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**RELATIONSHIP MARKETING - LOYALTY CARD**

**Case study: BigC Supermarket, Metro Cash and Carry Center**

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**ABSTRACT**

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<p>The thesis was conducted with BigC supermarket and Metro Cash and Carry Center as the based companies of successful loyalty cards in relationship marketing area. Big C, one of the biggest supermarket in Vietnam, takes retailers and routine customers as a prior target group. And Metro, which is considered the pioneer of the modern wholesale model in Vietnam, focuses primarily on professional customers such as restaurants, hotels, canteens, as well as small-medium sized retail stores, service companies and offices.</p> <p>The aim of this thesis was to analyze the succeed of both BigC and Metro by using loyalty cards to remain long term relationship with customers although these supermarkets were quite different in target objectives.</p> <p>The thesis was started with literature review, then adopted a combination of practical issuesand theoretical research in order to achieve its goals. The empirical research was conducted into BigC supermarket, and Metro Center, as well as the competition faced within the market and some of the external forces that affect the market. A questionnaire was conducted into customers shopping habits in using loyalty cards to gain some quantitative information that could be used for further analyses. The final target was not only to find out but also to compare the way of using loyalty cards in attracting and managing customer relationship of two of biggest supermarkets in Vietnam.</p> <p>The personal recommendations included some ways to better attract customers by widening delivery systems, multifunction cards and developing a Smartphone App to shop online.</p>		

**ABSTRACT**

**Key words**

B2B Marketing, B2C Marketing, Consumer Loyalty, Customer Relationship Management, Customer Value, Loyalty card, Relationship Marketing.

## **ABSTRACT**

## **CONTENTS**

1 INTRODUCTION .....	1
2 THEORETICAL FRAMEWORK .....	3
2.1 Marketing.....	3
2.1.1 Marketing definition .....	4
2.1.2 Marketing process.....	5
2.2 Customer Relationships Management (CRM).....	6
2.3 Relationship marketing .....	9
2.3.1 Relationship Marketing in the B2C context.....	10
2.3.2 Relationships and loyalty in B2B marketers.....	12
2.4 Consumer loyalty .....	15
2.4.1 Behavioral versus Attitudinal Loyalty .....	15
2.4.2 Loyalty program.....	16
2.4.3 Customer loyalty card .....	17
3 VIETNAMESE MARKET .....	18
3.1 General information about Vietnamese retail and wholesale market .....	18
3.2 Vietnamese customer behavior .....	21
4. CASE STUDY: BIG C SUPERMARKET AND METRO CASH&CARRY CENTER.....	22
4.1 Presentation of BigC supermarket .....	23
4.2 Presentation of Metro Cash&Carry.....	27
4.3 Competition among three big players: Big C, Metro Cash &Carry and Co.opmart .....	31
4.4 Research objectives and strategies .....	37
4.5 Data collection methods.....	39
4.5.1 The Questionnaire .....	40
4.5.2 Statistical results .....	41
5 CONCLUSION.....	49
REFEENCES .....	51

## **APPENDICES**

### **GRAPHS**

GRAPH 1. A simple model of Marketing

GRAPH 2. Loyalty ladder for B2B marketers

GRAPH 3. B2B buyer matrix

GRAPH 4. Vietnam GDP Growth vs. the World

GRAPH 5. Vietnam current and forecast trend in wholesale and retail

GRAPH 6. BigC's value share

GRAPH 7. Product categories of BigC supermarket

GRAPH 8. BigC own brand products

GRAPH 9. Metro Cash & Carry's own brand products

GRAPH 10. Big C 's customers benefits

GRAPH 11. Metro Cash&Carry 's Promotions

GRAPH 12. Co.opmart Supermarket 's promotion page

GRAPH 13. Research and Analysis structures

GRAPH 14. Questionnaire flow

GRAPH 15. Supermarket that customers prefer and want to become loyal

GRAPH 16. Customer groups

GRAPH 17. Frequency of Gender

GRAPH 18. Age group

GRAPH 19. Frequency of customer satisfaction/dissatisfaction

GRAPH 20. Frequency of being regular customers with loyalty card

GRAPH 21. Frequency of customers shopping

GRAPH 22. Spend on shopping of customers in last 3 months

GRAPH 23. Frequency of how customers are likely to repeat purchase

GRAPH 24. Benefits of loyalty card affects to shopping decision

GRAPH 25. Frequency of making use of card benefits

GRAPH 26. Loyalty cards encouraged customers' spending

GRAPH 27. How customers use loyalty cards to redeem their points

## **TABLES**

TABLE 1. Types of information and answers with CRM

TABLE 2. Loyalty ladder for B2C marketers

TABLE 3. Types of loyalty program users

TABLE 4. BigC 's SWOT

TABLE 5. Metro Cash & Carry 's SWOT

TABLE 6. Co.opmart Supermarket's SWOT

## 1 INTRODUCTION

In a developing modernization and industrialization age in which the completion is becoming harder than ever before, customer relationship management becomes a vital element and a priority criterion to decide whether a company is operating effectually. In a market where eighty percent of profit comes from twenty percent of customers, the needs to maintain a sustainable and loyalty relationship with the customers are indeed necessary, and each business has its various ways to support marketing campaigns.

To come up with the needs to provide an effective way to maintain the relationship between customers and enterprises, customer loyalty cards which enable retailers, casino, and others companies to give directly a specific concern to the customers are used as an powerful and common way in worldwide to maintain the relationship with clients. And this result has a significant mean to retails market where the competitions are truly fierce, consequently, the thesis aims to provide a clear perspective on the customer relationship management through two paradigms, two companies using customer loyalty cards to maintain the relationship with the consumers in Vietnamese retail market. Big C supermarket and Metro Cash and Carry Group, two giant enterprises coming from the European Union, are operating extremely effectively in retail market in Vietnam, and that would be appropriate cases for this thesis.

The first chapter goes through a general view of the thesis, and afterwards the second chapter will clarify some definitions of customer relationship management, relationship marketing, customer loyalty cards and consumer loyalty. Chapter three goes deeper into the background of Vietnamese markets and Vietnamese customer behavior. The following chapter analyzes how customer loyalty card works and how successful it is to encourage spending and consumer loyalty through two separate surveys in two enterprises, BigC and Metro Cash and Carry. Two surveys are conducted with separate targets in which the first one focuses on all kinds of customers, and the latter is considered as the pioneer of the modern wholesale model in Vietnam. Because each company has its different target customer groups, two different questionnaires will be used to clarify and help readers understand clearly how well they are processing in customer relationship management by using the same method to maintain the relationship with customers, customer loyalty cards. From result of the survey, thereafter, the

data will be compared to evaluate the success among different targets. Finally, the author will summarize and contribute some personal opinions to improve relationship with customers more effectively.

Lastly, the target of this thesis is, first of all, to help the readers understand further about Vietnamese markets and Vietnamese customer behavior. Moreover, the information analyzed from two of the biggest retail companies in Vietnamese market in the way how they maintain a sustainable relationship with customer and how they encourage their clients to buy their products will be significantly useful for the thesis purpose. Last but not least, remaining a long term relationship with customers is really tough in current markets with so many competitors, not only in Vietnam but also in every country all over the world. Therefore, the writer also wants to contribute some personal ideas from the point of view and preference of customers with hope to help companies satisfy their clients' demand better.

## 2 THEORETICAL FRAMEWORK

This chapter firstly introduces the basic concepts of Marketing and Customer Relationships Management. Then the author purposes to highlight how important it is to develop customer relationships by relationship marketing and how relationship marketing can be applied to different business model (B2C and B2B). Lastly, the framework of consumer loyalty will be analyzed.

### 2.1 Marketing

First of all, a definition of marketing given, which simply say that, is customer relationships management to not only gain profits but also create value for customers and obtain value from customers in return. More than any other businesses, the function of marketing is to deal with people in general or customers in specific. There are various ways of defining “What is Marketing?” and we could discover more-detailed concepts of Marketing, but let's start with the definition that may be considered the simplest one: *Marketing is managing profitable customer relationships*. Marketing aims to attract new customers by conveying company's promises to superior customer value. On the other side, the target of marketing is both maintaining and strengthening current customer relationships by delivering customers satisfaction. (Kotler & Armstrong 2012, 28.)

Marketing reached customers through different approaches both directly and indirectly. However, all of the marketers have the same goal that their brand can become an essential part of their customers' life and bring customer to more utilities by experiencing their brand. In this chapter, the author starts with the definition of marketing and marketing process in managing customer relationships.

### 2.1.1 Marketing definition

Many people may come up with the first idea that marketing is only selling and advertising product activities. It is not incorrect, but not efficient. According to the author's opinion, selling and advertising are only small emerged parts of marketing iceberg.

Marketing can be seen in traditional appearance in human daily life. Moreover, marketing also appears by the way of introducing a variety of products through your TV ads when you are watching movies, or in the advertisement of your newspaper, magazines, or leaflets in your mailbox. But nowadays, marketing is developed and become more and more diversified and creative form and approaches.

According to Kotler & Armstrong (2012), marketing now comes up with new sense:

"Today, marketing must be understood not in the old sense of making a sale— "telling and selling" – but in the new sense of satisfying customer needs [...] Selling and advertising are only part of a larger part of a larger "marketing mix" – a set of marketing tools that work together to satisfy customer needs and build customer relationships."

Kotler & Armstrong also indicated marketing as:

"Marketing is a social and managerial process by which individuals and organizations obtain what they need and want through creating and exchanging value with others. In a narrow business context, marketing involves building profitable, value-laden exchange relationships with customers. Hence, we define marketing as the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return." (Kotler & Armstrong 2012, 29.)

Following Keegan & Green (2015), Marketing is defined:

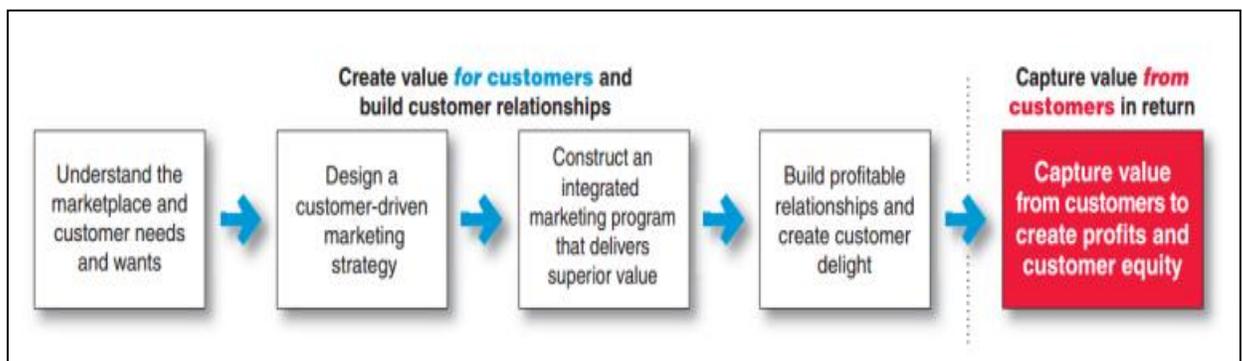
"Marketing can be defined as the activity, set of institutions and processed of creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large. Marketing activities center on an organization's efforts to satisfy customer wants and needs with products and services that offer competitive value." (Keegan & Green 2015, 26.)

From the definition, customer relationships management can be considered one of the most important targets of the marketing program in a success of any certain organization. By well

managing and developing relationships with customers as well as gaining customer loyalty, the company can not only create value for customers but also capture value from them to build up a stronger firm brand.

### 2.1.2 Marketing process

In the previous part, the author defined marketing as the steps formed in order to create customer value from the company as well as obtain value in return for company from their customer relationships. Coming to this session, a simple model of Marketing process will be presented by five steps in GRAPH 1 below. According to Kotler & Armstrong, creating value for customers, building customer relationships and gaining value in turn from customers to companies include five steps. The first four steps aim to create the value for customers and, specifically, companies will work carefully to understand the consumer needs and wants, create value to customer and create a strong relationship between companies and customers. Compounding all the previous steps, capture value collecting from customers will be turned into the form of sales, profits and customer equity. (Kotler & Armstrong 2012, 29.)



GRAPH 28. A simple model of marketing process (Adapted from Kotler & Armstrong 2012, 29.)

In the marketing process, understanding customer needs, wants and demands, which are three basic things in human life, is the very first requirement. It is necessary for marketers to put themselves in customers' foot in order that the companies can understand what their customers really desire. The leaders also need to know clearly their competitors, environment in the marketplace so that they can provide and satisfy customers with better quality, diversity of products and services with a customer-driven strategy designed. In that step, the marketing managers consider targeting customers group to get benefits from relationships with them, after that planning to develop an integrated program that indeed conveys value to chosen customers. The marketing strategy will be taken into action to build customer relationships and actually satisfy them. By launching strategies and transferring value to customers included in first four steps, the last stage is capturing value for company through results: customer loyalty and retention, market share, customer share and customer equity. However, in the changes of the marketing environment, there are three more factors that should be taken into consideration, i.e, marketing technology, global opportunities and ethic responsibility in building relationships with not only customers but also partners.

## **2.2 Customer Relationships Management (CRM)**

In recent years, marketers are concerning more and more about building customer relationships which is considered to be one of the most essential part of marketing missions. This chapter will bring to some concepts, benefits, and applications in business of CRM.

Marketing campaigns are often launched in many different strategic ways to encourage customer loyalty to a certain product or service. However, not all of loyal customers will bring profits to your company but cost money from yours. Thus, CRM's mission is to clarify which types that customers belong to, then find out suitable approaches to each one. Specifically, the companies will have strategies to build up stronger relationships with their profitable clients, attract new potential customers, or even end up interactions with some customers who waste company's budget.

In a business strategy aspect, CRM is considered:

"CRM is the strategic process of selecting customers that a firm can most profitably serve and shaping interactions between a company and these customers. The ultimate goal is to optimize the current and future value of customers for the company."(Kumar & Reinartz 2012, 4-5.)

With principal targets: strategic process, selection, interactions, customers, current and future customer value, the company generally uses CRM to manage and analyze customer interests and data throughout their habits. CRM refers to practices, strategies and technologies so that company can improve business relationships as well as remain a long-term relationship with customers that helps to drive sales growth.

Besides that, as mentioned in the previous chapter about marketing process, creating value for buyers will also bring value back to the company. Therefore, from a customer value aspects, CRM can be defined as:

"CRM is the practice of analyzing and using marketing databases and leveraging communication technologies to determine corporate practices and methods that maximize the lifetime value of each customer to the firm."  
(Kumar & Reinartz 2012, 4-5.)

In customer value perspective, CRM can help the company make clear: how long it will take to get consumer loyalty, how loyal customers bring to profit, how to predict profitability of a certain customer, how to calculate lifetime value of customers, how the company distributes marketing resources to raise the customer value, and how firms can get the most revenue on investing to marketing. By replying these question, the firm can be able to reduce costs, maximize returns, larger profits and consumer loyalty.

The TABLE 1 below shows clearly determinant kinds of information that CRM systems answer:

TABLE 7. Types of information and answers with CRM systems (Adapted from PEI 2012)

<b>This type of Information...</b>	<b>Answers these questions...</b>
<b>Customer profile information</b>	<ul style="list-style-type: none"> <li>• Who are they?</li> <li>• Are they a business or a person?</li> <li>• Where are they located?</li> <li>• If they are a business, how big are they?</li> <li>• If they are a business, what do they do?</li> <li>• Why do they need your product?</li> <li>• How do they communicate with you?</li> <li>• Do they have an account?</li> <li>• How long have they been a customer?</li> </ul>
<b>Customer buying profile</b>	<ul style="list-style-type: none"> <li>• How often do they buy?</li> <li>• When do they buy?</li> <li>• Is there a pattern to their buying habits (e.g., seasonal)?</li> <li>• How much do they buy at one time? Over time?</li> </ul>
<b>Customer buying preferences</b>	<ul style="list-style-type: none"> <li>• What do they buy?</li> <li>• Do they always buy the same thing?</li> <li>• Why do they buy it?</li> </ul>

The systems of CRM can be designed across different channels for company to gather customers' information quickly and conveniently, then the company can keep contact with them through company's website, telephone, direct mail, social media and so on. Especially, these systems also give company details about customers' personal information, purchase history, buying preferences and concerns.

It can be really challenging for a company to find out all of these kinds of question about customers with whom it is doing business. That company has to analyze and come up with valuable strategies to impress customers and convince their loyalty. One of the most strong factors in building relationships is to make customers feel that they are important and appreciated when the company knows and recognizes them, understands them, cares about their needs, questions and concerns and delivers services and products they need the most.

In order to gain the most advantage from CRM systems that help a company in relationships with its consumers, how CRM systems are used in business activities is also necessary to be taken into account. Firstly, from all customer information saved by CRM systems, the company can then build value for itself with plans to well anticipate customers' needs by analyzing their habits by their existing searches or preferences. Secondly, this kind of information will enable company to recognize its best customers or potential customers of company then it may identify supportive products for its customers to choose. Last but not least, consequently, that company can have suitable marketing campaigns/materials and promotions to target groups of customers.

In the other hand, the company uses saved information of customers to have the best solution in creating customer value and obtain their loyalty. In particular, company may provide pre-filled order forms and e-mail reminders for customer to make ordering or buying easier or reduce customer response times by tailoring the shopping experience for customers and allowing self-service. Moreover, developing an e-newsletter with topics related to recent searches or interests of customers, unique offering for the best customers, such as, free or discounted supportive products, and offering incentives for additional or future purchases can be applied to encourage customers' interest and loyalty. Last but not least, the company can create a chat room or online forum where customers can share their experiences with one another as a good advertising strategy for your brand as well as attracting more concerns of new shoppers (and with the company since its customer relationship managers will also have access to their discussions). (PEI 2012)

### **2.3 Relationship marketing**

Relationship marketing, a part of customer relationship management (CRM), focuses on customer loyalty and long-term customer relationship. Different from customer acquisition and individual sales which just need shorter-term goals of maintaining customer, relationship marketing (or customer relationship marketing) aims to create strong, even emotional, customer connections to a brand so that company can lead to ongoing business, free word-of-mouth promotion and information from clients who can generate leads.

As West, Ford, & Ibrahim (2010) defined, Relationship Marketing is:

"It is the development of long-term and intimate relationships between buyers and sellers. It involves open communications and the ability to know the customer or client so well that changes in wants and needs can be anticipated before they become critical." (West, Ford, & Ibrahim 2010, 226.)

From the definition, a goal of relationship marketing can be seen to focus on increasing the number of individual sales instead of traditional transactional marketing approach. If in the transactional model, a customer just buys one product one time, and may not want to continue buying that brand in the next time, then the return on customer acquisition cost may be insufficient. Acquiring new customers will cost 6-7 times expenses more than keeping current ones (White House Office of Consumer Affairs 2014). Hence, managing customer relationship well can bring the company to more profits from their loyal customers than acquiring new customers. When even just one customer got bad experience with your brand, your business may have to pay a highly cost. Without a strong relationship marketing strategy, the brand cannot keep their customers and even loses their position in current markets when their competitor attracts better. Especially, it is important for a company to turn a complaint into a positive feedback for buyers as well as for a company to overcome and go ahead. While organizations combine elements of both relationship and transactional marketing, customer relationship marketing acts an important role in many companies. (Margaret Rouse 2014)

### **2.3.1 Relationship Marketing in the B2C context**

B2C stands for Business to Customers model, in which the company does business transactions directly between a firm or individual who are the final users of its products or services (Investopedia)

In order to strengthen the relationship with customers and gain customer loyalty, obviously, it is really necessary for companies to have strategies that communicate and care for buyers more efficiently and regularly. However, companies must notice that all customers are not the same, nature of different customers should be clarified by adapting the loyalty ladder for B2C

marketers. In this loyalty ladder (see TABLE 2 below), factors will be listed from the least to the most desirable level: suspects, prospects, customers, clients, supporters, advocates, and partners.

TABLE 8. Loyalty ladder for B2C marketers (Adapted from West, Ford, & Ibrahim 2010, 226-238.)



<b>Partners</b>	Buyer and seller enter into a joint of commitment. Partners are a ultimate level of relationship.
<b>Advocates</b>	Customers who buy your products and services and actively recruit others to do the same.
<b>Supporters</b>	Customers who like your firm but only support your firm indirectly without any motivation needed.
<b>Clients</b>	Regular customers who have some level of trust in the seller and believe that the seller's offerings will be beneficial to them.
<b>Customers</b>	Customers who have done business with your company.
<b>Prospects</b>	Customers have interest in your products but have not yet made a purchase => not regular buyers but may be persuaded to do business with your company.
<b>Suspects</b>	Customers are not yet interested in the selling company's products or services => Not kinds of individuals should be spent much time or effort on to develop relationships with.

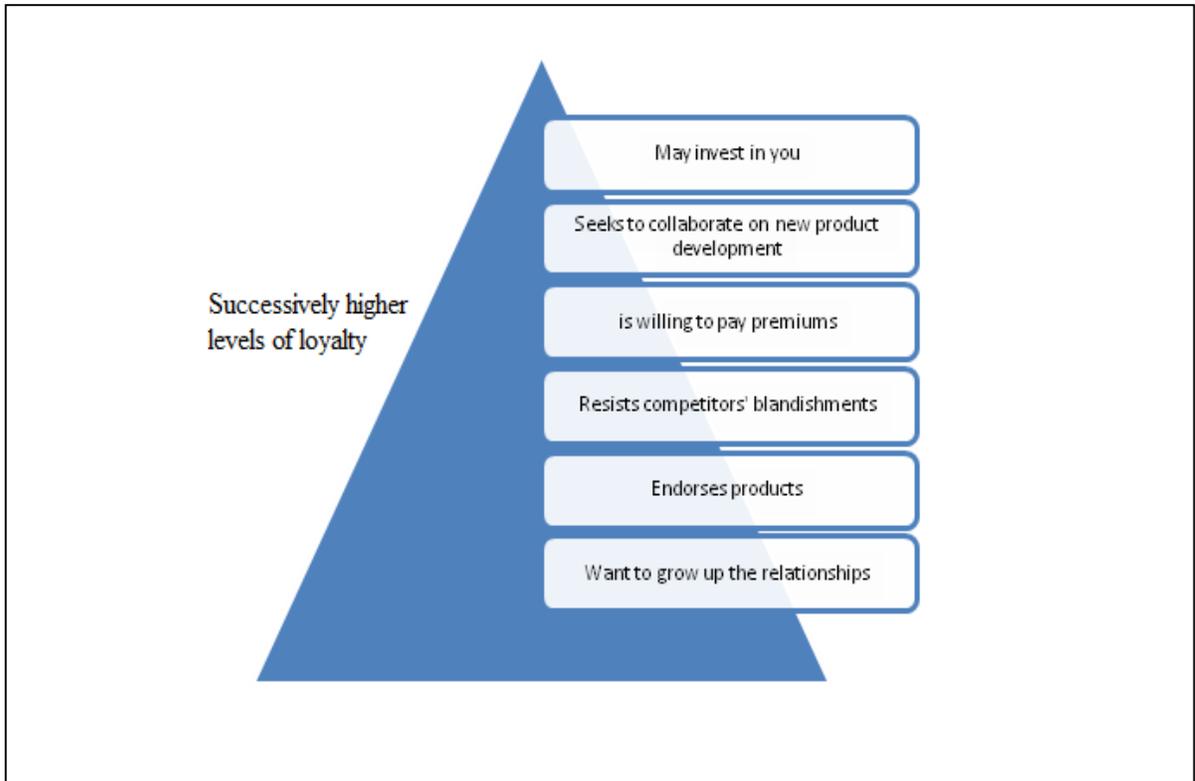
It is always essential for the company to appreciate nominations from the least to the most preferred category. How to make a suspect become a partner in your business is the biggest challenge for every single company. That means the companies truly need continuous communication with customers to understand them, to convince them, to build up strong connections with them.

### **2.3.2 Relationships and loyalty in B2B marketers**

B2B or Business to Business model means that businesses do business with one another. When compared to B2C markets, B2B products and services are produced and serve fewer customers, in larger transactions, with customized products, negotiated prices, values. Besides that, in B2B market, usages of goods and services are more considerable, and brands are not too crucial because this kind of relationship is not similar to the relationship between buyers and sellers.

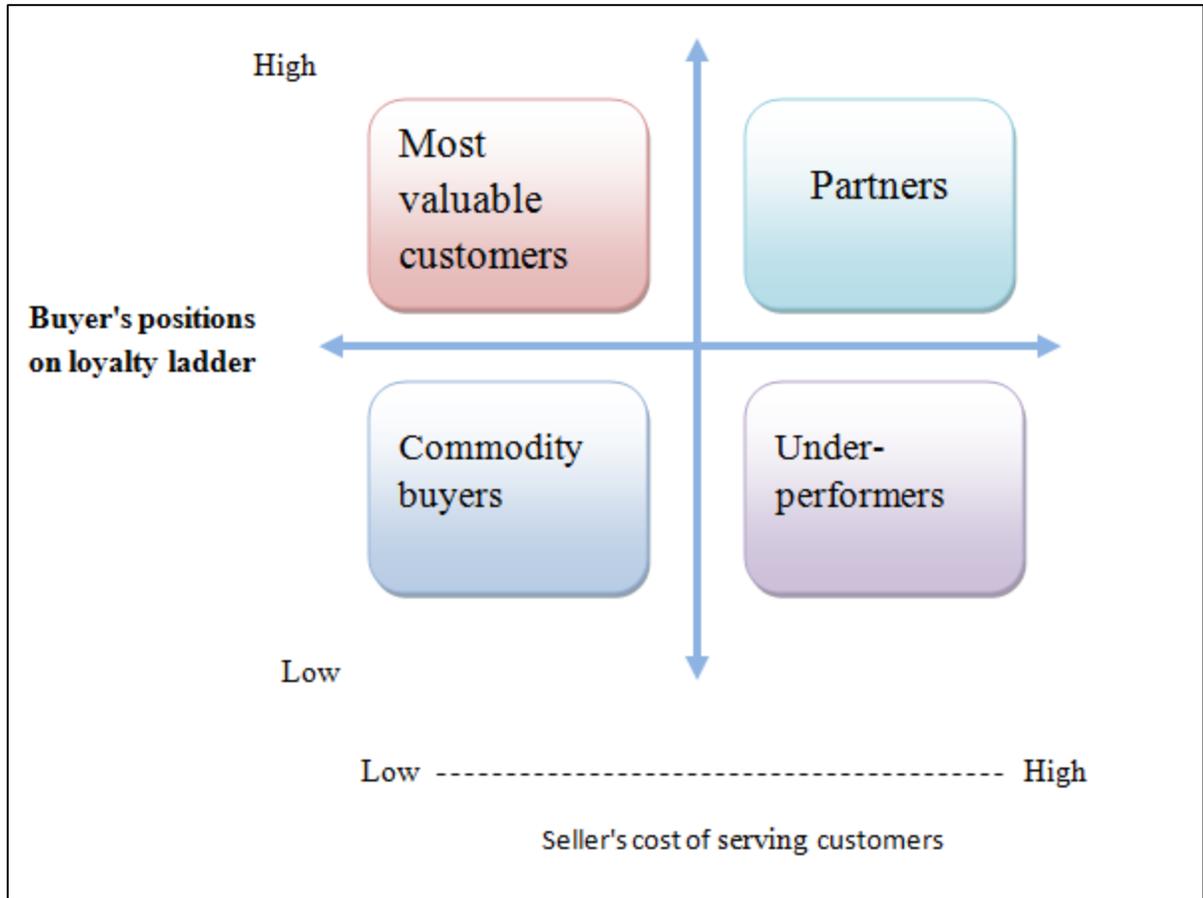
In this model, customers are no longer individuals but groups or organizations. Therefore, attracting and building long-term relationships with customers are much more difficult and challenging for companies. These potential relationships are getting important and necessary for marketers to have good strategies. In B2B market, a target group of customers differs from B2C market; it does not work for B2B when applying the similar kinds of operation marketing program.

Different from B2C model, which is too much focus on satisfaction scores, B2B model considers more carefully factors including not only customer's loyalty levels measurement but also more positive elements like recommendations and repurchase ratings. According to Narayandas (2005), there is about 80 percent of B2B marketers use only satisfaction scores to measure loyalty levels of their clients, and that's not inefficient. Therefore, Naryandas (2005) recommended a B2B loyalty ladder as shown in GRAPH 2. This ladder helps readers by providing specific strategic insight that may not be obtained from using the B2C loyalty ladder as shown in TABLE 2. (West, Ford, & Ibrahim 2010, 238-239.)



GRAPH 29. Loyalty ladder for B2B marketers (Adapted from West, Ford, & Ibrahim 2010, 226-238.)

The B2B loyalty ladder segmented the differences of loyalty from the least to the most desirable levels as well as indicated how equivalent of the amount of time and effort the company should spend to build and strengthen relationships with their customers. It can be seen that the income of the organization will be higher when the enterprise reaches to higher levels of customer loyalty. Narayandas (2005) also indicated four kinds of customers (see GRAPH 3) and their function on the buyer matrix for company to consider investing, maintaining or obtaining.



GRAPH 30. B2B buyer matrix (Adapted from West, Ford, & Ibrahim 2010, 240-242.)

In this pattern, four types of customer are discussed. The commodity shoppers are just those who only concern about basic things, especially with the lowest prices. The amount of these customers is quite huge, and the company should not provide them with high value-added services. The underperformers are often drawn when a company offers the lower costs or free services. There are two ways to deal with this kind of customers. The marketer may turn customers into commodity ones by not providing more services or make them become partners by serving them better services or offering more products. Partners can be considered good candidates for a company to maintain relationship with. They just care about the availability of the latest and best products that is truly magnificent for the company to develop new products. They do not have any problem with price but they need to be ensured of efficient product evolutionary cycles. The last category is the most valuable customers who

are loyal to the company. This type prefers some original stuffs from the suppliers but still want to pay a price premium for the contribution that offered in the past services. They do not require too much money of company to maintain relationships and are even easier to become partners. (Narayandas 2005).

## **2.4 Consumer loyalty**

Consumer loyalty happens when a buyer tends to buy one brand of products more than others regardless of whether products or services are satisfied, or convenient, good appearance, or comfortable, useful, etc. can be called consumer loyalty. Loyal customers are those who not only visit your store or buy your products or services more consistently, spend a greater amount of money on your brand, and have a positive shopping experience, but also attract more buyers by introducing your brand to their family, relatives or friends that help improve your brand in the market of competitors.(Copyright PR Loyalty Solutions 2011).

This part will bring the readers a closer point of view of classification of loyalty, loyalty program and loyalty card.

### **2.4.1 Behavioral versus Attitudinal Loyalty**

Not all loyal customers are truly loyal. A very loyal client may demand services and discounts, he/she may questions customer services many times and hunts for the best price, promotions or sale seasons. Absolutely, this customer is taking money from your company instead of bringing to benefits. Therefore, it is critical for the company to recognize the different types and degrees of loyalty to maintain customer loyalty better, build up strong customer relationships and even terminate unprofitable interactions. In particular, there are two popular kinds of loyalty: Behavioral loyalty versus Attitudinal loyalty. Behavioral loyalty relates to customers who continue to purchase your products or services repeatedly. Meanwhile, attitudinal loyalty is considered true loyalty with an engagement of clients to

continually support your products or services regardless of any situation. (V. Kumar & Reinartz 2012, 184.)

In the opinion of many scholars, as a minimum, an adequate definition of customer loyalty includes the history of actions plus feelings and intentions toward the brand or commercial relationship. Loyalty action and talk (i.e., promotion to others) are both valuable to businesses, but in different ways. (PR Loyalty Solutions 2011)

### 2.4.2 Loyalty program

A loyalty program includes an operation of marketing activities or company promotions to reward loyal customers or regular buyers according to their repeated shopping. A successful loyalty program is which convince customers to repeat their shopping of products or services. It is also successful in identifying who are unwilling to purchase repeatedly and limit the marketing spend for this segment accordingly. Moreover, to customers who had history purchase but not repurchased, focusing the marketing budget on them will make loyalty program successful. (Magatef & Tomalieh 2015, 3.). The TABLE 3 is classified customers into four categories of loyalty program user: Never, Light, Heavy and Extreme customers. In particular, each user type has different typical or commonly observed characteristics:

TABLE 9. Types of loyalty program users (Adapted from Sima & Elham 2015)

Types of loyalty program users	Characteristics
<b>Never customer</b>	Not interested or attracted by loyalty programs as well as reward incentives in any way
<b>Light loyalty program users</b>	Have reward program memberships and influenced by company incentives, but only moderately
<b>Heavy loyalty program users</b>	Active and highly affected members of reward programs
<b>Extreme loyalty program</b>	Virtually addicted to or obsessed with loyalty programs.

According to Sma & Elham (2015), loyalty program users mainly divided into four separate types: Never customer, Light loyalty program users, heavy loyalty program users and extreme loyalty program. The first one is never customers, the customer having the least potential to be attracted by loyalty program. The next two types of users are Light and Heavy loyalty program users, the customer that can be influenced and rewarded by the programs of enterprises in a limited degree. The last one, which is also the highest potential to be absorbed by loyalty programs, is extreme loyalty program.

### **2.4.3 Customer loyalty card**

In order to remain long-term relationship with customers, every business has various ways to support its marketing campaigns. One of those strategies is the application of customer loyalty cards which enables supermarkets, retailers, and various kinds of business to provide customer loyalty reward points, discounts, and perks. Customer loyalty card program is the most compelling opportunity for companies to track their customer data in order to understand customers' interest, habit, behavior better and satisfy them, maintain long-term relationship with them.

There are some definitions of loyalty cards:

Loyalty cards were initially designed to offer rewards to regular customers and therefore to encourage them to keep shopping in the same store. (George Arnett 2013)

Loyalty card is a swipe card issued by a supermarket or chain store to a customer, used to record credit points awarded for money spent in the store. (The free dictionary)

Loyalty card is a card that is given to a customer by a business, used by the business to reward the customer for buying goods or services and to record information about what they buy. (Cambridge Dictionaries Online)

With the card presented, the purchaser can apply for a discount on the current purchase or accumulate points for their future purchases. Before getting a loyalty card, customers need to fill in an application form which entails agreements by the store concerning customer privacy, and non-aggregate data about customers must be confidential (by the company). The company uses aggregate data internally (and sometimes externally) as part of its marketing research. Besides the goal to keep and attract loyalty customers, these loyalty cards also have significant meaning to marketing program as they can provide accurate information of customer about the habit, a range of price or favorite brand. From these informations, companies could know and analyze precisely the customers; hence, the company can plan proper marketing strategies not only to remain long-term relationship with current customers but also to acquire new customers.

### **3 VIETNAMESE MARKET**

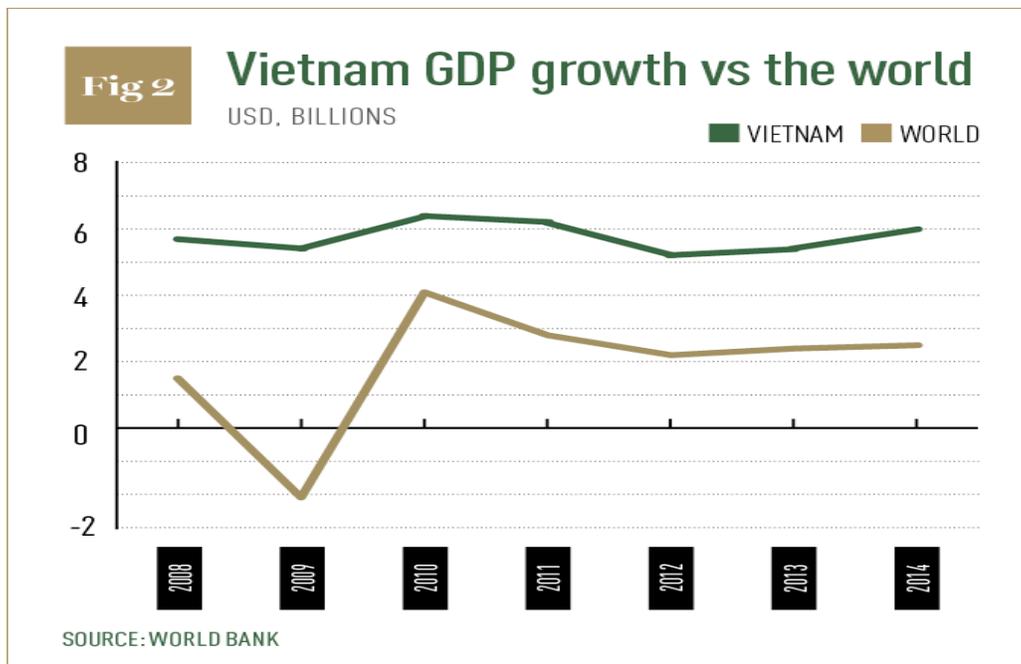
In this chapter, the overall information of Vietnamese retail and wholesale market will be firstly performed. Later, Vietnamese customer behaviour is mentioned as the changing in their mindset and habits.

#### **3.1 General information about Vietnamese retail and wholesale market**

In 11/01/2007, Vietnam officially joined in the World Trade Organization (WTO). Six years later, more and more retail groups and wholesale organizations from the outside market entered into Vietnam that made the Vietnamese market become one of the most fascinating markets in the world. These groups not only brought opportunities for Vietnamese employees to get jobs but also satisfied needs of Vietnamese customers. However, domestic companies also got challenges in intense competition with external factors.

As the Global Retail Development Index (GRDI) was indicated by A.T.Kearney, falling down to the 23rd position in 2011 and the 32nd in 2012 from the position of 4th in 2007

(ATKearney 2013), the Vietnamese retail market yet still had potential to develop. Moreover, in 1995, there were just 6.74 million employees in Vietnam, however, 12 years later, that number of worker grew up to 16.71 million meaning three times increase totally. Besides that, at the same period, there was also a growth of GDP indicator from 9.866 billion dollars to 186.204 billion dollars. Those great figures proved that Vietnam owns a young demographic structure and has an exceedingly possible condition for its development in the future for not only domestic companies but also international cooperations. And thanks to such steady economic growth rate, Vietnam is one of the Asian emerging markets that has chances to grow up rapidly in the future retail market. (GRAPH 4)



GRAPH 31. Vietnam GDP Growth vs. the World (Adapted from World Finance 2015)

Notwithstanding, the majority of retail centers is gathering in the urban areas, and the fast urbanization becomes one of the biggest advantages for countries to develop their retail market. Due to higher income and more needs of the urban residents comparing to the rural population, retail markets has more opportunities to grow and expand their scale as well as their range of products.

Vietnam has been one of the fastest-growing economies in Asia in recent years, with the economic boom lifting many of the Vietnamese out of poverty. The country has been strengthening its trade and aid ties in a bid to increase foreign direct investment into the manufacturing sector, and to diversify its exports away from lower value products. Vietnam's relations with the US have witnessed a marked improvement, with Washington seeing Hanoi as a potential geopolitically in South East Asia. (BMI research)

Yet Vietnam retail market scale is smaller than other South-east Asian nations, addition to BMI research of Vietnamese Economy, the International organizations also anticipated that Vietnam retail market would attract more foreign investors in the period of 2013-2015 (Ninhbinhonline 2013). And the companies hope that increase in net income, especially of people in the middle social class will promote the revenues rate to grow up.

Meanwhile, domestic corporations in Vietnam is undoubtedly facing many challenges as well as risks of losing market share. However, it is necessary for those organizations to develop their own strengths so that domestic companies can turn these risks into opportunities to gain stronger forming steps in the future despite intense competition.

However, coming to wholesale form of business, the market situation is not optimistic. In 2013, Saigon Co-op (Hochiminh City Trade Cooperation) collaborated with Singapore's NTUC FairPrice to open a hypermarket in the business model of both retailers and wholesalers. However, after a year of testing, the wholesale segment has not brought any imprint. Mr. Nguyen Anh Duc, deputy general director of this hypermarket, recognized that the retail sector, still more attractive, contributed to 70% of revenue. According to him, the wholesale division in Vietnam had not clear orientation yet. The connection between manufacturers and distributors remained problematic. Meanwhile, the distribution system was quite dense in Vietnam but spontaneously developing, not create a value chain between production units and distributors.

An expert working in the retail sector more than a dozen years also saw that now the entire Vietnam supermarkets have combined both wholesale and retail, however, 80% of revenue came from retail, only 20% from wholesalers. These percents proved that the retail segment was much more attractive to wholesalers. On the future of wholesale markets, Mr. Pham Viet Anh\_ Brand consultant, gave his opinion that he have not seen any ray of light yet. This

model could be successful in other countries in the world, but it did not seem appropriate in Vietnam. In order to imprint in wholesale markets, perhaps businesses should have found the strange, fascinating approaches and methods, applied to not only firms and organizations but also individual consumers.

### **3.2 Vietnamese customer behavior**

The increase in supermarkets, as well as the higher awareness of hygiene issues are changing mindset and habit of Vietnamese customers. Consumers nowadays prefer going shopping in supermarkets than buying stuffs in street markets. The reasons for this trend are that supermarkets not only provide customers with broad range of products, good quality, and reasonable prices but also have attractive packages with hygiene insurance and preservation. Additionally, Vietnam is getting hotter and hotter in recent years as its tropical kind of weather, thus, air-conditions mini marts or supermarkets are more favorable and becoming commanding.

The fact is that nearly 60% of the total Vietnamese population is under thirty. Owning young demographic structure of Vietnam means the requirements of dynamic, active and convenient centers and the development of buying power. Supermarkets are step by step replacing traditional shopping habit; shoppers can also save their time by finding out all the things they need in a neat, comfortable and not too crowded place. The visible change is in a period of 2007-2011 (Vietnam retail Industry Analysis 2011) that Vietnam is adapting to the new distributing system as well as food system.

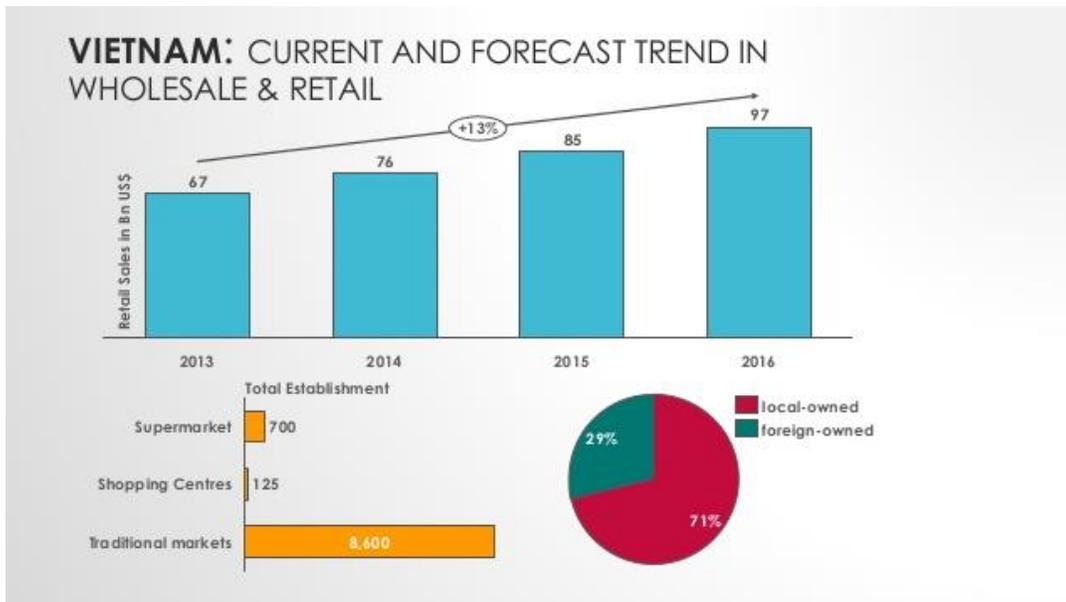
When more concerning to quality and hygiene issues, buyers tend to go shopping in supermarkets instead of street stores. In particular, Fresh food, for instance, is common needs of customers, and supermarkets often ensure of origin of products as well as a strictly thorough examination to serve their clients the best quality with affordable price.

Another important issue is about promotion programs. The generality of customers care about changes of price and are interested in any promotional offering. These programs may include: discount for the big amount of products bought, daily or weekly sales, addition free sample to

some products, etc. And there are even more attractive promotions for those who have loyalty cards- the more score counted on previous shopping times, the more discount on products they buy this time. These loyalty cards not only encourage customers' spending but also help the companies to keep track of their buyers, find out their habits to satisfy their needs better which leads these supermarkets to success in an intensely competitive environment.

**4. CASE STUDY: BIG C SUPERMARKET AND METRO CASH&CARRY CENTER**

Vietnam's retail market has been identified as one of the most explosive markets in the Asian market with high annual growth rate. It can be seen clearly in GRAPH 5 below that the revenues of Vietnam in both retail and wholesale market are increasing every year in the period of 2013-2015 and are expected to develop continuously in 2016.



GRAPH 32. Vietnam current and forecast trend in wholesale and retail (Adapted from Bahar 2015)

Big C supermarket and Metro Cash&Carry Center are two of the biggest supermarkets in Vietnam. Although Big C targets to retailers and Metro focuses on wholesale group, they still use the same way to build up the relationships with their customers\_ loyalty cards. Their own strategies with their company membercards to attract customers will make the benefits of loyalty card provided by two different business models more diversified. Therefore, as the main purpose of this thesis was about how company succeeds in using loyalty cards to encourage customers' spending, the author decided to choose these supermarkets as the case study to help this research explicit.

This part will firstly, introduce two of the biggest supermarkets in Vietnam and their competitor. Secondly, research objectives and strategies to make the issue clear will be discussed. Finally, data analysis methods are going to be considered to come up with two following part: The questionnaire and Statistical results.

#### **4.1 Presentation of BigC supermarket**

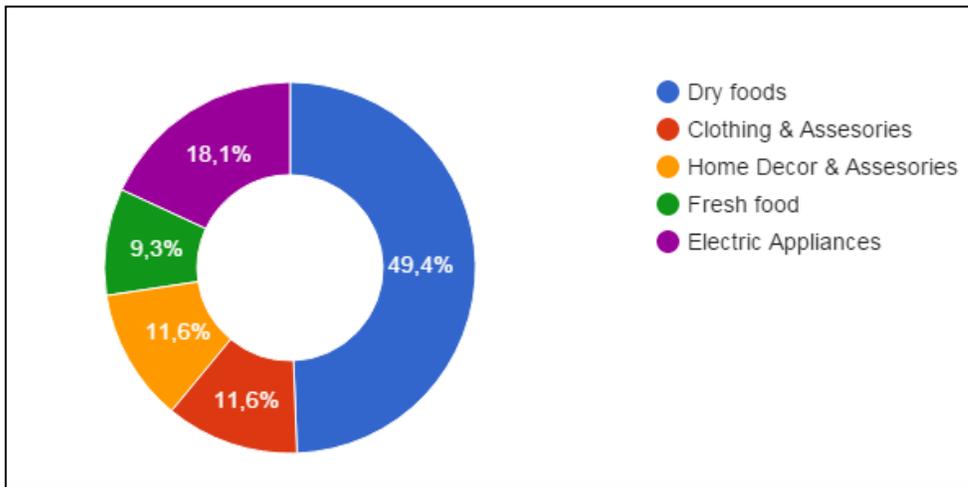
BigC supermarket, in Hypermarket or Supercenter form of business, is one of the largest retail groups in the world. It is a modern business model managed by Groupe Casino with more than 307.000 staffs working in approximate 12.000 branches in Vietnam, Thailand, Argentina, Uruguay, Brazil, Columbia, France, Madagascar and Mauritius (Groupe Casino). After entering into Vietnam market and developing for more than ten years since 2003, there are now 33 supermarkets of BigC in all big cities of Vietnam (BigC 2015)

BigC provides customers with consuming goods and foodstuffs at affordable prices and with excellent quality. With high priority to satisfy customers, BigC considers five core values that all employees share: customer satisfaction, responsibility, solidarity, transparency and innovation. (GRAPH 6)



GRAPH 33. BigC's value share (Adapted from BigC 2015)

There are five major categories of product that BigC supplies (GRAPH 7): fresh foods, dry foods, clothing and accessories, electric appliances, home décor and accessories (Big C 2015).



GRAPH 34. Product categories of BigC supermarket (Adapted from BigC 2015)

These classes include specific products as follow:

- Dry food: snacks, beverages, personal kinds of stuff, cleaning products, pet foods.
- Clothing & Accessories: all kinds of clothes, shoes, handbags for men, women, and kids.
- Home decor & Accessories: furniture, sporting goods and toys, automobile and motorcycle accessories, maintenance tools and supplies.
- Fresh food: fruits and vegetables, meats, seafood, dairy products, bakery.
- Electrical appliances: fridges, air conditioners, washing machines, TVs, computers, kitchen appliances. (Big C 2015)

Thanks to real connection to the manufacturers, the quality of overall products in Big C has been guaranteed for stable supply and prices. Big C also expands some their own brands, namely: (GRAPH 8)

- Bakery by Big C: is their own brand for product lines pies and cakes. All these products are made by those skilled bakers at every Big C direct production, with criteria are fragrant, delicious and just sold in each day. The most popular products in "Bakery by Big C" is baguette produced according to French standards, with high-quality wheat and above all devotion of the bakers.
- Club des Sommeliers: is one of the leading wine brands in Europe, Big C is proud to be the exclusive importer of these products from France and gives clients of Big C Vietnam high quality products with the most reasonable prices.
- Ebon: the Big C private label products including rich and diverse cold meat products such as ham, sausages, bacon and some Vietnamese traditional foods. All the goods are manufactured according to eBon modern technology under the auspices of a French expert to satisfy all the intense European food safety and hygiene standards.
- BF with BF Essentials and BF Styles: fashion clothing for families. (Big C 2015)



GRAPH 35. BigC own brand products (Adapted from BigC 2015)

Producing various kinds of products and also own brand products, Big C have a lot of strengths to do business in Vietnam market. Big C not only provides a reasonable price and good quality products to its customers, but also develops its services; consequently, it is strongly supported by Vietnamese retailers. With a financial support from mother company and much experience in the local market, Big C also gets many chances to raise its business profit and has strongly competitive advantages to compete with new coming international groups. A more detailed SWOT analysis for Big C is exhibited in TABLE 4 as follow:

TABLE 10. BigC 's SWOT (Adapted from Ha 2014, 41-42.)

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Long-time operating experience in the local market</li> <li>• Financial support from Groupe Casino</li> <li>• Professional and good logistics system</li> <li>• Understanding the market</li> </ul>	<ul style="list-style-type: none"> <li>• Focus mostly in big cities</li> <li>• No presence in the rural market</li> <li>• Quality control of the items available in the stores</li> </ul>
<b>Oppotunities</b>	<b>Threats</b>

<ul style="list-style-type: none"> <li>• Growing demand in retail industry</li> <li>• Spending for consumer products is increasing</li> <li>• New products and services</li> <li>• Customers prefer modern supermarkets</li> </ul>	<ul style="list-style-type: none"> <li>• New competitors from international groups</li> <li>• Existing competitors are growing</li> </ul>
--	---

The development of retail industry in Vietnam is very potential. Although currently the dominant trade of Vietnam is still wet markets, taking 78% of the whole trade (Nielsen 2012), supermarkets or hypermarkets are becoming rapidly attractive to Vietnamese consumers. Along with the increase of income and higher demand for consuming goods, the spending level of customers also augments and brings to Vietnamese market many opportunities. Big C, with its understanding of both Vietnamese market and customers thanks to operating in Vietnam for a long time, especially, with strong financial support from its Casino mother group, takes chances to develop over other supermarkets. However, BigC still needs to strive more and more due to having some weak points and intensively competing with current as well as new retailers in the market.

#### **4.2 Presentation of Metro Cash&Carry**

Metro Cash & Carry is the leading international wholesaler and a unique both wholesale and retail form of business in Vietnam. Firstly opened in Mulheim/Ruhr, Germany in 1964, Metro Cash & Carry became the biggest branch of Metro Group at that time. Two years later, the company signed a partnership with the Dutch Steenkolen Handelsvereniging and began its first step to expand into foreign markets. The first store in the Netherland was established under the brand Marko. Afterwards, Metro Group has run its business in many other countries. (Metro Cash & Carry 2015).

Some statistical facts from Metro Cash & Carry:

- 700 stores in 29 countries
- Sales of around 31 billion euros in 2011
- 120,000 employees around the world
- 21 million professional customers
- 20,000 food items and up to 30,000 non-food items (Metro Cash & Carry 2015)

Following its chosen strategy “Growth through creating value for customers”, Metro Cash & Carry serves its customers with monopoly kinds of food, non-food and good services. Targeting to become the market leader with sustainable growth, this organization tries to provide its various sales channels and value-added services to customers. Besides to building a good and strong relationship with its clients, Metro Cash & Carry not only is dedicated to become a credible partner of other organizations and retailers but also builds up for infrastructure development with its expert skills and experiences in the supply chain.

In 2002, Metro Group officially came into Vietnamese market under the name: Metro Cash & Carry Vietnam. This company concentrated on big cities including Hochiminh, Hanoi, Cantho and Danang with nine wholesale shopping centers. Since wholesale model of business was not as attractive as retail form, Metro Cash and Carry later accepted individual customers and gradually became a reputable choice of retail shoppers. Up to now, Metro group expands its business scale to wholly 19 stores all around Vietnam.

Similar to BigC supermarket, Metro Cash & Carry also provides customers with many kinds of products like fresh foods, dry foods, electric appliances, home décor and accessories but adds more range of items such as comestics and stationeries.

Besides that, Metro Cash & Carry also expanded their own brands listed below: (GRAPH 9)

- Aro: More than 500 food items and 200 non-food items, basic products for primary needs, cheap, consistent and stable quality, diversity of packing, suitable for all needs.
- Fine Food: diverse and adequate product portfolio, various design, attractive models, high quality, reasonable and competitive prices.
- Fine Dreaming: Full catalog of goods caring for individuals and family, quality equivalent to premium brands and competitive prices.

- H-Line: High quality, modern and innovative design, full product portfolio, meet the essential needs of all professional customers and extremely competitive prices.
- Horeca Select: Products specifically designed for commercial and professional kitchens, diversified product portfolio, all types of processing food, high quality satisfying every need, competitive, stable and economical price.
- Sigma: necessary things for offices, guaranteed quality of the product, increasing productivity, competitive and reasonable prices.
- Tarrington House: Diverse product portfolio includes households, home textiles, seasonal goods and small family appliances, high-value products in the midsize segment, specially designed products, modern design providing the most comfort for families, METRO quality standards based on rigorous standards of Europe, reasonable prices.



GRAPH 36. Metro Cash & Carry's own brand products (Adapted from Metro Cash & Carry 2015)

Coming from the Europe, Metro Cash & Carry got some disadvantages to adapt to a total new market environment and new types of customers. As a wholesale business model, the company had difficulties in competing with retail market which is favored by Vietnamese customers. However, still having its own strengths that were solid financial foundation and international experiences, Metro based on its reputation abroad, then turned its business model into both wholesale and retail and got many chances to attract customers in Vietnam.

In order to understand clearly of Metro business as well as its position in the market, a SWOT analysis needs to be taken into consideration (TABLE 5).

TABLE 11. Metro Cash & Carry 's SWOT (Adapted from Ha 2014, 47.)

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Strong financial status</li> <li>• Professional with good logistic system</li> <li>• Experience operating in international market</li> </ul>	<ul style="list-style-type: none"> <li>• Mainly for wholesale</li> <li>• New in the market</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Getting good reputation among customers</li> <li>• Many chances to attract retail customers</li> </ul>	<ul style="list-style-type: none"> <li>• Harsh competition in retail market</li> <li>• Other retailers begins to compete in the wholesale industry</li> </ul>

Metro Cash & Carry, the pioneer and remains almost unique position in wholesale model supermarkets, was repurchased by Thailand investor recently. This acquisition made people less optimistic about this wholesale model. Financial reports, announced by Metro parent corporation, showed that during 12 years doing business in Vietnam, the operation scale of Metro Cash & Carry wholesale array continued to expand, 19 existing centers and 24 times increase in revenue. But only in 2010, the company reported 116 billion VND of profit, and never pay corporate income tax.

On the other hand, in the Vietnam market, the wholesale segment has been well-completed production units. Most big enterprises of Vietnam built their own distribution channels when launching products into the market. At the same time, when supplying products, those companies was committed with not only good quality, discount but also thoughtful transport and delivery. Therefore, the wholesale business of Metro was gradually losing its position in other organizations' mind.

Brand consultant, Mr. Pham Viet Anh evaluated that Metro did not know how to fit their transfer to the tastes and shopping habits of Vietnam customers. While in foreign countries, companies use their own car to deliver their products, in Vietnam, this is somewhat difficult. Meanwhile, other Vietnamese enterprises know how to serve, they offer practical incentives for the customers, accept customer's debt or help to deliver to buyers' destination.

Mr. Pham Viet Anh took Unilever as an example. That company is typical for not only its delivery to dealers but also its attractive discount offers, so customers can just order by calling instead of wasting time to go to the supermarket. Considering to Vietnamese consumers, they buy wholesale with a small amount, a maximum of only a few million VND (more than €40) in a shopping time, that leads to unexpected sales of Metro Group while expenses of operation and investment are quite high. That's why such wholesale model becomes ineffective and unprofitable.

#### **4.3 Competition among three big players: Big C, Metro Cash & Carry and Co.opmart**

Some competitive aspects will be analyzed with the start of first general introduction of Co.opmart Supermarket.

Co.opmart, started up business in 1989 following the dissolution of Ho Chi Minh City Trade Cooperation, is a Vietnamese retail chain belongs to Hochiminh City Trade Cooperation (Saigon Co.op). In order to meet the increasing shopping requirements of residents in Hochiminh city due to higher income, Saigon co.op made up strategies to transfer from importing or exporting to wholesaling and retailing. In 1996, Co.opmart, the first supermarket

of Saigon Co.op, supported by Japanese, Singaporean and Swiss corporations. 18 years later, Co.opmart is one of the biggest retailers in Vietnam.

There are some statistical indicators of Co.opmart supermarket:

- About 60 stores in the whole country
- Sales revenues in 2011 were VND 11,000 billion (\$550 million)
- Top 500 retailers in Asia-Pacific (2013) (Co.opmart 2015)

Thanks to its understanding of Vietnamese customers, Co.opmart is good at satisfying and taking care of customers with also practical benefits. The universal values shared by all the staffs of the organization include dedication, innovation, improvement, community and for the community (Co.opmart 2015). TABLE 6 below shows SWOT analysis of Co.opmart company. In spite of development of retail market in Vietnam and supports of customers on local brands, Co.opmart, one of the biggest Vietnamese retailers, still needs to be innovated. There are more and more retail companies founded, however, competitive advantages of Co.opmart are not sufficient to become a leading retailer in its home country.

TABLE 12. Co.opmart Supermarket's SWOT (Adapted from Ha 2014, 45-46.)

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• One of the biggest retailers in the market.</li> <li>• Long time operation</li> <li>• Understand the customer characteristics better than foreign retailers</li> </ul>	<ul style="list-style-type: none"> <li>• Finance: Co.opmart does not have high financial funds like other international groups</li> <li>• Logistic system: does not have appropriate investment.</li> <li>• Professionalism: weak</li> </ul>
<b>Opportunities</b>	<b>Threats</b>

<ul style="list-style-type: none"> <li>• Retail market is developing</li> <li>• Customers prefer to support local brand</li> </ul>	<ul style="list-style-type: none"> <li>• New rivals are coming to the market</li> <li>• Overcome by foreign retailers if not innovated</li> </ul>
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First of all, in the intensive pricing competition, each supermarket has its own slogan. With the slogan "Cheap prices for every family" (Big C 2015), Big C targets to provide the affordable prices for all customers, while Co.opmart tends to improve their friendly services and interaction with its clients through its slogan "Friend of every family" (Co.opmart 2015).

Big C bought Cora supermarket from France, provided good product quality with higher cost and gained success for such plan in many countries. However, entered the Vietnam market in 1998, Big C had its very first competition with Co.opmart. Big C could not win Co.opmart in attracting Vietnamese customers; then Groupe Casino had to change their strategy to "Cheap prices for every family" in 2005. And that made Big C successful until the present (Vo 2011). With a purpose of selling products at the best costs, with good quality and distribution services for the buyers, Big C considers promotion as one of the most critical strategies for its operation (Tan 2014). Big C supermarket is willing to serve advantageous offers for parties involved: best prices for customers, sale improvement for suppliers, and active business for Big C. (Ha 2011).

Different from Big C, selling goods at lower prices is not included in the competitive strategy of Co.opmart in order to gain the market share. Nevertheless, this corporation smartly creates a connection with many manufacturers and suppliers to lower costs, that makes their products offered at a reasonable price. Launching the program "Good price everyday", Co.opmart, together with hundreds of manufacturers, suppliers, aims to provide fresh foods and vital consuming products. (Co.opmart 2015)

Meanwhile, Metro Cash & Carry is driven by its goal of entrepreneurs' success. This group builds such concept upon trust of customers, employees and suppliers that it has business with. With its new campaign: YOU & METRO (2014), Metro Cash & Carry encourages the entrepreneurial spirit of partners, illustration of professional business and passion to innovation that give a hand to success of enterprises. (Metro Cash & Carry 2015)

Co.opmart, Vietnamese company, has competitive advantages thanks to good knowledge of Vietnamese customers' shopping habits by a long period of running business. Big C, entering into Vietnamese market in the starting phase, nonetheless, also has good understanding of customers in Vietnam despite an international organization. Both these corporations take every opportunity to collaborate with farms, producers and other organizations to bring more and more Vietnamese goods available for customers in their markets (Nguyen 2013). In the other side, Metro Group coming from Europe, has disadvantage of understanding Vietnamese shopping habit, focuses on wholesales with discounts, reasonable prices of big amount of products bought by companies, organizations, and retailers as well as high quality of services. Notwithstanding, Metro Cash & Carry has its own benefits over Big C and Co.opmart, which are just located in big cities like Hanoi, Hochiminh, Danang, Haiphong or Cantho. Not only presenting in developing cities, but Metro Group also expands its supermarket to remote provinces such as, Khanhhoa, Daklak that increase competitive advantages with retailers and also brings more profit to its business. (Metro Cash & Carry Vietnam 2015)

Secondly, private brands released by Big C, Metro, and Co.opmart supermarkets are quite competitive. Addition to the competition of product ranges, costs and promotional programs, in order to take more competitive advantages, BigC, Metro and Co.opmart are all providing customers with their own brands in their supermarkets. Particularly, they serve essential consuming products including food, cosmetic, clothes, etc. (Nguyen 2013)

Coming to Vietnamese market in 1990, Big C imported high-class goods from its French mother corporation and innovated its own labels for medium products at lower prices for Vietnamese consumers. These specific brands consist of: Bakery by Big C, ebon, Club des Sommeliers and BF (Big C 2015).

Metro Group, also an International Corporation, had experiences from its business in many different markets all over the world. It provided Vietnamese buyers with various private brands in diversity of categories from food, clothes to kitchen and office accessories: Fine, Food, Aro, Sigma, etc. (Metro Cash & Carry Vietnam 2015)

In this competition, Co.opmart caught the trend of private brands quite lately comparing to two above supermarkets. Until 2004, Co.opmart applied strategy for products with low costs and appropriate quality while establishing research and development department to build its own labels. Co.opmart, moreover, engaged consulting experts in its plan to develop private brands (Co.opmart 2015).

Last but not least, there are really intense competition between three big supermarkets in Vietnam in order to attract customer loyalty. Each supermarket has its own offering to maintain long-term relationship with its customers.

After registering for Big C member, the customers will get a loyalty card (plastic card) and Key Fob (the same value with card) with their own saving account named "BigXu" to accumulate their scores depending on the amount of money in each shopping times (with each 200VND of shopping bill, customers will get 1 bigXu). And with a bill valued more than 100.000VND (4 euros), the money of parking and bus ticket will be paid back to customers. Besides that, loyal customers will get a coupon or special prices for member only on a certain range of products offered by Big C supermarkets. Customers will receive information of products on sale or new products through email or home mail boxes. (BigC 2015)



GRAPH 37. Big C 's customers benefits (Adapted from BigC 2015)

Metro Cash and Carry in Vietnam, a wholesale form of business, also provides organizational customers with various promotion programs and services, especially loyal customers with membership cards. Because of different kinds of organization, Metro offers promotions for restaurants, hotels, canteens, stores, offices, companies and factories (GRAPH 11). Prices of products will be kept the same for customers in three months, and buyers can order products through Fax, Telephone or Web, Email. The other benefits include: Simple payment forms (debit cards, payment on delivery, credit cards), convenient delivery services (two hours after buying and with the bill over 500.000VND ~ 20 euros) and Office club with incentives for participants with a discount of up to 4%.



GRAPH 38. Metro Cash&Carry 's Promotions (Adapted from Metro Cash&Carry Vietnam 2015)

Meanwhile, becoming loyalty with Coopmart, customers will easily accumulate points that are counted on the total amount of money spent (100.000VND = 1 point) and will get extra points in promotional programs celebrated during a year. When the points of customers reach to 150, those will receive 30.000 VND discount on a certain product. The card can be upgraded from bronze, silver, gold to diamond level according to customers' points. Moreover, for the shoppers who have high shopping point will also receive gifts on birthday, lunar new year holiday or other occasions. The Graph 12 as follow show specific three-day promotion such as, integrating 15 points to get more 10 points, 100.000 cosmetic boxes for loyal customers on Mother's day or travelling tickets for lucky members.



GRAPH 39. Co.opmart Supermarket 's promotion page (Adapted from Co.opmart 2015)

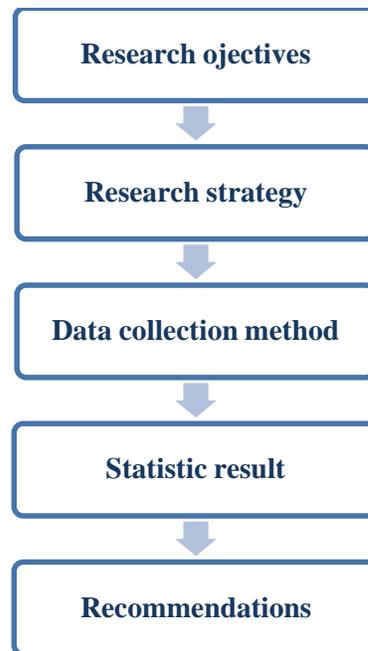
#### 4.4 Research objectives and strategies

The objective of this thesis is to clarify how loyalty cards successfully encourage customers spending and consumer loyalty. Having a closer look and understanding of customers' habit, customers' thinking or preferences, etc. are really necessary for supermarket's success as well

as useful for marketers to find some better strategies that care of current customers better, attract new customers, satisfy them and maintain a long-term relationship with them. In order to gain this objective, a market research, which is defined following the Business Studies, will be required:

Market research gathers information about customers, competitors and distribution within a firm's target market. It is a way of identifying customers' buying habits and attitudes to current and future products. (Marcosé, Gillespie, Martin, Surridge & Wall 2013, 22.)

All purposes of research are perfectly included in this definition. With this guideline, a complete analysis of customer's behaviors, habits and choices can be done and later recommendations to help loyalty cards more usefull and convenient will be given. The GRAPH 13 will cover all steps in the process of research.



GRAPH 40. Research and Analysis structures

#### **4.5 Data collection methods**

First of all, the researcher should think of using existing data as a secondary research or conducting primary research by collecting information by her own. Specifically, analyzing based in information or data that is researched and available to public before can be called secondary research or "desk research" (reports, cases, surveys, etc.). In the other hand, primary research, which will be used in this thesis, collect information directly from a target group of respondents. This way was considered to be an effective method that was easy to conduct and gather data needed.

Every research method has its own benefits and drawbacks. In fact, no method totally fits to be applied to all research problems. And choosing what kind of method used to collect data often comprise of both loss and gain (Schulze 2003). After deciding what kind of research to conduct, the second step was to think of either qualitative research or quantitative one. Quantitative research investigates a certain issue in a systematic way by using questionnaires to collect statistical and numerical data that help researcher clarify a statement, hypothesis or theory. In this thesis, this research is targeted to understand the affection of loyalty card on customer's decision making, habits and preferences. And quantitative research will be applied to gather statistical information, recommendations from the target market. The outcomes of questionnaires will make the research more specific and realistic. Besides that, qualitative research focus deeply on an issue by direct contacts including interviews or targeting groups. Consequently, this research provide more specific information, however, waste time and cannot get results from a large scale of target population.

Due to an enormous amount of respondents needed and a limited period of time, a quantitative research method would be applied to this thesis. The study was conducted among 500 of customers with the aim to understand how customers' buying decision is affected by the benefits of loyalty cards that encouraged repeated purchase as well as loyalty of the shoppers.

### 4.5.1 The Questionnaire

Questionnaire was designed as a simple and comprehensive structure with 17 questions included. To start with, the purpose and outcome of the questionnaire should be identified that the customers could understand exactly what they were doing and supported by some recommendations. The important thing is that the questions should be in order and flowing in a clear layout. Besides that, it should be ensured that customers would not have any difficulties to understand or confuse when answering the questions. In short, there are three things required that questions should be covered to gain the useful responses as follow:

First, respondents must *understand* the question; second, respondent must be *able to provide* the information; and third, they must be *willing* to provide it. (Jobber 2010, 239-140.)

A first draft of questionnaire can be made and checked on some people belonging to target market in order that it meets all requirements. (Marcousé et al. 2003, 25-26; Jobber 2010, 239-241.)

As mentioned in the research objectives, the purpose of this thesis is to understand how customers spend money on their shopping, how they are encouraged to purchase more and want to become loyal with supermarkets with their loyalty cards. And this questionnaire is structured to obtain the goal as GRAPH 14 shown below:

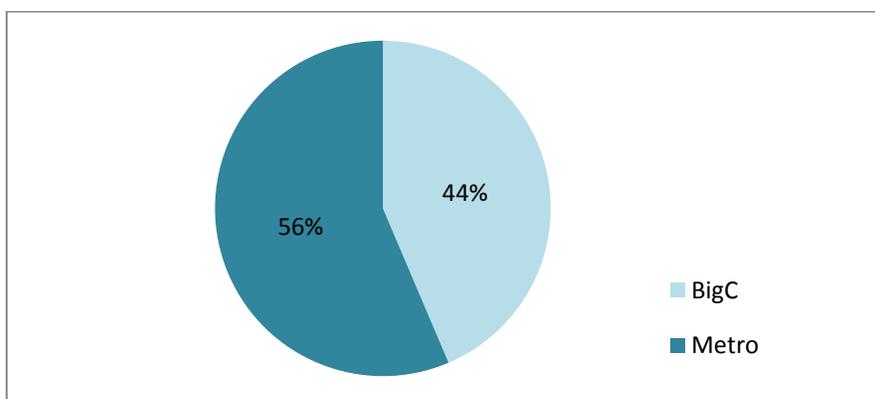


GRAPH 41. Questionnaire flow

With the aim to make customers felt easy and quick to answer, the questionnaire was design in a natural mindset. First, customers would choose their favourite supermarket and which group they belonged to; second, reasons to have / not to have membership card and customer's shopping habit; third, which benefits that loyalty cards provided to customers and finally customers would be asked whether these benefits affected to their decision and repeated purchase. A specific questionnaire could be seen in APPENDIX 1.

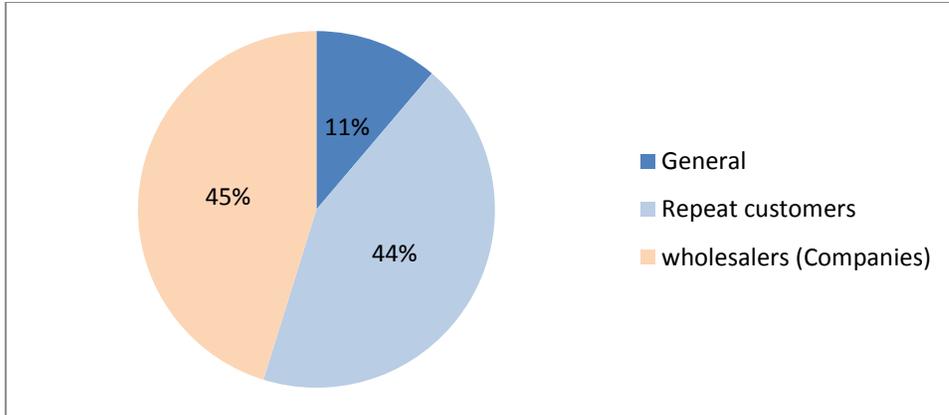
#### 4.5.2 Statistical results

The survey was conducted on customers in both BigC supermarket and Metro Center. There were totally 500 customers who joined in and distributed their answers. Based on collected responses, Excel, a computer software was helpful for this statistical results. According to the information saved and analysed, the GRAPH 15 below showed which supermarket those customers preferred and wanted to be loyal.



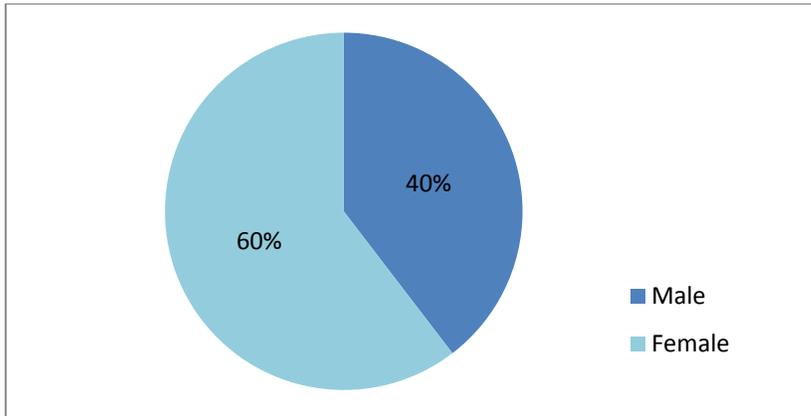
GRAPH 42. Supermarket that customers prefer and want to become loyal

It could be seen that there were a little difference in the amount of customers wants to go shopping in markets. In particular, 56% of customers said that they currently shop in Metro center, more 12% of customers than BigC supermarket.



GRAPH 43. Customer groups

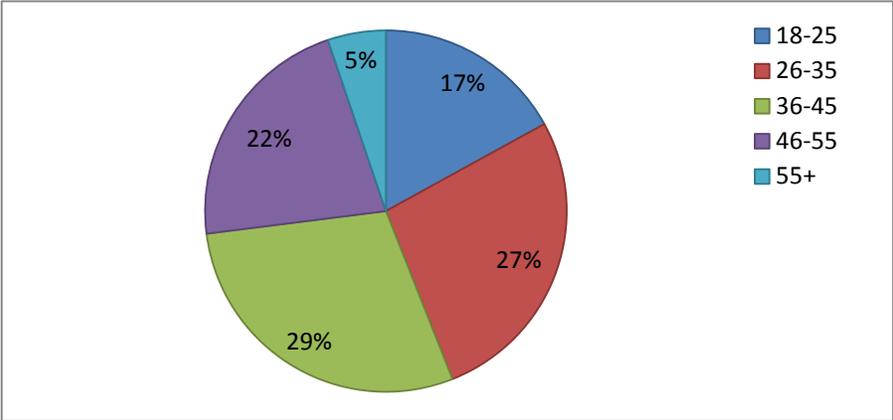
Data from which groups customers belonged to is shown in GRAPH 16. In total 89% of respondents was repeat customers and wholesalers , and just 11% of customers did not belong to any group.



GRAPH 44. Frequency of Gender

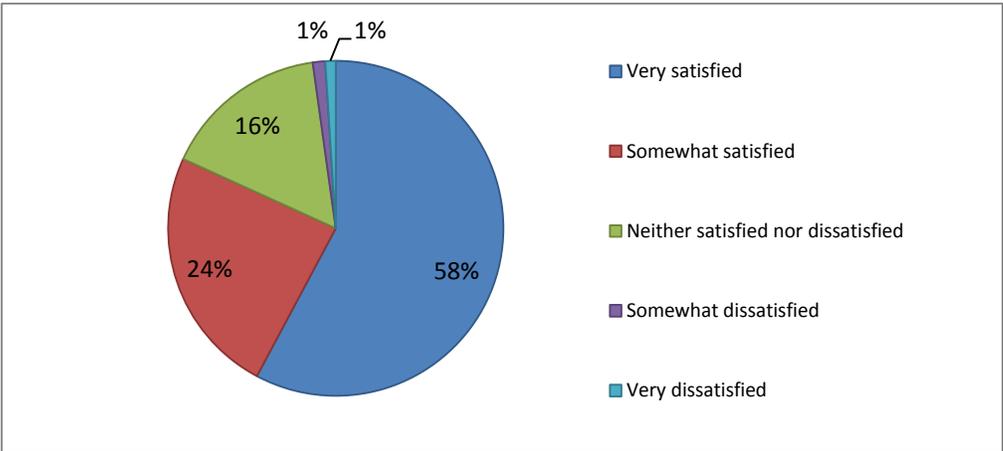
A look further into the respondents who were not wholesalers showed in GRAPH 17 that female buyers accounted for 60% while there was 40% of male customers. Besides that the strongest age category that currently shopped were 36-45 years old representing 29% of the age group and just 5% of customers was over 55 years old. Specifically, the GRAPH 18 below indicated clearly that the age of 18-25 was 17%, customers belong to group of 26-35 years old were also in majority of 27% and 22% of respondents was from 46 to 55 years old.

It could be understood that those customers who were from 26 to 45 years old mostly gained a stable financial basement and social status so that they spent more time and money on shopping than other groups.



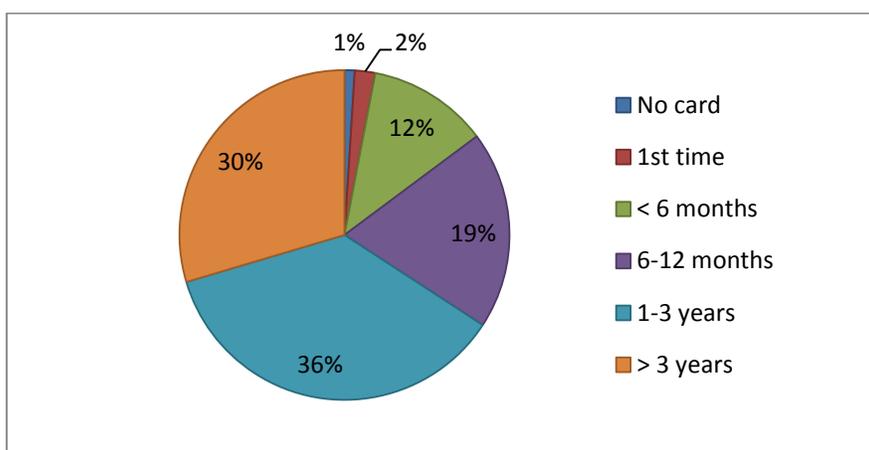
GRAPH 45. Age group

In response to how satisfied or dissatisfied customers experienced on supermarkets, the majority of customers said that they were very satisfied (58%), some were somewhat satisfied (24%), 16% of the others felt neither satisfied nor dissatisfied and just 1% of customers were dissatisfied. Those statistics indicated in GRAPH 19 proved that two supermarkets run business very well and also were good at meeting customer's needs.



GRAPH 46. Frequency of customer satisfaction/dissatisfaction

When the interviewees were asked of how long they became regular with supermarkets most of them were in more than 1 year of shopping experience with their membership cards. As the GRAPH 20 exhibited, 30% of clients had more than 3-year-relationship with their favorite markets, while 36% of customers had around 1 to 3 years in shopping. There were just 5 among 500 people surveyed have got loyalty cards yet and 10 of those respondents went shopping in supermarkets in the first time. 59 customers meaning 12% of ones who repeated their purchase nearly a half of month meanwhile, from 6 to 12 months of buying, there were 19% of shoppers still chose their preferable place to visit. Obviously, with a loyalty card, customers tended to shop more often at their chosen supermarket to become regular customers, even had long term relationship of more than 3 year.

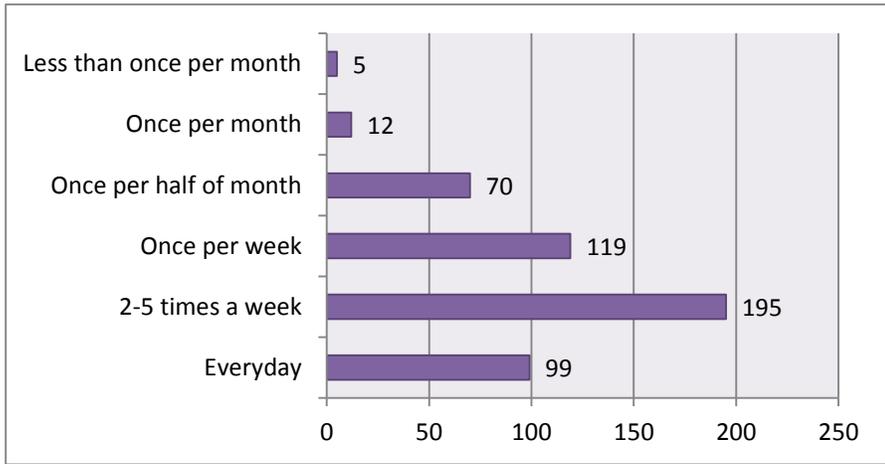


GRAPH 47. Frequency of being regular customers with loyalty card

Coming to list of factors that attract customers to have loyalty card, respondents were figured out some reasons: Free payment to get a card, attractive design, attractive sales and promotion, the wish to be a card-holder as the loyalty customer of the brand or just because everybody has card. Plurality of respondents agreed with those reasons, they wanted to take advantages from supermarkets that they went shopping, especially were willing to get discounts on some products or some customized services for membership. Other purposes of having card were that they did not have to pay for their parking fee and delivery fee.

However, there were still some rationales for those who did not have membership card. When asked to choose explanations: Complicated application procedure, not necessary,

inconvenience to carry the card, need to pay for fees or rates, not attractive design, insensitive to card promotion or any other reasons, most of interviewees thought that it would waste time to make a card because it seemed to be quite complicated and not really necessary. The both of Big C and Metro did not require customers to pay fee for this kind of card, were still suggested to reduce the process of application and have strategies to encourage customers better.

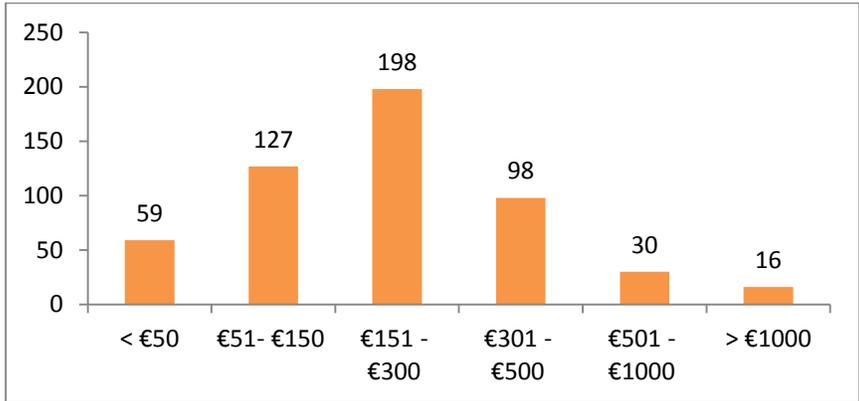


GRAPH 48. Frequency of customers shopping

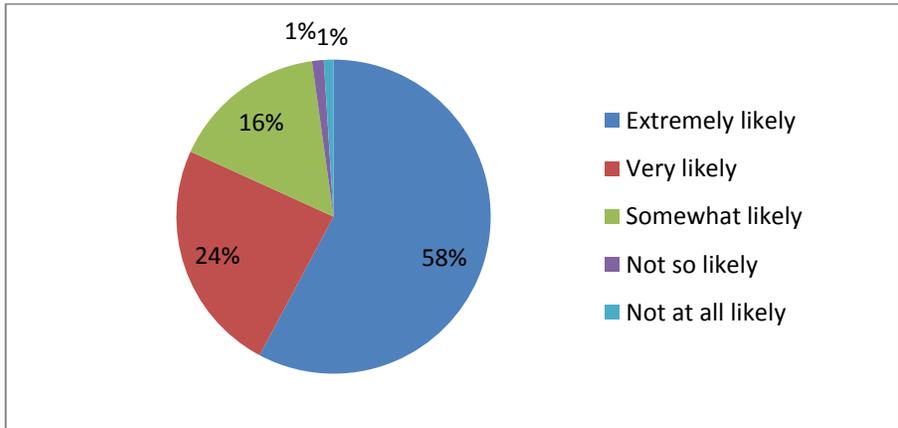
The results to how often buyers had their purchase in their regular supermarket revealed that customers preferred going to shopping 2-5 times a week or once per week than going every day (GRAPH 21 above). They also explained because of busy job, they could not visit supermarkets day by day but still went whenever they had free time as a good way to relax with their family or friends. And for those who came to purchase in supermarket once a month or less mostly were wholesalers. They got a big amount of stock for each shopping times and often ordered before coming. Some big company might have contract with supermarket for 1 year or more.

According to the frequency of shopping times, respondents answered how much they spent on shopping in last 3 months. The GRAPH 22 below manifested that 198 people over 500

interviewees spent from €151 - €300 equivalent to from 3,713 to 7,375 VND, 186 people expended less than €150 or 3,688VND. The larger amount of money was paid by the rest of customers who often took a huge amount of product each shopping time for their wholesales or their company.



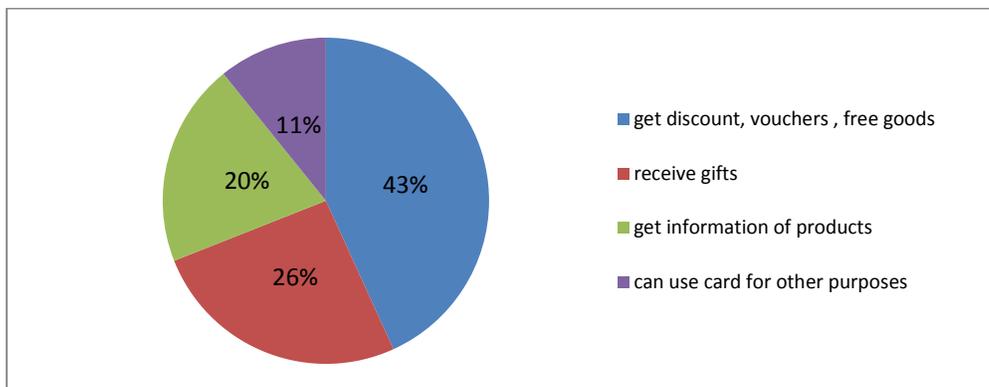
GRAPH 49. Spend on shopping of customers in last 3 months



GRAPH 50. Frequency of how customers are likely to repeat purchase

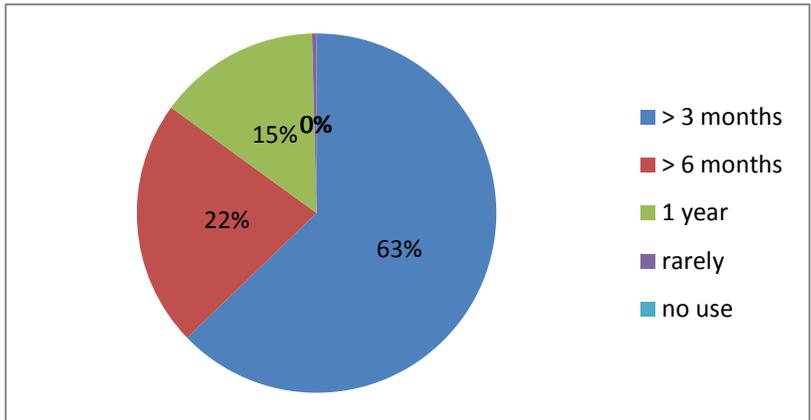
It was really interesting in respond to whether respondents wanted to repeat their purchase on products from their favorable supermarkets, the results were received in GRAPH 23 similar to the degree of their satisfaction shown in GRAPH 19 above. Notably, customers who said they were very satisfied would absolutely want to buy the previous products again, whereas those who were not satisfied with goods or services from supermarkets would not intend to visit again and there was just a minority of customers.

There were all of customers recognized the advantages of owning membercard. In order to clarify the benefits of loyalty programs in general and membership card in particular that affected shopping decision as well as attracted to repeat the purchase, customers were questioned what kind of favors they would like to receive. GRAPH 24 conveyed that over half of them preferred to get discount, vouchers, free goods or receive gifts on some special occasions (e.g. birthday) that they felt being cared by their favorite supermarket. 20% of customers wanted to get information of products on sale or the latest products via email or phone number and 11% the rest of respondents used cards for other purposes like parking payment, bus tickets payment, etc. It can be seen obviously that loyalty programs of supermarkets somehow satisfied customers by providing good offers to strengthen relationship with their clients.



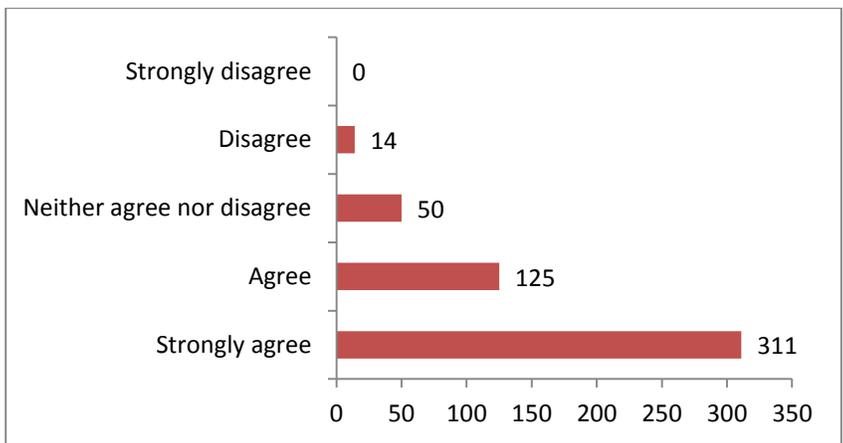
GRAPH 51. Benefits of loyalty card affect to shopping decision

Additionally, using loyalty cards, 63% of customers got advantages from that every three months or more by for example, claiming their points every single shopping time and during 3 months or later they could get some special discounts or vouchers. Especially, even in each time of shopping, customers could have some offers depending on how much money they spent on their total purchase. The less amount of interviewees said that they made use of the benefits every six months, on average (22%) and 15% made use of the benefits once a year. There were just really few people rarely or never got convenience from their cards. (GRAPH 25)



GRAPH 52. Frequency of making use of card benefits

In customer's point of view, they also told that thanks to those benefits, they would love to purchase more often and recommend their family and friends to get a loyalty card from their picked supermarket. Besides that, replying to the statement: *"Having a loyalty card makes me want to shop at the supermarket more frequently"*, the generality of customers agreed with that (GRAPH 26). For those who were 14 customers not of the same mind, maybe belonged to the general group (no customer group) and did not have loyalty card or went shopping in BigC supermarket or Metro Center at their first time.



GRAPH 53. Loyalty cards encouraged customers' spending

Finally, concerning to wishes of customers on their cards, most of interviewees would like to use their points saved in card to reduce money for products, get member discount or receive customized services for members while the rest wanted to collect enough points to exchange goods. Particularly, as can be seen in GRAPH 27, the most chosen answer was almost certainly with 62% of customer (310 people) cared of products' discount. 23% of respondents (113 customers) needed to be offered personalized services goods exchanged and the rest was 15% of customers wanted goods traded.



GRAPH 54. How customers use loyalty cards to redeem their points

## 5 CONCLUSION

In summary, the main aim of this thesis was to highlight the success of loyalty cards in encourage customer spending and loyalty. From all analysis of research and survey, the benefits of loyalty cards as well as its influence on customers' shopping decision were somehow recognized. Literally, a good customer relationship management had positive impact on customer loyalty that not also brought profits to the organization but also creates value for customers. Therefore, it is necessary for servicing companies in general, and supermarkets in particular, to enhance their loyalty cards' functions in order that customers may gain more benefits from that and want to become loyal to such organizations.

Some ways to improve loyalty cards in better maintain relationship with current customers and attracting new customers can be taken into account including: connection systems with other stores, multifunction cards and developing a Smartphone App to shop online.

First of all, companies may connect with other stores to use a loyalty card in common. Specifically, there are some domestic shops becoming well-known in Vietnam such as, Phan nu Ba Tung, Lana, Vedette, Lovande, Thebol, E100, Titione, Thorakao, etc. that Big C, Metro or other supermarkets can be a partner in order to not only buy a big amount of those products with favorable prices but also attract more customers. That means, with a loyalty card of Big C for example, a user can also become a loyal consumer of E100 shop, then she will receive all promotional programs or discounts, vouchers from both BigC supermarket and E100 stores. And to the company, profits will come from lower price of a big amount of goods when E100 products can be imported to present in every Big C stores.

Secondly, improving functions of loyalty cards is also an effective way to make customers interested. Companies can design their own cards in different forms instead of plastic cards. A customer can use her card as a key chain, a USB holder, a small handbook, even a bracelet or necklace. Those added functions will be convenient for current customers to use in many purposes and also attract new customers to have one loyalty card.

Last but not least, with the development of e-commerce and the increase of Smartphone users, companies can improve their selling channel through Apps. For instance, Big C can create its own app and customers can use their own code on loyalty card to log in and go shopping online as well as redeem shopping points by themselves. Such app is also useful for customers to follow promotional programs and availability of new products. Especially, customers will not waste their time on shopping, they can buy necessary products even while being at workplace. It can be doubt that those benefits are highly appreciated in such busy life nowadays.

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The survey, an important part of research for the thesis, targets to customers of BigC supermarket and Metro Cash& Carry Center. The goal of this survey is to identify how loyalty card affects on customers' buying decision and encouraging their spending. A short time spent to answer these following questions by respondents and results collected will be greatly appreciated. All information of each participants will be kept confidential.

## **SURVEY**

### **1. Which supermarket do you prefer and become loyal customer?**

1. BigC supermarket
2. Metro Center

### **2. Which is your group?**

1. Routine customer (retailers)(please continue with Q3&4)
2. Company (wholesalers) (please continue with Q5)

### **3. What is your gender?**

1. Male
2. Female

### **4. Which is your age group?**

1. 16-19
2. 20-29
3. 30-39
4. 40-49
5. 50+

### **5. Overall, how satisfied/dissatisfied are you with our supermarket?**

1. Very satisfied
2. Somewhat satisfied
3. Neither satisfied nor dissatisfied
4. Somewhat dissatisfied
5. Very dissatisfied

**6. How long have you been a loyal customer with loyalty card?**

1. This is my first time
2. More than 6 months
3. 6-12 months
4. 1-3 years
5. More than 3 years
6. I don't have card

**7. What are the factors that attract you to have loyalty card? (select as much as you can)**

1. Apply for free
2. Attractive design
3. Attractive sales and promotion
4. The wish to be a card-holder as the loyalty customer of the brand
5. I do so because everybody does
6. Others (please specify) .....

**8. What are the reason that you DO NOT have loyalty card? (select as much as you can)**

1. Complicated application procedure
2. Not necessary
3. Inconvenience to carry the card
4. Need to pay for fees or rates
5. Not attractive design
6. Insensitive to card promotion
7. Others (please specify)

**9. How often do you visit the supermarket?**

1. Everyday
2. Once a week
3. Half a month
4. Once a month
5. More than once a month

**10. How much do you estimate to spend on shopping in last 3 months?**

1. Less than €50 (~1.224 VND)
2. €51- €150 (~1.250 - 3,688VND)
3. €151 - €300 (~3,713 - 7,375 VND)
4. €301 - €500 (~7,400 - 12,292 VND)
5. €501 - €1000 (~ 12,317 - 24,584 VND)
6. More than €1000

**11. How likely are you to purchase any of our products again?**

1. Extremely likely
2. Very likely
3. Somewhat likely
4. Not so likely
5. Not at all likely

**12. Do you think you get more benefits from your loyal card?**

1. yes
2. no

**13. Which is the benefit of loyalty or reward program attract your shopping decision the most?**

1. get discount, vouchers , free goods
2. receive gifts on special occasions
3. get information of products on sale or the latest products via email or phone number
4. can use card for other purposes: parking payment, bus tickets payment, etc.

**14. Does loyalty card encourage your repeat purchase and do you recommend to your friends to use?**

1. yes
2. no

**15. Do you make use of the benefits of your loyalty cards? (e.g. claim your points)**

1. Yes, I make use of the benefits every three months or more, on average
2. Yes, I make use of the benefits every six months, on average
3. Yes, I make use of the benefits once a year, on average
4. Yes, rarely ( less than once a year)
5. No, I have made use of the benefits

**16. How much do you agree with this statements ?**

*Having a loyalty card makes me want to shop at the supermarket more frequently*

1. Strongly agree
2. Agree
3. Neither agree nor disagree
4. Disagree
5. Strongly disagree

**17. If you have loyalty card, how do you use to redeem your point?**

1. Accumulate enough points to exchange goods
2. Accumulate enough points to reduce money for products
3. Member discount at regular intervals
4. Customized services for members