

# “Investigating the effective factors in retention of customer club members as an marketing activity (case study: Saderat’s bank customer club)”

Dr. Mohammad Reza Shojaee<sup>1</sup>, Ali Azizi<sup>2</sup>, Maryam Omidvar<sup>3</sup>  
1.professor assistant, Shahid beheshti university, Iran, Tehran  
2.Master of business, Ershad university, Iran, Tehran  
3.Master of business, Ershad university, Iran, Tehran

## Abstract

Today many companies are spending significant dollars to develop relationships with their customers. CRM, one-to-one marketing and increased communications are but a few of the strategies companies are using to secure and retain customers. Another approach is to gain customers and their loyalty by providing them value beyond the intrinsic value of their product or service through Customer Clubs, customer club is a marketing way that cause the absorb and retention more customer for their companies. In this article, we investigate and prioritizing the factors that effect the member of customer club to be more loyal, so, we had interview with 32 manager in saderat bank and ask them to prioritizing the important factor that derived from the model, that effect customer retention in customer club. We use Freidman test for prioritizing the factors.

## Introduction

Customer clubs have been established by many organizations. A customer club can be defined as follows: A customer club is a company-run membership organization that offers a range of value-adding benefits exclusively to members. The initial costs of establishing a club can be quite high, but thereafter most clubs are expected to cover their operating expenses and, preferably, return a profit. Research suggests that customer clubs are successful at promoting customer retention. , commonly referred to as loyalty of affinity programs. Customer loyalty clubs are a German invention. Currently, German law is extremely restrictive and makes it almost impossible to give different customers or customer groups different prices and discounts simply because they are members of a customer club. In most other countries, customer clubs are nearly entirely price based and offer their members special discounts and prices. German marketers, in contrast, are forced to develop customer clubs built primarily on non-financial benefits. The result was customer clubs. Several hundred clubs in Germany and now in other countries around the globe have proved that emotional benefits, services and value added discount programs are the key to customer loyalty.

To become a member and obtain benefits, clubs require customers to register. With these personal details, the company is able to begin and services for them. Clubs can only succeed if members experience benefits they value. Club managers can assemble and offer a range of value-adding services and products that, given the availability of customer data, can be personalized to segment or individual level. Among the more common benefits of club membership are access to products and services, alerts about upcoming new and improved products, discounts, magazines and special offers.

There are over a million paid-up members of the Harley Owners' Group, which was established in 1983. They choose from two levels of membership, full and associate, and a variable membership length, from one year to lifetime. Among the many benefits are roadside assistance, a membership manual, a touring handbook, a dedicated website, magazines, a mileage program, a selection of pins and patches, membership in over 1000 chapters, invitations to events and rallies, and a lot more

## 1-customer club

customer club is defined as a communicative union of people or organizations, initiated and operated by an organization in order to contact these members directly on a regular basis and offer them a benefit package with a high-perceived value. The goal is activating them and increasing their loyalty by creating an emotional relationship. A customer loyalty club is also an expression of your company’s culture - of being close to your customer in a personal and caring way. It brings the hospitality of your business into the customer’s home or office. Offering a loyalty program tells your customers or membership they are special and that you care. Customer clubs are a synonym for value-oriented customer loyalty programs. Customer clubs have some special characteristics that make them particularly effective and differentiate them from frequency programs. The most important are as follows:

- Customer clubs are initiated, planned and managed by an organization and not by the customers themselves
- Customer clubs offer real and perceived value to their members by optimizing the combination of financial (hard) -and non-financial (soft) benefits
- Customer clubs provide opportunities for members and the sponsoring company to talk to each other
- Customer clubs can collect data that will help other departments of the sponsoring company improve their performance
- Customer clubs aim to activate customers by encouraging them to buy or recommend a product, take a certain action, communicate with the club and so on

There is a difference between loyalty and frequency programs. According to Webster:

1. *Loyalty*: 1. Faithful to one's country, friends, ideals and more. 2. Showing such faithfulness.
2. *Frequency*: 1. Frequent occurrences. 2. The number of times an event recurs in a given period.

Loyalty is being faithful. Frequency is how often you use a product or service. The two do overlap. They overlap because frequency of use of a specific brand increases when there is a high degree of loyalty. When there is a benefit for frequent use of a product or service, such as the airline, hotel and rent-a-car bonus programs, loyalty builds. (Butscher, 1996)

## **2-objectives of customer club**

There are numerous reasons for a company to implement a loyalty scheme. First off all a company has the desire to reward loyal customers, and to manipulate their behavior, a company may also have the desire to use loyalty schemes as a defensive measure to combat a competing scheme. (O'Malley, 1998)

-reward loyalty scheme: since many customers repeatedly visit certain retailers, it makes sense to take part of loyalty scheme. The customers are rewarded through discount or other rewards. (ibid)

-manipulate customer behavior: although the main objective is to reward loyal customer, one essential aim is to change customer behavior. This means, that by using individually targeted incentives, companies can alter customer behavior and motivate them to change their purchasing behavior. (ibid)

-generate information: it is hard for company to recognize their most profitable customers, since the information collected mainly concerned the product not customers. With the introduction of loyalty scheme, however, customers have willingly cooperated with providing data.

-a defensive measure to combat a competing scheme: although not clearly tested, many companies decided to launch loyalty programs due to fear of competitive parity. (Stewart, 1996)

## **3-factors involved in the formation of customer clubs**

In order to be successful in creating a customer club there are some factors to take into consideration. Firstly, it is essential to use an extended marketing mix when focusing on customer retention (Rosenberg & Czepeiel, 1992) moreover, it is important to have a clear and structured currency. (Duffy, 1998) lastly, it is important to consider how the customer rewards are linked to the loyalty schemes. (Dowling & Uncles, 1997)

### **3-1- the marketing mix**

-product extra

-reinforcing promotion

-sales force connection

-post-purchase communication

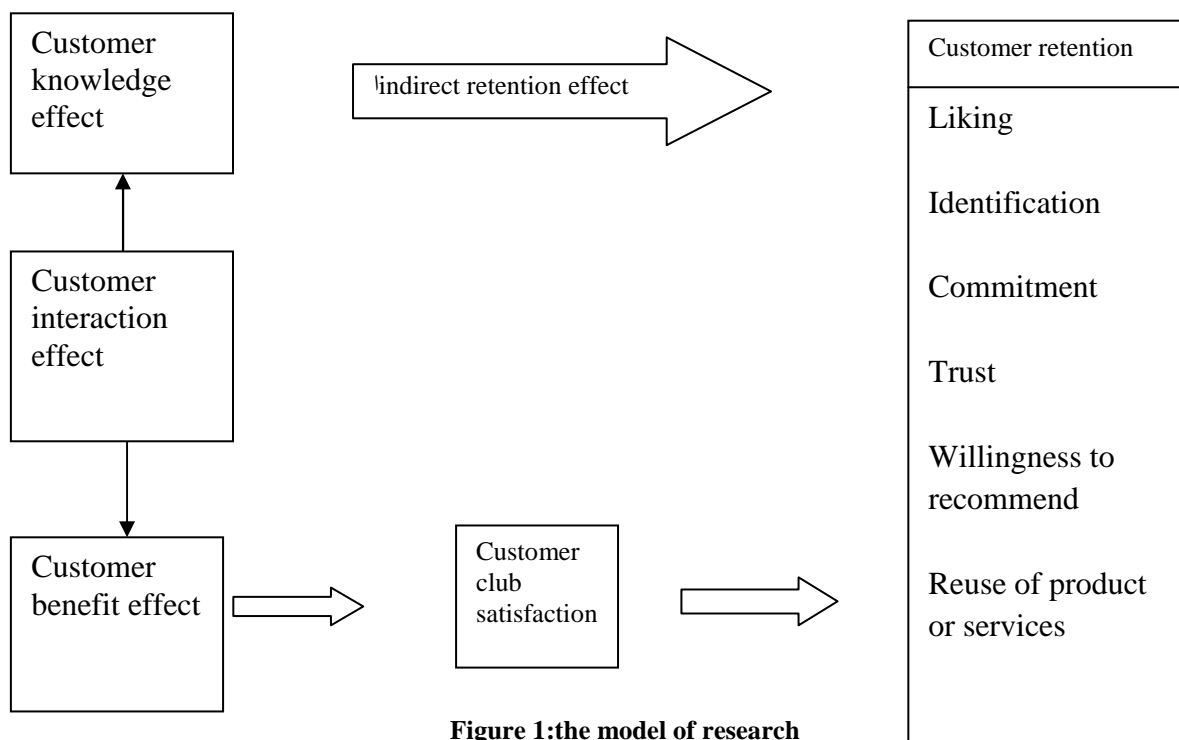
### **3-2- customer-retaining marketing mix**

-The promotional activity

### 3-3-linking customer to loyalty schemes

- direct or indirect effect
- how buyer value the rewards offered
- the effect of timing(dowling & uncle, 1997)

### 4.The factors that effect in retention customer in customer club



**Figure 1:the model of research**

The customer club should function as platform creating more frequent contact and feedback opportunities between the customer and the company called the customer interaction effect. As a result the company can build a close contact with the member for the entire customer Lifecycle. the customer interaction effect is also divided into indirect and direct effects as Customer interaction not only leads to an improvement of the company knowledge about The customer but also is perceived by the customers as a part of the club services.(stauss et.al.200)

Another essential objective for customer clubs is to increase the organizational knowledge about the club member called the customer knowledge effect the company receives detailed information about the members from the first point of registration on. information about customers interests personal situation and demands are collected in member database which enables individualized marketing measures.(butscher 1998 in stauss et. Al.2001).the indirect retention effect is a result of The knowledge effects. this is achieved by the data supplied by the club members enabling the company to target the customers with a one –to-one marketing approach .this in turn facilitates The offering of individualized products and services to their customers. since the retention effect is not caused by how the customers perceive the club experiences rather by how the company utilizes The collect customer data this is an indirect retention effect(stauss et.al.2001)The motivation to become a member of the customer club depends on if the customer perceives a Distinct advantage of becoming a member the customer benefit effect. this means that the customer will only willing supply the company with details and take part of the club if they perceive the benefits to higher than the costs. therefore the customer club should offer exclusive services that have either a financial material or communicative attractiveness to the member along with the perceived advantages of interaction between the customer and club . the direct retention effect is related to the customer s perceived benefits. this means that if the customers identify with the company and become loyal solely among their club membership and the associated benefits a loyal relationship has been achieved. furthermore the direct retention effect is affected by

the satisfaction the customer club generates among its member. the following figure,figure2.2, is an enlargement of the box customer club satisfaction presented in figure2.1m Inserting elements related to this part of the chain, club satisfaction ,relationship satisfaction, and customer retention further develops the direct retention part of the retention chain. these elements show the relation between customer club activities and their economic effects.(Slight, 1995)

How satisfied the club members are with all aspects of the customer club is called customer club satisfaction. this is result of a comparison of the expectations and how the members perceive the club and to what extent they are referring to their club contacts. customer club satisfaction can be divided into three areas of performance and experience, customer club (cc) own service satisfaction.cc external service satisfaction and cc handling satisfaction. the cc own service satisfaction is achieved by to what extent the club offers services and benefits such as a club magazine or loyalty points.cc external service satisfaction imply that the club have co-operating partners who offer club members services at more favorable conditions

### 5.How to Measure a Club’s Success

The success of a baby boomer and senior customers club must be measured, just as with any other marketing tool. Why is this important? Because, as you develop and grow your program you need to know what is happening. You will make changes. That is part of any business ... frequency/loyalty/retention programs are no different. Measure everything from day one so you make the right changes at the right time for your marketplace.

Therefore, indices must be devised for aspects of the club's performance that clearly define levels of success, average performance and failure. These indices must include clearly quantifiable factors that can be measured automatically, such as response rates to club activities, but also more qualitative factors such as brand loyalty. The indices chosen depend largely on the importance of each different club goal. The more important the goal is, the more important it is to measure how far it has been achieved. Comparing the results for club members with those for a non-member control group can help isolate the effects of the club's marketing from other influences. Other indicators of the club's success are the level of utilization of its database, the savings achieved by other departments due to the club's activities, and the support it has given to other departments of the sponsoring company. Empirical studies have shown that clubs can be very effective: increases in sales of between 6 and 80 percent have been achieved!

### 6. Demographic Characteristics of Consumers

Table 4-2 gives information on the demographic characteristics of consumers. Majority of the respondents were females constituting 59%, while males constituted 41%. The table also shows that majority of the consumers were within the ages of 21 - 30 years (65%), while 25% representing 102 consumers were within the ages of31-40, and 8% under 20 years, and also just 2% between 41 to 50. Information on the education of consumers depicts that 49% had bachelor education, 6% had primary school education, 37 % had post-primary education, and 8% had Phd education, while 6.8 had postgraduate qualifications.

**Table1: Demographic Characteristics of Consumers**

| Demographic      | category                 | percentage | Count(n) |
|------------------|--------------------------|------------|----------|
| <b>Gender</b>    | Male                     | 41%        | 168      |
|                  | Female                   | 59%        | 216      |
| <b>AGE</b>       | Under 20                 | 8%         | 33       |
|                  | 21-30                    | 65%        | 219      |
|                  | 31-40                    | 25%        | 102      |
|                  | 41-50                    | 2%         | 8        |
|                  | Upper50                  | 0%         | 0        |
| <b>Education</b> | Bachelor                 | 49%        | 175      |
|                  | Primary school education | 6%         | 25       |
|                  | Post-primary education   | 37%        | 151      |
|                  | phd                      | 8%         | 33       |

## 6-1.Freidman test

| variables                   | mean | Sig   |
|-----------------------------|------|-------|
| Customer interaction effect | 2.68 | 0.000 |
| Customer benefit effect     | 3.50 |       |
| Customer knowledge effect   | 3.82 |       |

**Table2: the result of Freidman test**

According to above table, the number of our sample is 32 managers at saderat bank in Iran, you can see the mean of the factors in above factors, the managers should prioritizing the factors in 5 LIKERT scale, from 1 to 5, the most important factor 5 and the least important factor 1, also you can see the minimum and maximum of the number.

As you can see, after interview with 32 manager in Iranian banks, the most important factor that effect in customer loyalty program such as customer club is customer interaction effect then customer benefit and the last one is customer knowledge effect.

## 7. The Future of Customer Clubs

The overall success of a customer club is dependent on several things:

- Commitment of the organization sponsoring the program
- The design and execution of its components
- Your program must be simple to operate by your marketing and operations staff
- It must be easy for your members/customers to understand how they benefit
- It must offer rewards that will motivate increased response and build retention.

These are basic components of a customer club. Yet, it is amazing how many organizations do not think through this list as they embark on a customer relationship-marketing program.

## Result

According to finding of this research the primary objectives of any loyalty-marketing program are these:

- To create measurable increases in sales & profits!
- To increase frequency of visits or use by your baby boomer and senior members/customers
- To improve customer retention to discourage defection to the competition by offering an incentive for loyalty.  
 In addition, many companies use loyalty programs for at least two more reasons:
- To decrease reliance on mass marketing media tools, by doing these things:
  - Targeting specific offers or messages based on real, live usage history, and
  - Use the acquired database knowledge to target prime prospects. In these two instances, the database is being used to both keep what you have ... and to look for new.

In a market environment characterized by increasing competition, unpredictable and well-informed consumers and lack of growth, customer loyalty efforts are gaining in importance and might come to be one of the most important strategic success factors. It is essential for a baby boomer and senior customers club to function

smoothly to achieve its goal of customer retention. When companies are gradually moving towards one-on-one marketing, overlooking the significance of customer clubs that help develop strong relationships with individual customers can become an organization's downfall.

## Reference

Aasael(1992), *consumer behavior and marketing action*. 4 edition, boston MA

Butscher, S.A .,(1996) ,” *welcome to the club; building customer loyalty*”, marketing news, vol 30.no. 19. P9

Carolin.,s ., jenny.,(2011)., M.,”customer club as marketing activity”. international business and marketing program

Dowling ,G. R., Uncle, M .,(1997).”*Do customer loyalty programs really work?*”. Sloan management review . vol 38, no 4, pp71-83

Duffy, D.,(1998), “*Customer loyalty strategies, journal of consumer marketing*, Vol .15. No5 pp435-448

O’Malley, L.,(1998).”*Can loyalty schemes really build loyalty?*” marketing intelligence& planning, Vol 16 ,No 1. Pp 47-55

Rozenberg .,L.,J .,Cepiel, J., A.(1992).”*A Marketing approach for customer retention*”. Journal of product and brand management. Vol 1, No 1 .pp27-33

Slight, S.,(1995), “*customer club” management service quality*” Vol 5,NO 5. PP20-24

Stausse., B.,(2001).” *Retention effect of customer club*”. International journal of service industry management. Vol 12, No 1.pp7-19

Stewart.,M.,(1996),”*keep the right customer*”, journal of marketing, london

The SAT group annual report(2003). SAS AB publ., Stockholm