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Benefits of Customer Loyalty Card and Its Impact to Cardholders' Purchasing Decisions

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Abstract:
The study assessed the benefits of SM Advantage card in terms of redeem points, discounts, freebies and determined its impact to the cardholders' purchasing decisions and finally tested the significant relationship. This study utilized descriptive method of research. The descriptive research is concerned with the conditions or relationships that exists, processes that are going on and effects that are felt and trends that are developing. It analyzed collected data from survey questionnaires. The respondents of the study were the three hundred (300) SM Advantage cardholders that were randomly and purposively selected from the five (5) different SM retail stores in Metro Manila. Findings revealed that the cardholders were satisfied with the redeem points but partly satisfied with the discounts and freebies. The benefits of SM Advantage card have significant correlation to purchasing intention, purchasing frequency, and customer retention.

Keywords: *SM Advantage Card, Benefits, Purchasing Decisions*

1. Introduction

In recent years, many companies have introduced loyalty programs, frequency reward programs, and customer clubs. They are currently available in many customer markets. A loyalty program can be well-defined as a marketing process that generates rewards to customers based on their repeat purchasing. In exchange for focusing their purchases with the firm, they accumulate assets or points that they get in exchanged for products and services, normally but not necessarily associated with the firm. Therefore, loyalty programs have become an important Customer Relation Management (CRM) tool used by marketers to identify, award, and retain customers. (Kumar and Reinartz, 2006)

Customer loyalty reward programs are systems that offer incentives, either tangible or intangible rewards, to consumers for specific repeated behavior, usually repeat buys." (Lui, 2009). Loyalty programs are now thought to have been among the successful marketing instruments. It's common knowledge that acquiring customers costs more than keeping them. Loyalty programs may offer different ways of benefits and continuous discount for a period of time to the customers.

SM Advantage Card is a customer loyalty reward program card that rewards members with points each time they shop at SM retail stores, the largest shopping mall in the Philippines with fifty-six (56) branches nationwide and caters to million shoppers a day. It is estimated that more than a hundred thousand of customers have already availed the SM Advantage and continuously growing in numbers.

2. Methodology

This study utilized descriptive method of research. The descriptive method analyzes and describes the data gathered from survey questionnaires and interviews of the selected three hundred (300) SM Advantage cardholders. For responses in the study, the following scale and its corresponding verbal interpretations were used: 4.50 – 5.00 Very Satisfied (VS)/ Strongly Agree (SA), 3.50 – 4.49 Satisfied (S)/ Agree (A), 2.50 – 3.49 Partly Satisfied (PS)/ Moderately Agree (MA), 1.50 – 2.49 Less Satisfied (LS)/ Disagree (D), 1.00 – 1.49 Not Satisfied (NS)/ Strongly Disagree (SD).

3. Results and Discussion

Benefits of SM Advantage Card	WM	VI
1. Personal Accident Insurance Program	4.36	Satisfied (S)
2. Mode of payment	4.15	Satisfied (S)
Composite Mean	4.26	Satisfied (S)

Table 1: Benefits of SM Advantage Card in terms of Redeem Points

The composite mean of 4.26 in table 1 shows that the cardholders are satisfied on the benefits SM Advantage card in terms of redeem points. Cardholders can get a one-year personal accident insurance program from a designated insurance company by redeeming the points earned from shopping at SM retail stores and as a mode of payment to other business establishments.

Benefits of SM Advantage Card	WM	VI
1. Beauty Treats	3.30	Partly Satisfied (PS)
2. Dining	3.48	Partly Satisfied (PS)
3. Hotel	2.74	Partly Satisfied (PS)
4. Shopping	3.52	Satisfied (S)
Composite Mean	3.26	Partly Satisfied (PS)

Table 2: Benefits of SM Advantage Card in terms of Discounts

Table 2 shows, the cardholders are partly satisfied on discounts as benefits of using the SM Advantage card, composite mean 3.26 on beauty treats, dining in selected restaurants and room rates in selected hotels, however the cardholders are satisfied on the discounts provided to them every time they shop at SM and in other selected retail outlets.

Benefits of SM Advantage Card	WM	VI
1. Beauty Treats Service	3.42	Partly Satisfied (PS)
2. Dining Meal	3.48	Partly Satisfied (PS)
3. Shopping Item	2.76	Partly Satisfied (PS)
Composite Mean	3.22	Partly Satisfied (PS)

Table 3: Benefits of SM Advantage Card in terms of Freebies

As shown in table 3, composite mean 3.22, the cardholders are partly satisfied on the freebies of using SM Advantage card, free beauty treat service, free meal in dining in selected restaurants and free shopping item in selected retail outlets.

Cardholders Purchasing Decisions	WM	VI
1. Purchase Intention	4.64	Strongly Agree (SA)
2. Purchase Frequency	3.62	Agree (A)
3. Customer Retention	4.36	Agree (A)
Composite Mean	4.21	Agree (A)

Table 4: Impact of Benefits of SM Advantage Card to Cardholders Purchasing Decisions

The cardholders agree composite mean 4.21 that the benefits of SM Advantage card have an impact on their purchasing decisions in terms of purchase intention, purchase frequency and customer retention.

	r value	t-value	Interpretation
Redeem Points	0.84	33.48	Significant
Discounts	0.87	37.80	Significant
Freebies	0.87	40.92	Significant

Table 5: Correlation of Benefits to Cardholders Purchasing Decisions
Correlation is significant at t-value<0.05

Table 5 reveals the correlation of the benefits of SM Advantage card to cardholders purchasing decisions. Based from the result, the computed t values were all less than the 0.05 level of significance. The findings reject the null hypothesis of no significant relationship. This means that benefits of using SM Advantage card in terms of redeem points, discounts and freebies has significant relationship to cardholders purchasing decisions and enjoys using of it.

4. Conclusions and Recommendations

The cardholders are satisfied on the redeem points of SM Advantage card but partly satisfied on other benefits, discounts and freebies. It greatly affects the overall assessment which made as partly satisfied for the reason that cardholders are not aware of other offer benefits and has no chance of using it. The benefits of SM Advantage card have an impact to cardholders purchasing decisions and significant relationships. The researchers proposed actions to increase the satisfaction of SM Advantage cardholders.

It is recommended that SM Management should partner with more companies for the more benefits to the cardholders and increasing their awareness on the benefits on social media marketing, and require the partners to produce marketing collaterals that exhibit their partnership with SM corporation.

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