The MyWaitrose Loyalty Card – a pointless way to engage?

The paper presents initial findings from an empirical study of engagement in those customers who have a myWaitrose loyalty card. Previous studies have suggested that loyalty cards result in rational loyalty towards the card and the points awarded rather than affective loyalty towards the brand. Rather than points, the myWaitrose card adopts a different approach to loyalty card reward in that customers receive free coffee, entry into competitions and customers are encouraged to take part in an online customer forum. Engagement and loyalty outcomes provide the conceptual foundation for the study and research aims to understand the antecedents, process and outcomes to engagement within this latest and new approach the high street loyalty card. Feedback on the methods and conceptual foundation of the study is welcomed.

Marketing and Retail Track

Word Count - 1948

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Customer loyalty programmes have long been deployed in the highly competitive grocery retail sector, where a loyal customer base is seen to be essential for survival (Doorn et al, 2010; Gomez et al, 2012; Huddleston et al, 2003; Lacey, 2009; Lui and Yang, 2009). It has been argued that customer loyalty programmes can yield profitable outcomes such as increased sales, customer life-time value and competitive advantage (Griffin, 2003; Rowley, 2007). Moreover the data from such schemes have indirect marketing benefits and can be used to develop new products, test marketing campaigns and analyse consumer patterns (Humby and Phillips, 2006). It is for these reasons that the market has been dominated by well-established customer loyalty programmes such as, Tesco Clubcard and Sainsbury's Nectar card which use 'points' accumulation to incentivise customer engagement (The Telegraph, 2012; Hallberg, 2003). However, such programmes have been criticised, as it is argued that rational 'points' only builds behavioural loyalty to the card and not the desired emotional loyalty to the retailer (Evanschitzky et al, 2012; Gomez et al, 2012; Rowley, 2007). Recently, luxury grocery retailer Waitrose has taken an alternative approach to the traditional 'points' driven loyalty program with their 'pointless' loyalty programme, myWaitrose. The programme launched in October 2011 and has since grown significantly, now consisting of 1.8 million members (Waitrose, 2013) with half of all sales generated through the myWaitrose card (The Grocer, 2014). The loyalty program aims to differentiate by engaging with customers through exclusive competitions and offers and online 'conversations' rather than simply rational 'points' accumulation (MarketingMagazine, 2011). From a conceptual perspective, the programme fits directly with the notion of an engagement platform (Ramaswamy, 2008) and definitions of engagement in that it 'goes beyond the transaction' Gummerus et al (2012; 858).

The emergence of the 'pointless' grocery loyalty program, represents a dynamic shift in the way loyalty programmes engage with customers. However, due to the novelty of the concept of a 'pointless' grocery loyalty program like myWaitrose, past research lacks exploration of customer loyalty and engagement in such context. Additionally it has been noted by Brodie et al (2011) that empirical studies exploring the notion that customer engagement is necessary for loyalty outcomes to emerge are limited. The research objective is threefold; firstly, to investigate the antecedents to engagement in such a 'pointless' grocery retail loyalty program, myWaitrose and secondly, to examine customer perceptions of the scheme and thirdly to understand outcomes. A review of the existing literature follows with preliminary research findings, conclusions and suggestions for further research.

Engagement and loyalty outcomes

The complexity of customer loyalty has been well documented (Dick and Basu, 1994; Evanschitzky et al, 2012; Kumar and Shah, 2004). Loyalty has been described as loyalty intentions to repurchase with the same firm (Edvardsson et al, 2000), customer life time value

is seen as equity for the firm (Liu and Brock, 2008) and a reason for organisational profitability (Oliver, 1997; Reicheld and Sasser, 1990). Attitudes and behaviour form two important concepts for understanding loyalty with attitudinal loyalty being based on an affective preference for an offering whilst behavioural loyalty relates to frequency of use or repurchase (Dick and Basu, 1994). Bloemer et al (1998) suggest that satisfaction would indirectly impact loyalty however it has also been recognised that understanding loyalty through satisfaction adopts a limited approach (Oliver, 1999). The exploration of differing classifications of customer loyalty, leads to the recognition of customer advocacy as an important outcome and also a means of identifying and measuring affective loyalty levels (Lawer and Knox, 2006). Furthermore, it is now increasingly recognised that not only is customer advocacy a positive outcome of highly loyal customers (Reichheld, 2001), but that it can represent a highly engaged customer (Brodie et al, 2012; Verheof et al, 2010).

Moreover, it is believed that the use of customer loyalty programmes can lead to a stronger, more loyal customer relationship and increased levels of customer engagement (Doorn et al, 2010; Payne et al, 2008; Verheof et al, 2010). However in contrast, it is strongly affirmed that customers often fail to participate and engage with loyalty programmes due to barriers such as customer effort, scarcity of time and highly competitive environments (Ashley, 2011; Dixon et al, 2010; Nobel and Phillips, 2004; Robert and Alpert, 2010). Hollebeek (2011) in fact points to the dangers of engagement fatigue appearing directly as a result of over engagement and identifies the transient nature of engagement is raised in terms of peak and flow levels. Consequently it is suggested, that the opportunity for successful customer engagement and greater customer loyalty is somewhat complicated. However, recent literature now supports an increasing ability to overcome such barriers to customer engagement, through the increased provision of an on-going experience through technology (Brodie et al, 2012; Griffin, 2002; Ramaswamy, 2008; Sashi, 2012).

Engagement has been a growing theme within many different disciplines and it is through this growing body of literature that interesting within the marketing domain has evolved (Bowden, 2009). Engagement is not a new concept instead it is an evolvement of existing concepts such as value, experience, involvement and co-creation all which sit within service dominant logic (Vargo and Lusch, 2008). Customer engagement is argued to be related to an individual and their engagement with a focal object at either one or all levels of brand, products or organisations and has been suggested to be a psychological state which are in turn cognitive, affective and social concepts (Vivek, Beatty and Morgan, 2012). Brodie et al (2011) define engagement as follows:-

> "It is a context-dependent, psychological state characterised by fluctuating intensity levels that occur within dynamic, iterative engagement processes. Consumer engagement is a multi-dimensional concept… and plays a central role in the process of relational exchange where other relational concepts are … antecedents and/or consequences…" (adapted from Brodie, et al, 2011, p.3).

Engagement explored

Brodie et al (2011) suggests involvement and interactivity as antecedents to customer brand engagement. Correspondingly, So, Sparks and King (2012) identify a wide range of antecedents to engagement including involvement, interactivity, rapport, customer satisfaction, trust, brand attachment, commitment and brand performance perceptions. Nonetheless, Brodie (2011) points out that engagement can happen at various levels and brand engagement is not necessarily a precursor to engagement at the product or platform level. For the myWaitrose scheme, recent newspapers reports suggested that the usually middle class Waitrose brand was under threat from customers attracted or engaged by the reward of free coffee. One regular Waitrose customer tweeted their concerns of seeing shoppers 'carrying cups of coffee, texting while pushing trolleys with their bellies' (The Telegraph, 2014). The importance of brand is recognised and in particular emotional manifestations of customer brand engagement have potential positive loyalty outcomes for organisations (Bowden, 2009; Patterson et al, 2006; Hollebeek, 2011). Other outcomes for the organisation have been identified by Hollebeek (2011) who suggests that increased co-created value, levels of satisfaction, trust, commitment, customer value and advocacy levels are all potential positive organisational outcomes. In turn, customers have better levels of brand perception, recognition and loyalty.

Despite the limitations of rational reward loyalty programmes to increase customer engagement, they are still viewed to be an effective means of engaging customers and increasing loyalty (Rowley, 2007; Smith and Sparks, 2009; Gomez et al, 2012). As mentioned previously, complexity arises as it is questionable as to what form of customer loyalty is created. Rowley (2007) and O'Malley (1998) scrutinise the value of economic rewards, arguing that it only leads to behavioural loyalty and not affective 'true' loyalty. It is therefore important to primarily explore in more depth the multi-dimensional nature of customer loyalty by focusing on engagement as a conceptual means of understanding the operation of such practices. Here we will be concerned with the antecedents, the engagement platform i.e. the experience of the myWaitrose programme and levels of engagement and finally consider outcomes.

Researching Engagement

The intention of this study is to provide a practical observation of the nature of engagement within the myWaitrose scheme. Given the subjective nature of engagement, focus groups have been used during this preliminary stage of the research as a means of collecting views, emotions and perceptions (Bryman and Bell, 2011). So far, two focus groups with existing Waitrose customers who have taken up the offer of the myWaitrose card have taken part in the research. Narratives were subsequently analysed with the aim of identifying key attributes, themes and relationships as perceived/reported by respondents. Bryson and Hand (2007) in their study of student engagement also followed this approach and whilst their

study explored a different genre of engagement the methods they used to do so are of relevance here.

Initial Findings

When considering the suggested antecedents to engagement trust and involvement have been noted (Hollebeek, 2012; So, Sparks and King, 2012) and it is clear that a great deal of trust exists with this group of customers prior to their adoption of the myWaitrose scheme. One respondent said, 'I shop in Waitrose because I like the shop, I trust that I will get great service and good quality products.' So clearly for customers a trust relationship was evident from the beginning.

The process and ease of use is clearly important as explained by one customer:

> 'To be honest, added benefits would be ease of use. It is most important as we have busy lives which make ease of use more important.'

The idea that customers desire a low effort experience with companies is complimented by Dixon et al (2010) who argue that by focusing on making it easier for customers, companies are able to reduce customer disloyalty but finds that customer loyalty is not necessarily increased. The finding is evident by another participant who said:

> 'I think customers are now more aware of technology and how it makes our lives so much easier.'

The findings support the suggestion that rapidly evolving technologies play an increasing role in creating greater customer engagement with companies (Meuter et al, 2000; Lin and Chang, 2011; Saloman, 2007; Sashi, 2012). However, although the group was highly engaged with the scheme, limits to their engagement were evident, as one participant best demonstrates:

> 'I'm too busy for the social aspect of myWaitrose, I'm not interested in forums and interactions with other customers.'

Customer effort is defined as the effort required by customers to engage in participation (Ashley, 2011; Nobel and Phillips, 2004). Furthermore, the literature identifies limits to customer engagement driven by scarcity of time and a highly competitive environment (Huddleston et al, 2003; Roberts and Alpert, 2010; Leenheer and Bijmolt, 2007).

In terms of outcomes increases in customer advocacy were identified and were reflected here by another respondent who said,

> 'If Waitrose have been clever in their communications offering me something I buy or am interested in I do remember this and mention it to family or friends.'

The presence of customer advocacy connected with the experiences which rewards derive can be positively related to high levels of customer engagement and affective loyalty (Reichheld, 2003; Sashi, 2012) therefore it is an important element to explore further in the analysis.

So far the study has confirmed the importance of trust, ease of use and loyalty outcomes for customers. Limits to engagement have been identified and further work is required to understand the reward structure deployed in this scheme compared to loyalty cards with a points driven approach. The next stage of the research is to perform online content analysis of the myWAitrose online community forum, organise further focus groups with MyWaitrose card holders and interview Waitrose marketing managers to explore the strategic intentions and perceived benefits from the scheme. Feedback on the conceptual foundation and methods used would be welcome at this stage.

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