out more about consumers’ thoughts and attitude towards loyalty programs (customer cards in the survey). According to the survey 61% of the respondents had a customer card tied to the grocery store in which they usually do their food purchases.

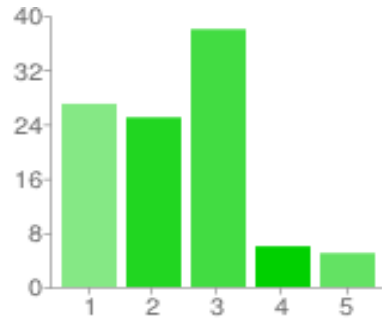
We also found that *ICA*, known for its student-suited loyalty program, was the store chain where the largest share of our respondents (46.6%) did their usual grocery shopping. On second and third place came *Hemköp* and *Willys* (15.5% respectively 14.6%). On the question about what the consumers think about the grocery stores use of loyalty programs over half of the respondents (50.5 %) answered that they thought it was good because of the discounts and benefits they got through the cards. 6.8% of the respondents meant that they did not appreciate the loyalty programs design because the offerings sometimes could feel too personal. The last question in this section of the survey showed that 91.2% of the respondents believed that customer cards overall was a good way for companies to create more loyal customer.

4.1.5 Statements of personal integrity

On all our questions concerning personal integrity we let the respondents respond by plotting themselves on a five-point scale, where five meant that they strongly agreed with the statement and 1 stood for no agreement.

Here follows the results from the statements:

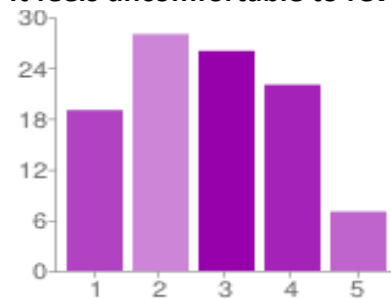
The offers and direct advertising that companies give out is too personally targeted



1 - Do not agree	27	26.7%
2	25	24. %
3	38	37.6%
4	6	6.0%
5 - Strongly agree	5	5.0%
	101	100%

Do not agree Strongly agree

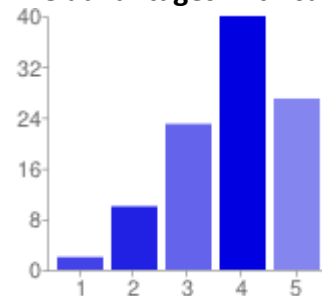
It feels uncomfortable to reveal personal information to a company



1 - Do not agree	19	18.6%
2	28	27.4%
3	26	25.5%
4	22	21.6%
5 - Strongly agree	7	6.9%
	102	100%

Do not agree Strongly agree

The advantages with customer clubs is bigger than the disadvantages



1 - Do not agree	2	2.0%
2	10	9.8%
3	23	22.5%
4	40	39.2%
5 - Strongly agree	27	26.5%
	102	100%

Do not agree Strongly agree

4.2 Focus groups

We carried out two different focus groups, one in Gothenburg and one in Oslo. Both groups consisted of students who studied at business universities. The groups consisted of 5 respectively 6 interviewees and we had a few dropouts due to sickness. In Sweden we invited people who had completed our survey to the focus group. The interviewees in Norway were selected through contacts of Martin and their friends. All individuals were promised anonymity in this study and therefore we have chosen to give them acronyms in forms of letters. Both focus groups were held in similar environments and took roughly about 2 hours. Each focus group survey took an entire day to perform, since we had to travel between Oslo and Gothenburg and also compile what had been said.

4.2.1 Focus group in Sweden

B: Female, age 24. Buys only ecological food at Coop but has a customer card at ICA. She spends about SEK 2500 per month on food.

F: Female, age 23. Lives at home with her parents and does not shop food very often, roughly two times a week and no bigger quantities. She has a customer card at ICA.

S: Male, age 22. Tries to make bigger purchases at ICA once a week, has customer card at ICA. Spends around SEK 1000 per month on food.

D: Male, age 22. Shops groceries at Willys or Coop, choice based on where they have the best product range. He does not have customer card. Spends SEK 1500 per month on food.

J: Male, age 27. Buys food based on where he gets best prices and special offers. Mostly at Lidl. He has customer card at ICA but never uses it. Spends SEK 1000 per month on food.

We started the interview by asking the interviewees the question if they usually made their food purchases in the same grocery store. The interviewees answered that the distance to the store was one of the main reason why they usually chose the same store to do most of their purchases in. When it comes to larger food purchases *D* and *J* usually goes to stores with better product range or lower prices, rather than to the closest store. *S* and *B* said that they chose to shop at ICA because of their parents and family always have been ICA customers. Therefore, ICA has become a natural choice for them, also for larger food purchases. For *B*, who only bought organic products, the grocery stores product assortment is the most important factor for her purchases. She thinks that Coop is the best store to satisfy her needs, even thou the price level is higher.

We also discussed the advantages with these stores our respondents usually made their food purchases in. The individuals had different attitudes because they had different preferences and needs. *D* said that good opening hours was very important to him. *A* and *F* said that the product offering was their main reason for their choice of store. They put a big weight on freshness and assortment of good vegetables and such. *S* agreed with the other interviewees but also said that he shopped more at ICA because of the prices and special offers he received from his ICA customer card. He told that he actively chose ICA before other stores, even if it was not the best always, because of his customer card. He said, "You become obsessed with it".

Concerning loyalty as a concept, we asked our interviewees what they think a customer's loyalty toward a grocery store could be, and how it is expressed. *B* said that a loyal customer is a customer who does most of his food purchases in one specific store and not in many. *F* associated loyalty with a customer who has a loyalty card to a store and does mostly of his purchases there. However, she further explained "You can still be loyal to a company or a grocery-store even if you sometimes buy milk and bread somewhere else". For her, loyalty is more about how much you spend as a share of your budget, rather than visits or number of products. *J*, who has grown up in a small village in the north part of Sweden, associates loyalty with something else. He thinks that a customer is loyal when he has a relationship with the company in one way or another. He claims that loyalty has nothing to do with loyalty cards. He believed that a loyalty card only is a buy-stimulating method for the customers and not a loyalty-creating method. He gave an example from his childhood when his parents always shopped in a small grocery store in their village because they knew the owners of the store and wanted to support them. They continued to buy food there, even if the store was more expensive and did not have the best quality or products. He said that it was necessary for the store's long-term survival so many other families did the same.

We asked the individuals if it is the total spending or the regularity of visits that shows a customer's loyalty. *D* thought that you are more loyal if you spend more money in one store. He gave an example; if Coop has the best charcuterie department with a wide range of products, he prefers to shop at this more expensive store. He would not go to other stores because he knows that he will get high quality and good help from the staff at Coop. But a good charcuterie department is not an incentive strong enough to keep him from other, cheaper stores. But when he buys meat, he considers himself loyal to Coop.

All interviewees in the focus group except *D* have a customer card linked to grocery stores. Therefore we asked them why they have (or do not have) customer cards and specify why they have chosen ICA. *B* and *J* answered that they have it because of the bank features that ICA provides in their loyalty program. They have both a big interest in travelling and ICA Bank is, according to them, the best bank when you are abroad. This is because the ICA bank does not take any extra fees in ATMs. When you have the ICA bank you automatically get a customer card at ICA. Neither *B* nor *J* use their ICA cards

very often, this is because they are not always reminded of it. They tell us that it would have been better if they always got reminded of it, as the sports equipment store Stadium always does with their loyalty cards. *S*, however, has chosen to subscribe to ICA's loyalty program for the program itself. He says that the card gives him, especially as a student, a lot of good advantage and special personal offers on the products he usually buys. One reason to his preferences towards ICA is that he gets double bonus points of every purchase. *J*, in comparison does not think that the benefits are so good as *S*. *J* believes that the bonus system from the loyalty card only benefits those who shops a lot every week, like families and not students with single person households. For *D*, it is an active choice that he has not signed up for a customer card in any grocery store. He feels that it is unnecessary for him to have a card, because it only takes place in his wallet and he think that he never would use it in the stores anyway.

The group agreed on the statement that their grocery shopping would have looked different if they were more flexible. *S* said that if he had a car he would probably go further away to bigger stores to get better prices and higher quality, due to lower rent cost, economies of scale and transportation costs. *J* and *D* said that we as consumers are not supposed to feel restricted when we are buying food. It is an activity that we do not want to take too much time. Therefore a short time-distance to a good grocery store with a wide range of cheap and fresh products is the ultimate favour store for our interviewees. None of the respondents believed that there are such perfect stores in the grocery market today.

We told the discussion participants that companies gather information about their customers through their club cards. We asked what they thought about that companies use this data to design direct marketing to specific customers. *F* had never thought of it as something that disturbs her. She knew about it and she believes that all companies do the same thing anyway. "That is what you have to agree to by taking part in such loyalty programs". She thinks the personal offers sometimes are very good and she does not care about how much the company know about her. *J* says that unlike *F* he has thought more about this, but he thinks that it is acceptable as long as the company does not track or supervise every move he makes. *D* agreed with what *E* said about that customers give their allowance to this when becoming members of a loyalty program. *D* means that he does not feel uncomfortable with giving out personal data to a "trusted" company such as ICA.

The respondents' main reason to having a loyalty card (which showed clearly during the interview) was to get good deals and discounts when they go shopping. As *S* described it; "I do not buy the same amount of products as a household with five children, but I still want to get nice discounts on yoghurt, milk and pasta which are examples of products that I consume a lot of in my everyday life". *D* thinks that the older people prefers to go grocery shopping at smaller local stores and gives an example of this from his grandmother who always has been a customer at Coop. She has counted her membership bonus through many years and the only card she had before her bank card

was probably the customer card from Coop. Therefore he thinks that older people might be more open for customer cards than students because our generation is more hardened and influenced by various forms as well of marketing methods and does not want to be affected by loyalty programs. His point was that younger people are aware of that customer cards is a marketing move, while older people think that it is profit sharing from the companies.

J explained that he have had negative experiences from club cards. "I can get upset when a store has special prices for members on products I usually buy, when I realize I do not have my club card with me". *D* said that he could spontaneously join a customer club just to get a discount for something he wants. *J* does not agree, he thinks that member-only discounts can be irritating to non-members.

Lastly we asked our interviewees how the perfect loyalty program for a grocery store would look like, and here are some of their statements.

- Bigger over-all discounts, more than 1-2% (as ICA and Hemköp have) on every purchase.
- Better deals, the bigger discounts for member, the more appreciated is it.
- Campaigns should last longer than a week or a day. One wants to be able to plan one's menu for the campaigns.
- Programs should be more niches to different customer groups, ranging from students to retired and with different economic situations in mind.
- Get free coffee, like you get with customer card at IKEA.
- A loyalty program should not demand that the customer to carries a card with them all the time. Maybe it could be programmed into an app or be registered on birth numbers or so.

4.2.2 Focus group in Norway:

Background

E: Male, age 24. Buys groceries at Kiwi or ICA and has worked at Kiwi, has customer card at Kiwi. Spends NOK 2500 per month on food.

A: Female, age 23. Lives at home with her parents and does not buy food very often, but when she does she goes to Meny, does not have customer card. Her family of four spend around NOK 10 000 per month on food.

L: Female, age 22. Works and shops at REMA 1000, does not have any customer cards. Spends NOK 2500 per month on food.

M: Female, age 22. Buys her food at Bunnpris and REMA 1000, which are the closest stores to her home and has low prices. Does not have a customer card but has a loyalty

card at Kiwi that gives her every fourth hygiene product free. She spends NOK 2500 per month on food.

K: Female, age 25. Buys most of her food at ICA but prefers REMA 1000, because of better prices and product offering. Does not have any customer cards. Spends NOK 2000 per month on food.

I: Female, age 23. Buys most of her food either at Meny because of the wide assortment of products or at Bunnpris, because of the stores good location near her home. Has a customer card at Meny but never uses it in store because she always forgets it at home. She spends NOK 3000 per month on food.

We started the interview with the same question as we did in Sweden, whether they usually buy groceries in the same store, and the most important reason for shopping in those stores. There were three things that all interviewees agreed on, *low prices, short distance from home and a big products assortment*. K who did most of her grocery shopping at ICA said that if she would have had a car she would have done most of her grocery-store shopping at REMA 1000, because of the better prices and the ability to make bigger purchases. "One does not simply go grocery shopping and buy bigger quantities by public transportation" she said.

The individuals said that many grocery stores in Norway are niched towards **one** thing, such as a "good assortment", "cheap or "close". So they perceive that many stores do not combine the different benefits. A claimed that this makes it difficult to have one favourite store, since no store can fulfil all one's needs. E said that he shops at KIWI because of the benefits he gets from his loyalty card but he also thinks that they have good products with well-known brands and average prices.

Talking about favourite stores, K shared her opinion that she chooses ICA because of its wide product range, but she could not say that she would define ICA as her favourite store. L, who works at REMA 1000, said that she used to shop there before she got a job there because of the stores good and fresh products. How often the interviewees go grocery shopping every week differed a lot. I said that it depended a bit on whether she had an exam period or not. When she has a lot to do in school she does not buying food more than once a week. But normally she shops 2-3 times a week, E, K and L agreed. One of the respondents, M, said that she is very bad at planning her food purchases. She usually stops by a grocery store and buys food every day after school. However, since most grocery stores are closed on Sundays in Norway, one is forced to plan it during weekends.

Three of the individuals in the group had some kind of loyalty card linked to Kiwi or Meny. During the discussion, we understood that these cards are not anything like the cards ICA and Hemköp have in Sweden. E told us that you have to pay for a customer card at Coop. The customer card at Meny is free and you collect bonus point that you

can use at partner firms or take out in cash. The same card is also used as loyalty card in Kiwi (they are owned by the same concern *Norgegruppen*). However, even the holders of the cards did not know that. We asked the group if they thought it would be interesting with more loyalty programs in Norway, and also if there was a demand for it. *L* said that she believes it would have been a huge success.

We also asked this focus group how perfect loyalty program in the grocery market would look like. These are some of the answers that we got;

- Good and relevant offers for youths and students. *M* gave us an example of a less good offer from Coop, where the customer was supposed to buy for a certain amount in order receive a vase as a gift. First, students and singles households are discriminated for not spending as much money as a bigger household do. Secondly, a vase is not something that creates incentives to spend more money for everyone. *M* thought that discounts are more attractive to everyone, and *A* agreed strongly with this.
- Special campaigns aimed to different target groups.
- Personal offers and better prices on products the customers usually buy.
- The customers should get a percentage discount on every purchase. The percentage has to be noticeable and make difference on the total amount.
- A common card for all grocery stores. *L* tells the group that many customers at REMA 1000 are dissatisfied because they think that their Coop customer card should be working at REMA 1000 too.

The next question was about the concept of loyalty and how they think a loyal customer behaves. *E* explained *"I think that you are a loyal customer if you spend much of your money in one specific store. If I go to Kiwi every day and shop for NOK 15, I am not a loyal customer. But if I do all my food purchases there, then I would define myself as loyal to Kiwi"*. The other respondents agreed with his definition of a loyal customer and had nothing else to add. By knowing how the group defined a loyal customer, we wanted to know if they consider themselves loyal to a grocery store. *L* said that she is loyal to Rema 1000, because of the employee benefits she has there. *M* thinks that if she would not have been loyal and made her purchases at Bunnpris, the store would probably go bankrupt. The store is a small convenience store very close to her apartment, and she values the stores location enough to feel that she must support it. When she makes her larger purchases she chooses another store, where the prices and the product range are better. *E* shared her opinion about loyalty and said that he sees his parents as loyal customers. His mother travels over 10 km to a specific flower store, rather than shopping at the local flower store, only because of the kind personnel. He also tells us that his father travels a long way, two times a year, to visit a specific dentist. He does this even when there is more than 20 other dentist located in his hometown. *E* says that loyalty is about having a good relationship to someone or something, so that other alternative not is interesting for you.

According to one of the respondents, *I*, Meny is the best grocery stores at keeping and satisfying their customers' needs (and thus create loyalty). She says that the employees and the relationship with them compensate for the higher prices. Meny is one of the more expensive grocery stores to shop in. They also have a fresh and clean store with nice staff and products, which are important factors for her choice of store. She also says that another good thing about Meny, is that they have customer cards, but *M* says that she thinks that the advantages and benefits you receive with Meny's card are useless for them as students. A week earlier Meny had a campaign for their club customers to buy ten 1.5 litre bottles of the carbonated water "Farris" for NOK 100. *M* said such a purchase would cover half her kitchen, and would take up too much space for a too long time in her small apartment. That is another example of a non-student suited offer and how such customer group feels discriminated.

Since the Norwegian focus group were not aware of how loyalty programs in Swedish grocery stores works, we explained briefly in order for them to give comment on the topic. They thought loyalty programs with personal offers on products they usually buy for example beer, toilet paper or milk was a very good idea. Concerning the personal integrity, *A* believed that some customers, including her, might feel supervised by the company if they used her personal information in order to send direct advertising. According to all interviewees the positive advantages with loyalty programs would outweigh the disadvantages. *L* thought that loyalty programs with personal offerings, bonus or price reduction would be a good way for companies to reward their loyal customers. If she receives something extra from a company, she feels more important to the firm and wants to stay loyal to the company.

According to the group there is a lack of loyalty programs in Oslo. There are a few clothing companies that have loyalty programs as well as the big petroleum company Shell. According to *A*, these loyalty programs are totally worthless for them. *L* said that most of the existing club cards only are profitable for families and customers who spend a lot of money. Poor students never gets good discounts and special offers that suites them. *M* stated that student's weak purchasing power, makes them non-attractive customers to the grocery stores, and everyone in the focus group agreed. She continued *"Companies should see the students as an investment instead of as unprofitable customers. If they gain our loyalty now, we might stay with the firm after our studies."* *M* said that she always chose the store with best prices and location because now there is no reason for her to be more loyal to one store than another. A couple of times a year, ICA run a special campaign where some products only cost NOK 10. This campaign applies for all customers. All our interviewees explained that this campaign is a good reason for them to go shopping at ICA, even if it is further away. You buy everything on sale, as long it is relevant for you. Bunnpris also uses different campaigns every week with special prices on different products every day. Altogether, this seemed to be a typical behaviour from the interviewees they choose the store with the week's best deals on personally relevant products.

5. Analysis

In this chapter we analyse the results from our survey and focus groups and compare them to our theoretical framework. We will draw parallels between these conclusions and the theories and see if we can make statements to answer our problem formulation. We will compare the Swedish and Norwegian focus groups to see what differences there are in the customers' point of view.

Our main problem with this thesis was “*Has a grocery stores use of loyalty programs a positive impact on a consumer's choice of store?*” In order to examine this problem we have made a survey targeted to Swedish student and done two focus groups, one in Gothenburg and one in Oslo.

5.1 Sub problem 1 - Customer Loyalty

- **What makes a customer loyal to a grocery store?**

When we focused on the concept of customer loyalty the focus groups gave us clearer and more reflected opinions than the survey did. The survey told us that being a customer for many years and talking well about the company is being a loyal customer. Since different answers in our survey scored high, Söderlund (2001) was right (according to our study) – the concept of loyalty has many definitions. Söderlund linked customer loyalty to repurchases; this is also in line with our survey concluded. The respondents also considered someone who does not buys from competitor as loyal. Most of our respondents in the survey saw themselves as loyal to a grocery store and most of them had a favourite store in which they did their regular grocery shopping. However, there were people who did not agree with this statement. *J* in our Swedish focus group perceived loyalty as something deeper than repurchases or spending. This is in line with Holmberg's (2004) statement that a person has to “*expresses his devotion in some sustained and practical way, by acting steadily in the service of his cause*”. Our Swedish focus group specified that true customer loyalty have to be more than just making the same decision in a similar situation, just as Blomqvist (2004) defined it. The Norwegian focus group did not mention that the **relationship** between the customer and a company should work as a two-way communication. They said that the relationship is about a person who spends more money in one store rather than another. It was said that it is not the number of visits to the store, but amount of money spent that measures loyalty. This is the contradicting to Meyer-Waarden (2007) who stated that the relationship to a store gets **deeper** for every purchase in a store and the more satisfied the customer becomes the longer will this relationship last.

Leenheer (2007) said that one has to spend a third of one's share-of-wallet to be considered loyal to a grocery store. According to his theory 73.8% of the respondents that completed our survey are loyal to their stores. A good location of the store is the most important factor if grocery stores wants have our respondents as loyal customers.

68% answered in our survey that they are loyal to a specific store because of its good location. According to Söderlund (2001), grocery shopping is something that people in Sweden think is boring and do not want to spend too much time on. A shorter distance between the store and the consumer's home is therefore a reason to be loyal. This is true for all our focus group interviewees. This is based on lack of time and willingness to travel a longer distance for grocery shopping. According to our interviewees, it is not worth to go long distances just to save a little money. Other important things for our survey respondents in order to create loyalty are good product assortments, long opening hours and good and low prices. Some of the respondents in our focus groups choose a more expensive store because they had a wider range of products (e.g. more organic products) or a fresh and clean impression. One of the Swedish r interviewees from the focus group said that he was more loyal to ICA because of the benefits he receives from ICA's loyalty program. This is what B.F Skinner described in his model of operant conditioning, which described how a bonus motivates to repeat behaviour. According to Evan, Jamal and Foxall (2008) is it a competitive advantage to reach customers early in their lifecycle in order to build a long-term relationship with them. Students can be a good target group to reach, because customers who might not be beneficial at first (such as students) might be more profitable in the long run. Reichheld also pointed out that customer who has been with a firm for a longer time tends to spend more.

- **When do consumers think they are loyal to a grocery store?**

Some of the interviewees from the Norwegian focus group thought that they were loyal to a specific grocery store because they spent most of their monthly budget on food in that store. This is in line with the concept of share-of-wallet. The Swedish focus group also shared this opinion from Leenheer (2007), but they were also talking about loyalty to grocery stores as a deeper emotional relationship. Their example was that you can get to know some of the employees or the store sells all your favourite brands or if the store would not survive without your purchases. These views of relationships Fournier (1997) classified in her study as "*classic long-term marriage metaphor*", where the customer's loyalty to the grocery store could be equally important as a customer's own marriage. Some of the interviewees felt that they wanted to be loyal because they had a special connection to the grocery store in some personal way. Even if they know that there are other stores to switch to, they stay because of their loyalty and relationship to the brand or store (Fournier 1997). F said during our focus group in Norway that his parents were very loyal because they went longer ways to get the products and services they were satisfied with.

Both focus groups expressed that you have to be a customer and make purchases in the store, in order to be loyal to it. This is what Evans, Jamal and Foxall (2008) defines as behavioural loyalty, and not just attitudinal loyalty. Loyal is something you choose to be from the interviewees and a customer's point of view. This matches Holmberg's (2004) statement that people are loyal to what they consider is personal relevant for them and

want to be a trustful part of. Companies can affect the decision of customers' choice of store to be loyal to. If the customer has a high level of confidence and a strong attitude toward a brand or a store, the customer will, according to Evan, Jamal and Foxall (2008), show true loyalty and would not switch store without a good reason. In the survey we asked the respondents on a five-grade scale how loyal they were to a grocery store. 1 was considered not loyal and 5 were very loyal. 39.8% defined themselves as 4 on the scale and 23.3% as 3.

5.2 Sub problem 2 - Loyalty programs

- **What are the advantages and disadvantages with loyalty programs and what benefits can the company and the customers receive from it?**

As the quote from Blomqvist (2004) in our theoretical framework tells us, a loyalty program is to group customers and get information about them, and in exchange give them benefits and discounts. We surely found that they succeed with this in our survey and focus groups. Since 61 % has a customer card linked to the store in which they usually do their grocery shopping in and 91.2% of the respondents thought that customer cards is a good way for companies to get loyal customer. Also during both the focus groups we found that customers have a positive attitude towards this.

Customers

Our survey concluded that 50.5% of our respondents are happy about the use of loyalty programs since they receive many benefits and discounts that are used. However, we also saw that there are some respondents (6.8 %) that think that existing programs are not very good since their campaigns can feel irrelevant or too personal. Some others (10.7 %) felt that it could be unnecessary since they never use the advantages of the program. However, during the focus group discussions no one mentioned that they consider it to be disturbing to get contacted by the companies through direct mail. One of the few objections to loyalty programs we discovered in the focus groups is when you feel left outside by either;

a) The benefits or discount does not suit you.

b) When you have forgot/do not have a loyalty card at a store with suitable members-only deals.

We found in our surveys that respondents in our target group were very concerned with prices, and plan their consumer behavior out of this. Therefore, using discounts and buying price promoted products lowers the cost of groceries for the consumers. Since so many respondents were positive to loyalty programs, they must experience that there are advantages with it too. The study from ACI Worldwide (Östgren 2011) showed that 40% are dissatisfied with their loyalty programs, meanwhile, in our survey we found that only 6,8% thought that the grocery stores use was of loyalty programs not very good. This can be due to that ACI worldwide looked at more branches in America, while we looked at one branch (the grocery market) in Sweden. We also saw how an attitudinal

loyalty when not in the target segment, can lead to a behavioral loyalty when getting into the target group. As when *S* in our Swedish target group had his attitude to ICA formed when his parents always bought groceries there. As soon as he started to buy his own food, ICA was the natural choice. The behavioral loyalty was reinforced by ICA's loyalty program too. Reinartz and Kumar (2002) have found that customer with the combination of attitudinal and behavioral loyalty could generate 120% higher profits than other customers (Mårtensson 2009).

Companies

Reichheld and Sasser (1990) showed us in a diagram how a loyalty programs is profitable to a firm, as firms over years can invest the higher returns in the customer program to create a win-win situation. This is not as effective in the grocery market as it was found for companies with larger marginal (such as airlines, banks, insurance companies at that time). His model is still valid for our thesis, but only to a certain extent. Another advantage with the loyalty programs is that it is a competitive advantage for customer *s* by creating switching cost. This is something that *J* highlighted during the focus group in Sweden. The reason why companies earn more is because of bigger volumes, lower costs (planning of inventory, transportation and promotional material), and endorsements from satisfied customers to others and lastly they can sometimes take out extra price premiums.

The biggest disadvantage from a company's point of view is that it is very costly to implement it. Since the grocery market is characterized by smaller margins, it is a very big decision whether to implement a loyalty program or not – that is if the profits outweigh the costs. At first there is an investment cost for the programs concept, but there are also price promotions that need to be undertaken in order to make the program attractive to customer. There is a golden middle way for the companies to find the balances between discounts and making profits. A loyalty program creates a higher switching cost for customers. Sällberg (2004) says that one have to be careful to classify customers as loyal, since if they get the same product from another store for a lower price, they will probably go there anyway. This is something that we found in both our focus groups. It might be because of the discussion participants' weak economic position, but no one hesitated about that they rather go to other stores with better deals rather than buying the same product from a store they consider themselves loyal to. We had the example from the Norwegian focus groups where ICA has their 10kr-market and customers go there just to buy the NOK 10 products, when doing so they are neither loyal to their usual store, nor to ICA. This is what Meyer-Waarden called a "cherry-picking behavior", when you just take advantage of the good things a store offers. Reichheld (1996) and Keller (2008) argue against price promotions, they claim that customers drawn to a store by such activities are as likely to leave the store because of the competitor's similar activities. Such activities are not creating loyalty but scour the market of such customers. "...the customers who glide into your arms for a minimal price discount are the same customers who dance away with someone else at

the slightest enticement.”(Reichheld p.82). Therefore, only the real loyal customers should get discounts and not the masses. This is also a theory that supports our results.

Aaker claims that loyal customers still are more profitable than other customers. It is hard for a company to regret a decision of implementing a loyalty program (Butscher 2002) customers would get upset, one would have to know what to do with still due bonuses and active campaigns and such. Since our survey told us that 48.8% of the respondents spend at around 75% or more of their food budget in their favorite store, it is worth a lot to the companies to be that store.

- **Would the customers in Norway choose to subscribe to a loyalty program and be more satisfied, if the major grocery chains in Norway introduced it?**

Judging from our responses in the focus groups, there is a big demand for loyalty programs for students in Norway. This creates great opportunities for first-mover advantages among companies. Since the price level is so high and the prices increase rapidly, people in Norway will probably be more price-sensitive and therefore be more interested in programs that can lower the total expenses on food. ICA stated in their financial report that Norwegians look for good product assortments and only goes grocery shopping once a week. From our discussion with students, the purchasing behavior looked differently. We found that they are much more price-concerned and shop much more often than once a week. This might be due to that ICA may have studied another target group than we did. However, as stated multiple times in this thesis, students are an important customer group, not just while they are students, but over their lifetime. It is worth noticing; that *M* said that students can feel overlooked by companies, since so many existing discounts and price promotions is aimed for bigger households (in terms of quantity). There were some sorts of loyalty cards in Norway, but no one of them was as highly developed as the ones ICA and Hemköp use. None had niched cards to students, none of them had personal discounts based on purchases and none of them had bank features with attractive benefits such as insurances and high interest rates.

The Norwegian focus group had similar views of customer loyalty as the Swedish focus group. Both the Norwegians and the Swedes put a big weight on **how much you spend** rather than how many visits you make. *L* from our Norwegian focus group said that she would feel more important to a firm, if they noticed her purchasing behavior. The whole group agreed on that there is a lack of loyalty program in Oslo. Another thing they agreed on was that it would have been a good way to create loyal customers, if the grocery stores succeed with a suitable terms and benefits.

As conclusion from our focus group in Norway, we recognized many of the theories from our framework in the stories and examples from our interviewees. They talked a lot about switching costs (e.g. “the 10 kr market”) and loyalty in terms of share-of-wallet (e.g. the customer who bought for NOK 15 at Kiwi every day), which are some of the key

terms in establishing a loyalty program. The Norwegian focus group also believed that the benefits with a loyalty program would outweigh the drawbacks.

5.3 Sub problem 3- Personal integrity

- **Are the consumers attitudes positive or negative to the companies' gathering of information about the customers?**

As we pointed out in the background to this thesis, the technological development and investments has changed drastically over the years. Today use CRM and a one-one-marketing strategy in purpose to reach and gather more information about their customers (Butscher 2002 Svensson, Toshach 2010). In the theoretical framework we saw that there are advantages with a more customer-concentrated strategy in order to create loyal customers. But we also discussed the disadvantage from the consumer's perspective, when having companies collect personal information about the consumer's purchasing pattern. We defined personal integrity and how the customers could dislike it. According to our survey, this was not a very big issue. On the question concerning the use of customer cards in grocery stores, only 6.8 % said that the offers feel too personal or irrelevant. Since the answer conclude two opinions, we do not know how many that choose "too personal", "irrelevant" or if they meant both.

We asked more clearly whether the direct advertisements companies give out are too personal. The respondents plotted their opinion on a scale from 1 to 5, where 1 was no agreement and 5 was strongly agree. 11% plotted themselves over 3, so most of our respondents did not think this. In our focus group in Sweden some of the respondents said have not even thought about whether the offers and advertising as too personal targeted or not. *F*, was not uncomfortable with companies monitoring her purchases and gather information in order to give her personalized offers in exchange. All the interviewees in the Swedish focus group were aware that companies collect personal information through their loyalty programs. This was not seen as something negative, as long as they do not track locations. However, when we looked at ICA's terms and conditions concerning their loyalty program, we found that this is one of the things they do track. None of the participants in the focus groups had read these terms and were not aware of this. So even if the customers are not happy about it, they were not aware of that it happened. This is one point where we found that it could be harming to the consumer-firm relationship if a company shows how much they know about a customer.

The Norwegian focus group shared the opinion that overall, the gathering of information do not disturb them as long as the companies uses their personal information in order to send personalized direct advertising, and do not use it for other purposes than internal planning. However, *A* said that customer might feel monitored when companies collect personal information about their past purchases. All of the Norwegian interviewees would like to see more personalized offers and discounts from companies, as it is in Sweden.

On the statement whether the consumers feel uncomfortable to disclose personal information to a company, 21.6% answered 4 on a 1-5 grade scale where 5 was strongly agreeing and 1 not agreeing. 25.5% put 3 and 27.4% put 2 on the question. So we think that most of the respondents felt that that it is acceptable to give out some personal information, in order to get discount deals and such. It is easy for customers to choose to not be a member of such program. L, in the Norwegian focus group, said that when she chooses to become a member in a customer club, she does it for the benefits and the feeling of being more than just an ordinary customer to the company. She knows that she has the opportunity to end the membership if she is not pleased with the company's marketing strategy or the benefits she gets. None of the respondents in the Swedish focus group had ever felt that companies' use of their personal information had disturbed them in an uncomfortable way. J, believed that today most consumers knows that in order to get something extra from a company (like discount on purchases), the company will always want something back from the consumers. This is what Butscher (2002) expresses as a loyalty programs "pay-off".

- **What do customers think about the issue of gathering relevant information versus supervising?**

According to our focus groups the interviewees did not have an experience of a company who targeted their marketing so it could be perceived intruding on one's personal integrity. The Swedish focus group expressed that they might feel fooled, if the company gathered information about them, without clearly express it to them. And also when companies use this information without their approval in order to reach new customers and send personal advertising.

In most cases the participants felt that the companies gathered relevant, and not to personal information, because the offerings are formed by their former purchases. But if companies would start track and monitor more of the respondents' lives (which interviewees believed could happen) they would probably boycott these companies. Then it is not worth giving out so much information in exchanges for discounts.

On the question whether our respondents thought that the advantages outweighed the disadvantages, most of the people agreed to this. On a scale ranging from 1 to 5, where 1 is no agreement and 5 is strongly agree, 26.5% of our respondent agreed strongly (5), 39.2% scored 4 and 22.5% scored 3. Out of this fact we can conclude that 88.2% agrees to that the benefits compensates for the drawbacks.

6. Conclusions and recommendations

In this chapter we conclude whether the main parts from our analysis correspond to our problem formulation. We summarize our results into statements and explain the limitations of this thesis. Lastly, we give recommendations to further studies and to companies who want to implement loyalty programs in their business.

6.1 Conclusions

Our bachelor thesis main goal was to from the customer's point of view study customers loyalty towards grocery stores, and how this behavior could change with loyalty programs. We formulated our problem the following way:

"Has a grocery stores use of loyalty programs a positive impact on a consumer's choice of store?"

After narrowing down the study to just two markets- the Swedish and the Norwegian, we made a survey with Swedish students and two focus groups, one in each country. After analyzing these answers by comparing them to former theories (our theoretical framework) and to each other, we have been able to draw some conclusions. We found that it was the stores with loyalty card that had the best combinations of prices, product assortment and location to the customers. Those features were also the most attracting in our respondents choice of grocery store.

Firstly, the customers felt a stronger attraction and commitment to a store, if they were members of the stores loyalty program. Since most respondents in our studies had favorite stores, in which they spent most of their food budgets, it is important for companies to own that store.

Secondly, without loyalty programs customers tend to switch stores more and mostly seek convenience and value for their money. A price promotion that is not tied to a loyalty program is more likely to just draw people to the store as long as the promotion lasts. That is not a way to create loyal customers, but a way to draw people to a store.

Thirdly, there is not a big risk that customers feel supervised and monitored by a company if they just use the personal information for promotional and internal use. Loyalty is built on trust and if a customer loses his trust to a company, it would be a costly mistake, since loyal customers are very valuable to the firms.

6.1.2 Limitations

These conclusions cannot be classified as facts or principles, since we had many limitations, which probably had a big impact on the result. For example, the majority of the respondents in the survey were students, mostly from business schools and they are not representative for the whole grocery markets. We had 103 respondents to our survey, which are far too less to draw a conclusion from, in order to make judgments about the Swedish grocery market. This also goes for Norway, of which we draw conclusions from a focus group of six people. Most of the respondents were also relatively young and a big share of them was ICA-customers, which could have affected the results too. Another limitation was that we simplified the markets by labeling Sweden as a market with loyalty program and Norway as a market without loyalty programs.

6.2 Recommendations

6.2.1 Recommendations to further studies

As stated under *6.1 Limitation*, the same study could have been done on a more representative group of respondent. This would probably take more time and financial resources, but would probably give a fairer view on the markets. A survey could also have been made in both the studied markets. Furthermore, more markets could have been studied and probably more different markets too. There are also other subjects to look more into such as dig deeper into the concerns of personal integrity or just the repurchases of stores. Further studies could also be made to conduct consultant reports for firm who are interested in implementing loyalty programs in new markets.

6.2.2 Recommendations for Companies

We said in the introducing chapter to this thesis would be interesting to companies, and we have found this true. The conclusions are good for managers to consider when deciding to implement a loyalty program (especially in Norway). Our focus group gave examples of how the ideal loyalty program would look like and they also discussed how they want their information to be handled by a company to be trustworthy. One has also to bear in mind that incentives for customer to join a program is crucial, in order to have something that draws customer to it. A loyalty program has to make the company more beneficial than competitors (not by prices, but by perceived value for the money). It is that win-win situation Reichheld (1990) talked about.

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Appendix 1 – Focus group

Frågeformulär till fokusgrupper – Sverige och Norge

Plats: Handelshögskolan vid Göteborgs Universitet, Handelshøyskolen BI i Oslo.

Tid: onsdagen den 2 maj, ca 17.00- 18.30 (Göteborg)

torsdagen den 3 maj, ca 13.00- 14.30 (Oslo)

Gruppen är tänkt att bestå av 6-8 personer relativt jämt fördelade mellan kön. Alla deltagare ska vara studerande vid högskola och ha ensamhushåll. Denna bakgrundsinformation kollas upp innan respektive intervjutillfälle.

Inledning

Först kommer vi att berätta lite mer om vad det är som vi studerar och skriver uppsats om samt hur själva intervjun kommer att gå till. De intervjuade från den svenska fokusgruppen har tidigare svarat på vår enkätundersökning och vet att intervjun kommer att handla om lojalitet och konsumenters innehavande av kundkort inom dagligvaruhandel. De norska deltagarna, som inte svarat på vår enkät har dock blivit informerade om vad vi kommer att diskutera. Vi anser att det är bra att ge fokusgrupperna lite inledande information om vad de fyller för syfte av att delta i denna intervju och förklara att vi gärna vill se dem föra en diskussion kring ämnet mer än att de enbart ska svara på våra frågor. Vår uppgift är att endast vägleda gruppen i deras diskussion och se till att allas åsikter och röster får bli hörda.

Efter inledningen kommer vi att be gruppen i tur och ordning att berätta lite kort om sig själva så som namn, ålder, sysselsättning och svara på följande fråga: *"Hur ofta handlar du dagligvaror/livsmedel i veckan"*. När alla respondenter gett sina svar kommer vi att fortsätta att ställa frågor som följer samma mönster kring val av dagligvarubutik, varför de går till just denna butik osv. Även om vi för oss själva i viss mån kategoriserat frågorna (kundkort/icke kundkort) är det en diskussion kring de möjliga svaren som vi vill uppnå även om vi ibland kommer att rikta våra frågor till personer med/utan kundkort.

Ämnen som vi vill föra en diskussion kring(kommer ej att anges för respondenterna)

- **Lojalitet** - som begrepp och innebörd
- **Lojalitetsprogram/kundkort** - Tankar, åsikter, erfarenheter, attityd, beteende, sett ur konsumentens synvinkel.
- **Personlig integritet och lojalitetsprogram** – Tankar, åsikter, erfarenheter. Jämförande mellan de som inte har kundkort och de som har det. Vi ska också se om det är mer lockande inom dagligvarubranschen än hos andra företag inom detaljhandeln (preferenser, ej villkor).

1. Om butiken och lojalitet:

Till respondenter med kundkort:

- Den butik som ni har kundkort till, är det den butik som ni:
 - Handlar oftast i?
 - Handlar största delen av er månadsbudget för livsmedel?
 - Annat svar
- Är din **favoritbutik**, den som du oftast handlar dina livsmedel i? Vad är fördelarna med just denna butik?
- Anser ni att ert innehavande av ett kundkort visar att ni är mer lojala och trogna till denna butik än till någon annan butik?

Till respondenter utan kundkort

- Känner du dig mer lojal till någon dagligvarubutik än någon annan?
→Varför/varför inte?

Till allarespondenter:

- Vad anser ni kännetecknar en lojal kund?
→ Vad är lojalitet för dig? Är du en lojal kund? Varför/varför inte?
- Vill ni ge något exempel på hur en lojal person är – behöver inte vara lojalitet till en butik inom dagligvaruhandeln.
- Vilken butik tycker ni inom dagligvaruhandeln är bäst på att skaffa sig nöjda kunder Och HUR, på VILKET SÄTT är de den bästa butiken, enligt era åsikter?
- Vilka FAKTORER avgör ditt val av dagligvarubutik? T e x Läge, pris, utbud av produkter, personal och förmåner.

2. Lojalitetsprogram/Kundkort:

- Har ni något kundkort knutet till en butik inom dagligvaruhandeln dvs en butik som säljer livsmedel, hygienartiklar och förbrukningsvaror)?
 - JA:
 - Vilken/vilka butiker?
 - Varför väljer ni att ha ett kundkort i denna butik?
 - Har kundkortet gett er de fördelar som ni förväntade er vid tecknandet av medlemskapet?
 - NEJ:
 - Varför har ni inte kundkort? (Självvalt eller inte självvalt)
 - Skulle ni kunna tänka er eller vilja vara medlemmar i ett lojalitetsprogram? I så fall, i vilken butik?
 - Har er favoritbutik (Om det finns någon sådan) Kundkort?

3. Personlig integritet:

- Är ni medvetna om hur mycket personlig information som ni tillåter företagen/butikerna att ta del av när ni tecknar ett medlemskap hos dem?
 - Oavsett Ja eller nej på frågan:
 - Har ni någon gång upplevt att den reklam som företagen inom dagligvaruhandeln skickar ut är för personligt riktad? Ge gärna exempel.
 - Eller uppskattar respondenterna personligt riktad reklam, erbjudanden och förmåner?
- Att ge ut sin personliga information till företag vid tecknande av medlemskap i kundklubbar kan ibland kännas som obehaglig och är det en anledning till att ta avsteg från kundklubbar inom dagligvaruhandeln?

4. Lojalitetsprogram och student

- Känner du att du som student har fördel i att inneha ett kundkort i någon dagligvarubutik just mer än någon du känner som inte är student?
→Varför/varför inte
- Hur stor del av din inkomst ca, lägger du på inköp av livsmedel i månaden?
- Hur skulle det ideala kundkortets vara utformat (villkor, fördelar, informationsbruk)?

För deltagarna i den norska fokusgruppen kommer vi att ställa frågorna lite annorlunda än vad frågeformuläret ovan visar då vi måste ta hänsyn till att lojalitetsprogram inte är lika utvecklat på den norska dagligvarumarknaden som på den svenska.

Appendix 2- Questionnaire

En marknadsundersökning om konsumenters lojalitet till dagligvarubutiker

Vi är två studenter från Handelshögskolan i Göteborg som håller på med vår kandidatuppsats i marknadsföring och vi är intresserade av dina åsikter som konsument kring lojalitet och klubbkort/kundkort hos dagligvarubutiker.

Dina svar är anonyma och undersökningen tar endast några få minuter.

Stort tack för din medverkan!

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Frågor om kundlojalitet

Vad anser du främst kännetecknar en kund som är lojal?

- Inte handla av konkurrenter
- Att han/hon talar väl om företaget
- Att man är en kund i många år
- En kund som ofta är nöjd med företaget
- Att man ger och får någonting tillbaka
- Other:

Är du lojal till någon dagligvarubutik? *

T e x Ica, Coop, Hemköp, Netto etc.

1 2 3 4 5

Nej, inte alls lojal Ja, mycket lojal

Om Ja, Vad gör dig lojal till just denna butik?

Välj ett eller flera alternativ

- Butiken har ett bra läge
- Trevlig och hjälpsam personal
- Stort utbud av varor och produkter
- Fin och fräsch butik
- Förmåner och rabatter
- Vanemässigt beteende, har alltid handlat där
- Man får icke-livsmedelsrelaterade erbjudanden
- Bra och billiga priser
- Långa öppettider
- Korta köer
- Vill visa mitt stöd till butiken
- Other:

Om Nej, vad skulle få dig att bli lojal till en dagligvarubutik?

Frågor om dagligvarubutiker

Har du någon favoritbutik som du handlar i?

Behöver inte vara där du oftast handlar, utan mer den butik som du helst eller gärna handlar i

- Ja
- Nej (vänligen fortsätt till nästa sida)
- Vet ej

Hur många gånger i månaden handlar du där?

- 1-2
- 3-4
- 5-6
- 6-8
- 8-10
- 10 eller mer

Hur stor del (%) av din totala månadsbudget för dagligvaror (ex. livsmedel, hygienartiklar) spenderar du i din favoritbutik?

d.v.s andel i förhållande till hur mycket du totalt lägger på livsmedel i alla dagligvarubutiker på en månad

- Största delen, ca 90 - 100 %
- En större del, ca 75 %
- Ungefär hälften, ca 50 %
- En mindre del, ca 25 %
- Mindre än 20 %

Frågor om kundkort

Har du ett klubbkort/ kundkort knutet till den butik som du oftast gör dina inköp av livsmedel? *

- Ja
- Nej

I vilken dagligvarubutik handlar du oftast dina livsmedel?

- Willys
- Coop
- Netto
- Hemköp
- ICA
- Lidl
- Other:

Vad tycker du om dagligvarubutikers användande av kundkort? *

- Bra, då det ger många förmåner och rabatter som jag ofta utnyttjar
- Mindre bra, då erbjudandena ibland kan kännas för personligt riktade eller orelevanta
- Onödigt, då jag ändå aldrig utnyttjar lojalitetsprogrammets förmåner
- Vet ej, då jag inte har något kundkort knutet till en dagligvarubutik
- Ingen åsikt
- Other:

Tror du att kundkort är ett bra sätt för företag att få mer lojala kunder?

- Ja
- Nej
- Vet ej

Påståenden om personlig integritet

De erbjudanden och reklamutskick som företag ger ut är för personligt riktade

1 2 3 4 5

Instämmer inte alls Instämmer helt

Det känns obekvämt att lämna ut personlig information till ett företag

1 2 3 4 5

Instämmer inte alls Instämmer helt

Fördelarna med en kundklubb är större än nackdelarna

1 2 3 4 5

Instämmer inte alls Instämmer helt

Din bakgrund

Kön *

- Kvinna
- Man

Ålder *

- 19-24
- 25-30
- 30 - äldre

Är du student? *

- Ja
- Nej

Hur mycket pengar lägger du i genomsnitt på inköp av livsmedel varje månad? *

Om du är sambo och har gemensam ekonomi vill vi att du endast ser till dina egna livsmedelsinköp

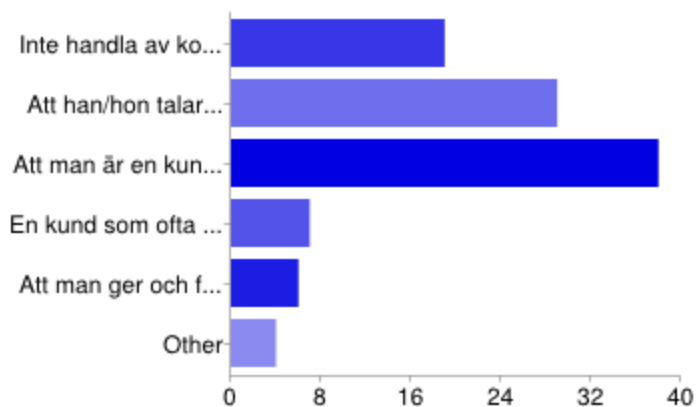
- 500 - 1000 kr
- 1000 - 1500 kr
- 1500 - 2000 kr
- 2000 - 2500 kr
- Mer än 2500 kr

Appendix 3 – Results from questionnaire

Frågor om kundlojalitet

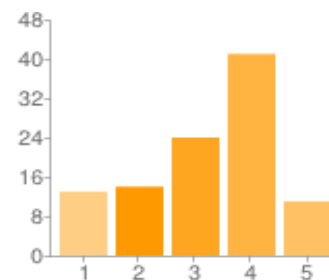
Vad anser du främst kännetecknar en kund som är lojal?

Inte handla av konkurrenter	19	18%
Att han/hon talar väl om företaget	29	28%
Att man är en kund i många år	38	37%
En kund som ofta är nöjd med företaget	7	7%
Att man ger och får någonting tillbaka	6	6%
Inget av alternativen	4	4%
	103	100 %



Är du lojal till någon dagligvarubutik?

1 - Nej, inte alls lojal	13	12,6%
2	14	13,6%
3	24	23,3%
4	41	39,8%
5 - Ja, mycket lojal	11	10,7%
	103	100 %



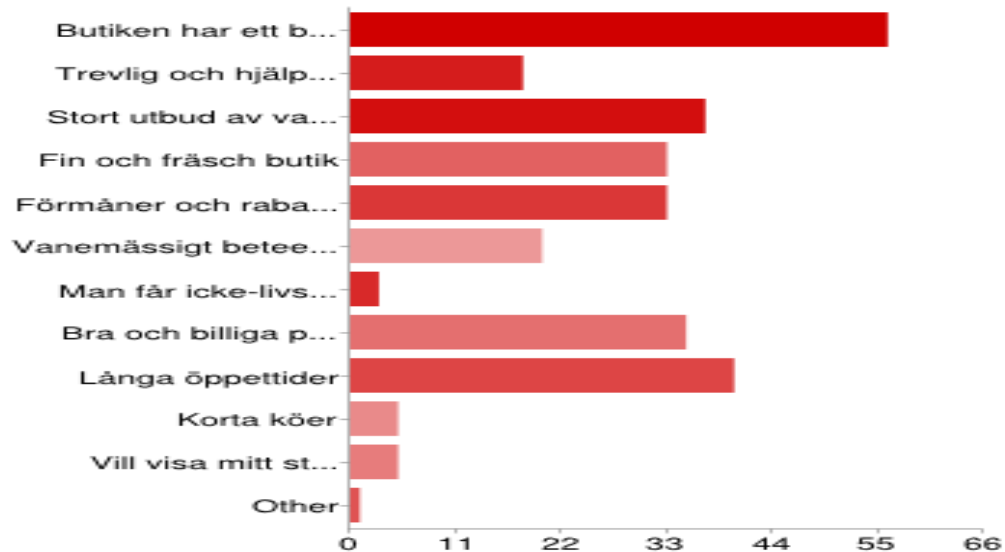
Nej, inte alls lojal

Ja, mycket lojal

Om ja, vad gör dig lojal till just denna butik?

På denna fråga gavs möjlighet att kryssa i flera alternativ

Butiken har ett bra läge	56	68%
Trevlig och hjälpsam personal	18	22%
Stort utbud av varor och produkter	37	45%
Fin och fräsch butik	33	40%
Förmåner och rabatter	33	40%
Vanemässigt beteende, har alltid handlat där	20	24%
Man får icke-livsmedelsrelaterade erbjudanden	3	4%
Bra och billiga priser	35	43%
Långa öppettider	40	49%
Korta köer	5	6%
Vill visa mitt stöd till butiken	5	6%
Annat alternativ	1	1%



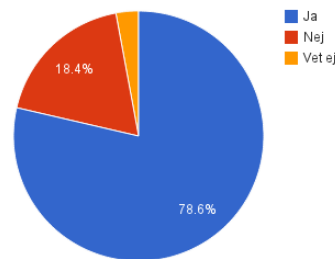
Om Nej, vad skulle få dig att bli lojal till en dagligvarubutik?

Alltid vara **billigast** på samtliga varor som jag handlar. Dessutom hade de behövt **finnas** inom **nära avstånd**. Bra priser, **ekologiska varor**, **trevlig personal**. **Personligt bemötande**. Butiken skulle behöva **utmärka sig som något mer** än sina konkurrenter, för i mitt perspektiv så utmärker de sig baramellan **lågpris och vanlig** (Lidl - Ica), vilket gör att det är **lätt att byta ut dem**. **Ge mig något som är lite mer än förväntan** så får vi se. Fungerade **bra priser som inte skiftar**, och trevlig personal. En förutsättning är att den i sådana fall **ligger riktigt nära** så att det blir naturligt att handla där.

Frågor om dagligvarubutiker

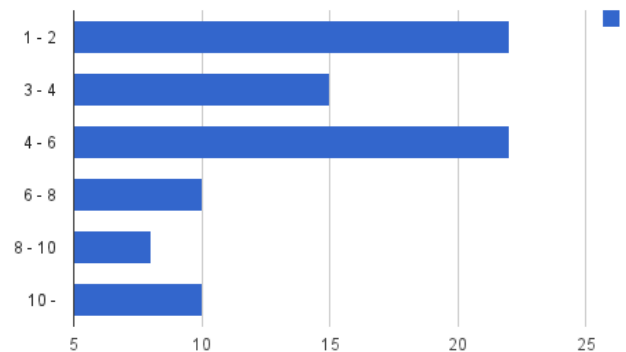
Har du någon favoritbutik som du handlar i?

Ja	81	78.6 %
Nej	19	18.4 %
Vet ej	3	3 %
	103	100 %



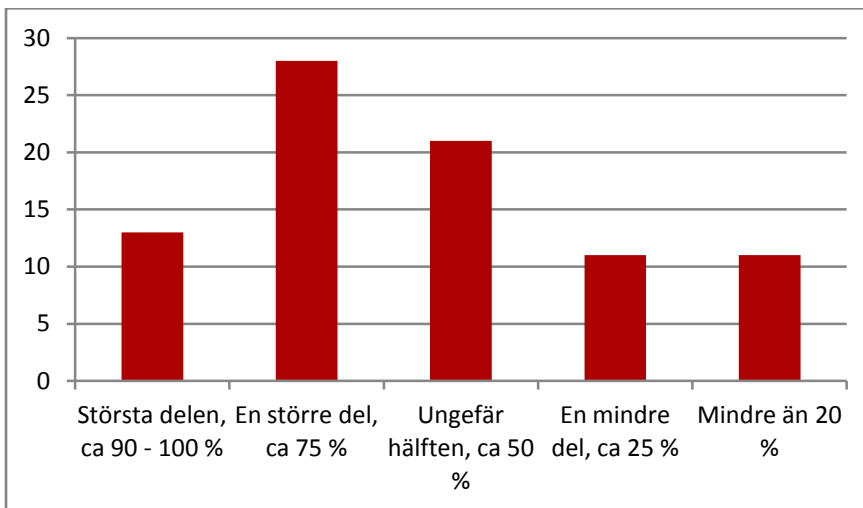
Hur många gånger i månaden handlar du där?

1-2	22	25.3 %
3-4	15	17.2 %
5-6	22	25.3 %
6-8	10	11.5 %
8-10	8	9.2 %
10 -	10	11.5 %
	87	100 %



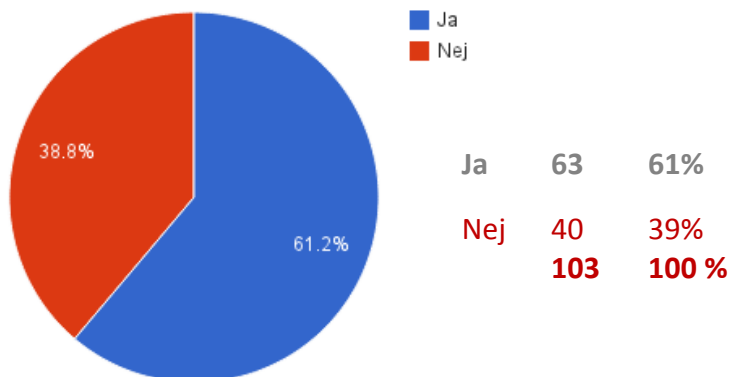
Hur stor del (%) av din totala månadsbudget för dagligvaror (ex. livsmedel, hygienartiklar) spenderar du i din favoritbutik?

Största delen, ca 90 - 100 %	13	15.5 %
En större del, ca 75 %	28	33.3 %
Ungefär hälften, ca 50 %	21	25 %
En mindre del, ca 25 %	11	13.1 %
Mindre än 20 %	11	13.1 %
	84	100 %



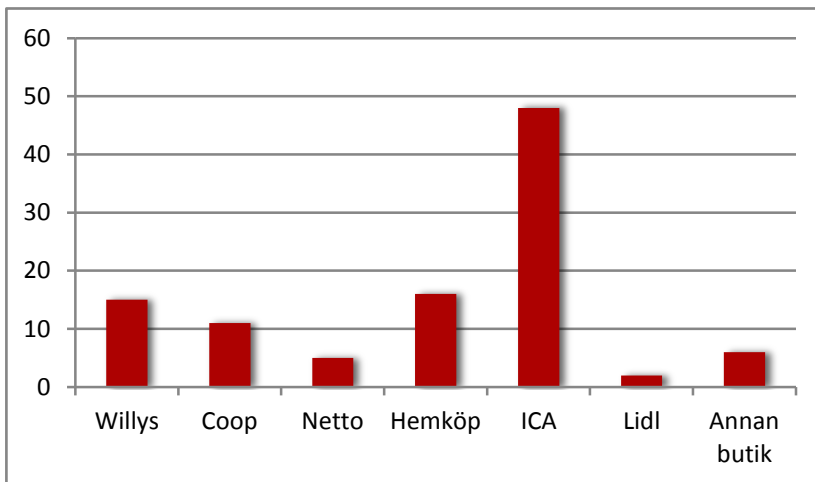
Frågor om kundkort

Har du ett klubbkort/ kundkort knutet till den butik som du oftast gör dina inköp av livsmedel?



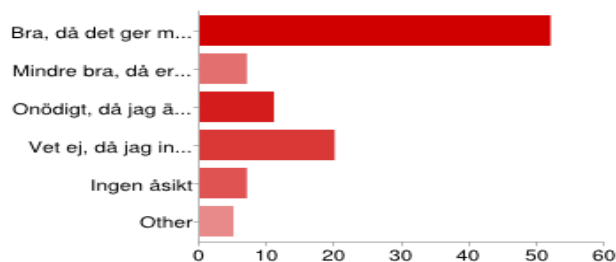
I vilken dagligvarubutik handlar du oftast dina livsmedel?

Willys	15	14.6%
Coop	11	10.7 %
Netto	5	4.9%
Hemköp	16	15.5 %
ICA	48	46.6 %
Lidl	2	1.9 %
Annan butik	6	5.8 %
	103	100 %



Vad tycker du om dagligvarubutikers användande av kundkort?

Bra, då det ger många förmåner och rabatter som jag ofta utnyttjar	52	50.5 %
Mindre bra, då erbjudandena ibland kan kännas för personligt riktade eller orelevanta	7	6.8 %
Onödigt, då jag ändå aldrig utnyttjar lojalitetsprogrammets förmåner	11	10.7 %
Vet ej, då jag inte har något kundkort knutet till en dagligvarubutik	20	19.4 %
Ingen åsikt (including other)	13	12.6 %
	103	100 %

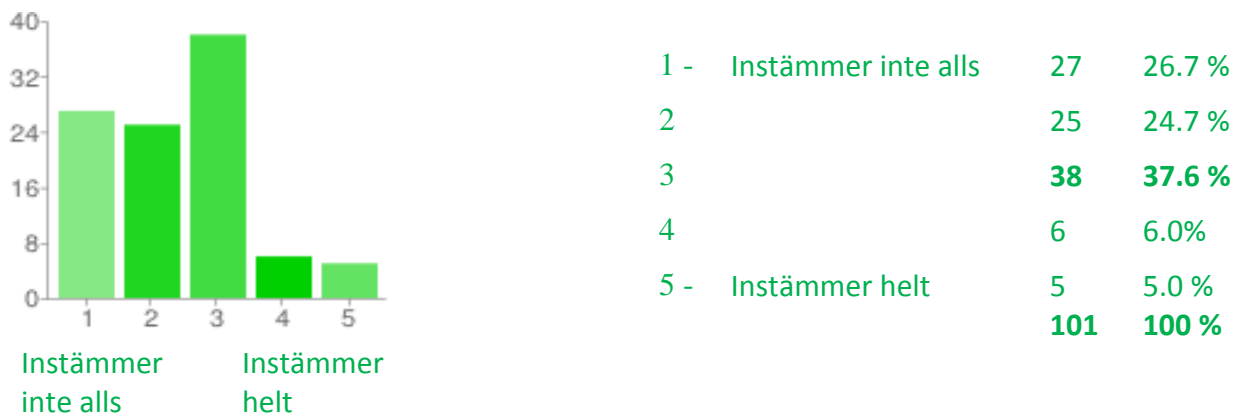


Tror du att kundkort är ett bra sätt för företag att få mer lojala kunder?

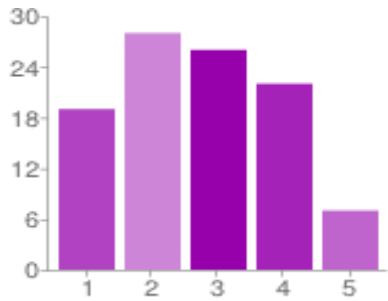


Påståenden om personlig integritet

De erbjudanden och reklamutskick som företag ger ut är för personligt riktade



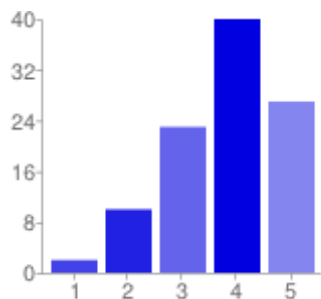
Det känns obekvämt att lämna ut personlig information till ett företag



1 -	Instämmer inte alls	19	18.6 %
2		28	27.4 %
3		26	25.5 %
4		22	21.6 %
5 -	Instämmer helt	7	6.9 %
		102	100 %

Instämmer inte alls Instämmer helt

Fördelarna med en kundklubb är större än nackdelarna

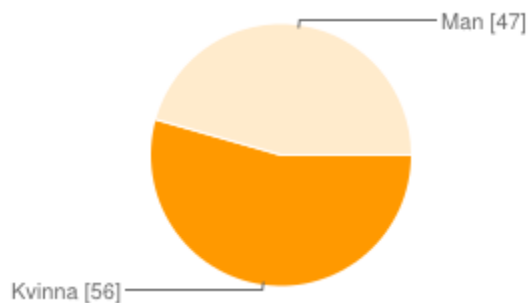


1 -	Instämmer inte alls	2	2.0%
2		10	9.8 %
3		23	22.5 %
4		40	39.2 %
5 -	Instämmer helt	27	26.5 %
		102	100 %

Instämmer inte alls Instämmer helt

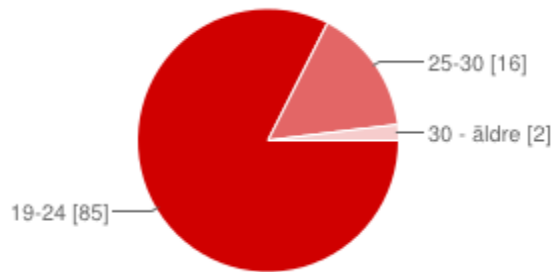
Bakgrundsfrågor

Kön



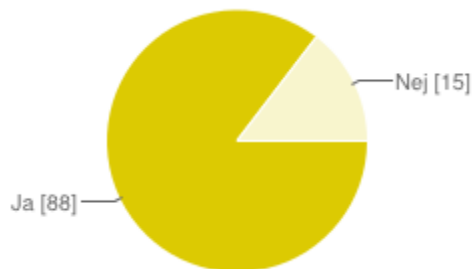
Kvinna	56	54%
Man	47	46%
	103	100 %

Ålder



19-24	85	82.5 %
25-30	16	15.5 %
30 - äldre	2	2.0 %
	103	100 %

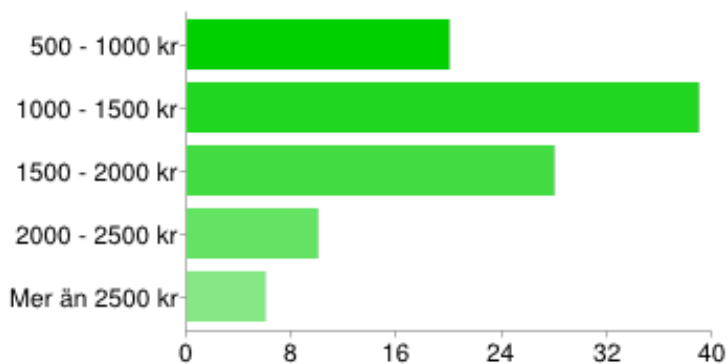
Är du student?



Ja	88	85%
Nej	15	15%
	103	100

Hur mycket pengar lägger du i genomsnitt på inköp av livsmedel varje månad?

500 - 1000 kr	20	19%
1000 - 1500 kr	39	38%
1500 - 2000 kr	28	27%
2000 - 2500 kr	10	10%
Mer än 2500 kr	6	6%
	103	100 %



Appendix 4 – Dictionary and explanation of stores

Dictionary

Convenience store – A grocery store, which is closely located to the individual homes.

Discussion participants – the interviewed individuals in our focus groups.

Favorite store – The store that a consumers prefers to shop in.

Grocery market – The area in which different grocery stores competes in selling their products to their potential customers

Grocery store - A store that sells food and other consumer goods, such as hygiene products, household equipment. Some of our statements concerning grocery stores refer to grocery chains and not one specific store.

House of brands – Several brands owned by one company.

Interviewees –The individuals who was interviewed in our focus groups.

Loyalty program – Refer to customer club cards at the grocery market.

Respondents – The individuals who answered our survey.

Explanation of stores

Bunnpris – A Norwegian chain of grocery store. Counts discount store but focuses more on convenience by having small central stores that are allowed to be open on Sundays.

Coop (Norway) – A company that uses different concepts ranging from low price to more premium stores.

Hemköp – A grocery chain owned by Axfood which offers “fresh products to competitive prices”

ICA (Norway) – Franchise-company which do not have a loyalty program. Has multiple store concepts.

ICA AB (Sweden) – Known for its loyalty program which is described in our introduction, uses different store concepts. Franchise company and Sweden’s biggest food retailer.

Kiwi – Grocery chain owned by the *Norgesgruppen* which sells well-known brands but also carries the low price privet label *First Price*.

Lidl – A German hypermarket low price store which main competitor in Sweden is Netto

Meny – a little bit pricier Norwegian grocery chain owned by *Norgergruppen*. Niches on broad product assortment and bigger stores.

Netto – A Danish grocery chain with low prices, earlier 50 % owned by ICA, but now ICA has a minority interest (5 %).

REMA 1000 – The single largest supermarket chain in Norway. A discount store that buys larger quantities to be the cheapest chain of store in Norway.

Willys – A grocery chained owned by Axfood focused on low prices.