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## IMPACT OF LOYALTY PROGRAMS IN INDIAN RETAIL INDUSTRY

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### ABSTRACT:

*The throat cut competitive Indian retail surroundings have compulsively the retail business to focus extensively on client retention of their existing customers. As a result, leading Indian retailers launched their programs giving a variety of rewards for their customers to become loyal towards them, with the aim to retain them and enhance the retail performance. These loyalty programs not only increasing the numbers of members over the years, however additionally generated an enormous proportion of profits and sales and make them an important stakeholder.*



**KEYWORDS:** *Indian Retail Industry, Loyalty Program Performance, Customer Behaviour.*

### INTRODUCTION

For decades, business managers targeted the methods and programs to amass as many purchasers as potential without any target to retentive them. But, businesses have currently accomplished that their success lies in client retention and building client loyalty. Analysis and findings have additionally supported this realization that it prices up to 5 times more to amass a brand new client than to retain associate existing client and a 5-8% reduction within the client defection rate can increase profits by 30- 80% as per industry of the trade. These factors have pushed retail managers to

assume of some program to develop long term value-laden relationships with their existing customers associate to retain them with an ultimate aim of achieving structure goals. The result was the launch of 'loyalty programs' that is outlined as "structured promoting efforts that reward, and so encourage, loyal shopping for behavior — behavior that is potentially of profit to the firm." Members of those programs get loyalty card that identifies the card holder as a member of loyalty program. These members receive a mix of engaging tangible rewards (gifts, discounts, reward points etc.) and intangible rewards (invitation to special events like fashion shows, exclusive preview of recent items etc.) to call client loyalty.

### INDIAN RETAIL INDUSTRY

For decades, retail industry in India has been extremely fragmented and unorganized, because of the presence of too much of small local unorganized retail stores. Organized retailing was insignificant within the nineties. But, after reformation of Indian economy in 1991 Business houses entered in Indian retail sector, due to which significant change happened in Indian Retail Industry.

Indian retail one of the fastest growing markets in the world due to economic growth. Retail industry reached to US\$ 950 billion in 2018 at CAGR – (Compound Annual Growth Rate) of 13 per cent and expected to reach US\$ 1.1 trillion by 2020. India is the world's fifth largest

global destination in the retail space. Retail market in India is projected to grow from an estimated US\$ 672 billion in 2017 to US\$ 1,200 billion in 2021 forecasted.

While the overall retail market grew at the speed of 10% annually, the organized retail market grew at the speed of 40%, and is anticipated to take care of a quicker rate in future, particularly insight of the very fact that major world players and Indian Business houses coming into the market during a massive manner.

A few decades ago retailing wasn't thought of as a prestigious sector and abundant enough to motivate reputed business organizations. But, within the recent past years, it's witnessed most dynamic changes that massive players like Tata, Birla, Reliance, Pantaloon etc. bounced into it. The entry of big players in retailing has caused a significant revolution in retailing formats and infrastructure. For an extended time, the little stores were the sole selection obtainable by the buyer. This slowly is giving the track to international formats of retailing.

The traditional retail stores has seen the emergence of supermarkets/ hypermarkets/ Apparel & Lifestyle/Fashion segments (Westside, Shoppers' Stop, Lifestyle, Pantaloon, Reebok, Koutons etc), Books/Music/Gifts (Archies, Musicworld, Crosswords, Landmark etc), Appliance & Consumer durables (Viveks, Jainsons, Vasant & Co. etc)

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As the share of organized retail sector is growing sharply, these programs are getting widespread and key relationship selling tool as a district of client relationship practices among Indian retailers particularly organized ones. Now, most huge retail chains like Pantaloons, Westside, Shoppers stop, Big Bazaar etc. have launched loyalty programs supported the construct of satisfying existing customers for continued patronage through a combination of rewards.

## LOYALTY PROGRAMS OF LEADING INDIAN RETAILERS

### 1. Westside's 'Club West'

**ClubWest** is an exclusive loyalty program of Tata group's department store chain. This is a two-tier program - Clubwest Classic and Clubwest Gold. A purchase of Rs 2000 and Rs 5000 on the same day entitles a customer to a complimentary membership into Clubwest Classic and ClubWest Gold respectively. Alternately, one can enroll into Clubwest Classic by paying a nominal one-time fee of Rs 150. Members can earn reward points on every purchase - Classic members can earn one point for every Rs 100 spent and Gold members can earn one point for every Rs 80 spent at any of the stores. Apart from this, all members are entitled to a range of benefits like dedicated customer help desk for a member's assistance at each of the stores, Exclusive shopping hours only for members during sales, Advance intimation of all in-store promotions and special offers through direct mailers, and a special discount on dining at select restaurants round the year.

### 2. Shopper's Stop's 'First Citizen Club (FCC)

FCC program is an three-tier loyalty program, where a member gets Classic moments card at entry level followed by the Silver Edge and Golden Glow cards. A customer can sign-in for classic card by paying a membership fee of Rs 200. FCC members earn reward points depending on the value of the purchase and the membership status at which they are. Silver card members earn one point for every

Rs 100 purchase value, while Silver card members earn a point for every Rs 50 spent and Gold card members earn a point for every Rs 34 spent. Silver and gold card holders can receive extra points of Re 1 and Rs 2 per Rs 100 purchase of preferred brands. All members are entitled to free car parking, exclusive previews and sales, benefits of tie-ups with restaurants, gyms etc., regular updates and associate cards for family members. Golden glow members are entitled to exclusive privileges like Reserved car parking, home delivery of alterations, exclusive invitation to special events organized by the store and a free-subscription to First Update, a bi-monthly magazine on the happenings at Shopper's Stop. In addition, members also receive special offers on occasions such as birthdays and anniversaries.

### 3. Pantaloon's Payback Green card program

Pantaloon's Green card program [5] is an exclusive loyalty card of the department store format of Pantaloon retail India Ltd. It provides membership plus has a provision of 12-months purchase based upgrading system. This is a 4-tier loyalty program, where tier 1 customers get 1 star status, tier 2 gets 3 star status, tier 3 gets 5 star status and the topmost tier members get an exclusive 7 star status. Getting a green card issued is quite easy but for retaining one star status, one has to make a purchase of Rs 8,000 within two years of card issue date. 1 Star status can be upgraded to a 3 star, 5star and 7 star status by shopping for Rs. 8000, Rs. 20,000 and Rs. 40,000 respectively immediately preceding 12 months of current shopping date. All are entitled to a range of benefits and privileges depending upon their member status. 1 star members get a gift voucher of Rs. 200 on new enrolment, while 3star, 5star, and 7star members get a discount of 5%, 7.5% and 10% respectively. All members get special privilege of End of season Sale preview, special billing counter during End of Season sale, special service desk for handling all queries and providing information, free car parking (Except 1 star members), exclusive shopping offers sent to members on a regular basis through SMSes, emails, and telephones and exchange of products within 60 days of purchase (90 days for Seven Star members). 5 star and 7 star members get an exclusive privilege of free car parking and free home delivery of purchases around the year.

### 4. Van Heusen's 'Power Club' and 'Diva club'

The Power Club is a loyalty program with three levels of membership- Classic, Silver and Gold levels depending on shopping profile. A single purchase of Rs 3,000, Rs 7000 and Rs 15,000 makes a customer entitled to Classic, Silver and Gold Cards respectively. All Members can earn reward points based on the value of their purchase and are entitled to benefits like in-store personal assistance, valet facilities at select locations and advice from in-store stylists on special occasions. While Classic members earn 3 points, Silver members earn 5 points and Gold members earn 7 points for every Rs. 100 spent at any Van Heusen store in India. Silver and Gold members have privileges of access to exclusive sales previews, invitations to fashion evenings, and home delivery of altered garments. Gold members are entitled to exclusive privileges like exclusive trial rooms, Pickup and drop facility for garment exchanges and alerts plus exclusive preview of new collections. Van Heusen has another loyalty program 'Diva club' exclusively for women. A Diva Club member can avail a 10% off on all Van Heusen Woman purchases.. The other benefits of the program are Alerts/ Exclusive previews of new collections, Exclusive End of Season Sale previews and Special invites to Fashion evenings and private parties.

## ENHANCEMENT BY LOYALTY PROGRAMS IN RETAIL PERFORMANCE

Indian retailers too have additionally realised the good thing about implementing loyalty programs. They're earning vast proportion of sales from their members and therefore the proportion is growing year by year. Shoppers' Stop, one of the leading retailers, derived 65% of the sales in 2008 from its simply over one million members. In 2011, the retailer wasn't solely ready to considerably increase its program members, however additionally the proportion of sales from its members. It derived 73% of the sales from its simply over a pair of million members and generated a complete

profit of 7,518 lacs. Lifestyle, another leading retail merchant, derived 50% of its annual revenue from concerning a pair of million members of its 'The Inner Circle' program.

Many other retail organizations are also generating impressive proportion of revenues from their loyal customers. While Future group's Green Card loyalty programme of Pantaloons accounts for 55% of sales, Tata group's Westside retail chain currently generates over 50% sales from its over eight lakh members of ClubWest loyalty program. Shopper's Stop retail group's hypermarket chain, Hypercity is also experiencing impressive sales from its over 11.8 lakh loyalty members.

Loyalty programs have conjointly established prosperous even in times throughout the economic holdup. the client participation in loyalty programs has jumped 2007 and even higher once it involves women's, and Teenager's. And despite the recession, customers report that they still participate actively in a minimum of one reward program. Loyalty programs have established prosperous within the recessionary times around 2008 and 2009. At a time once customers spending were on a decline, leading retail chains were either increasing or restructuring their loyalty programmes. Leading retailers like Future Group, Shopper's Stop, Westside and Reliance Retail realigned methods to extend the potency of loyalty programs value effectively together with giving one thing additional comprehensive to their customers.

### INFERENCE

This is to conclude that organized marketing in India is progressing towards a highly competitive environment where solely those retailers would survive who perceive their customers and develop a powerful bond with them by developing and implementing acceptable loyalty programs consisting of a entertaining mixture of tangible and intangible rewards. Hence, in upcoming future the loyalty program goes to be the foremost dominant selling tool for enhancing retail performance.

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