

The Effectiveness of a Customer Loyalty Program Within a Small College Retail Store

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Historical Perspective

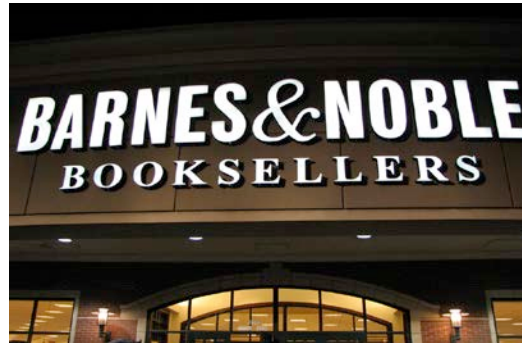
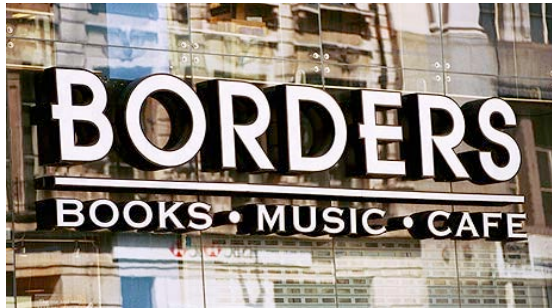
Bookstore Industry

- First American bookstore opened in Boston in 1652 (Some First Things Boston, 1903).
- The Bookstore chain idea was fathered in the late 1700s (Emblidge, 2012).
- Industry experienced consistency until the mid 1900s during World War II and the Cold War (Fleck, 2006).
- 1960s saw growth of independent bookstores (Fleck, 2006).
- Devaluing of books took place in 1970s and 1980s (Laties, 2012).

Historical Perspective

Bookstore Industry

- Bookstore chains began to emerge in the early 1990s (Bomey, 2011).



Historical Perspective

Bookstore Industry

- In 1995, Amazon opened the first online bookstore (Chu, Guo, & Lai, 2011).



Historical Perspective

College Bookstore Industry

“The business, after all, was filled with certainty. Students would come. Students would need books and supplies. Students would buy books and supplies.”

(Ragsdale, as cited in Anderson, 1999)

Problem

College Bookstore Industry

- Certainty went out the window in the 1990s (Anderson, 1999).
- Two online retailers took aim at the college market, changing an industry that had not changed in over 100 years (Hackenberg, as cited in Anderson, 1999; Zeitchik, 1998a).
- The growing reputation of the college bookstore was that students did not trust the bookstore to provide the cheapest pricing for textbooks (Maxwell, 2003).

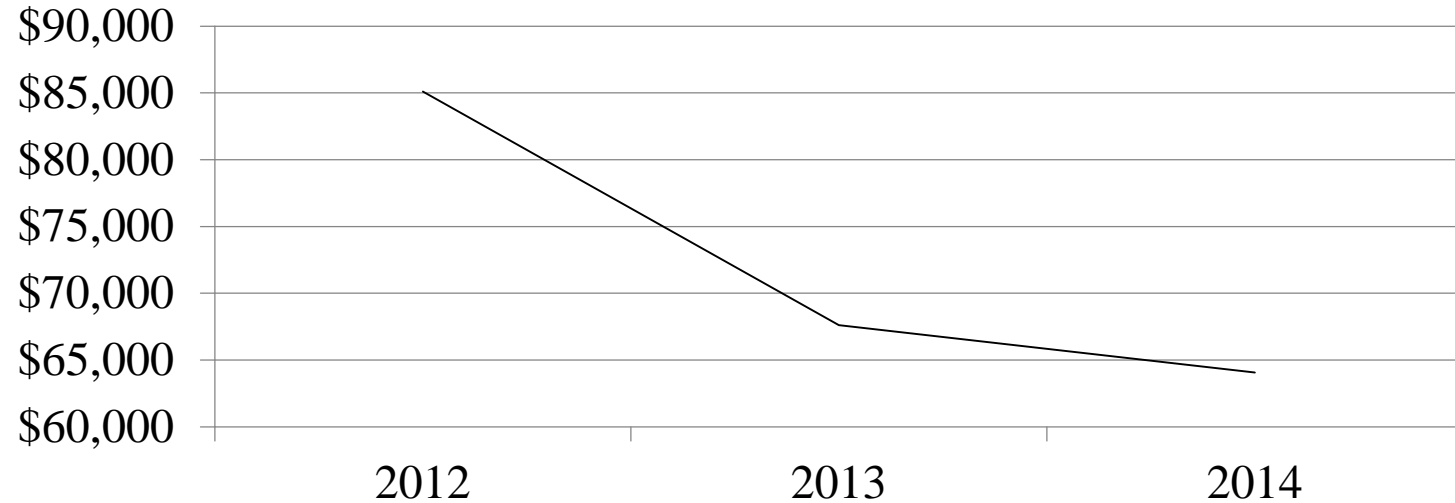
Problem

College Bookstore Industry

- Students in one study expressed anger with a university because of textbook prices (Yang, Lo, & Lester, 2003).
- The changing industry required one small college store to remove textbooks from their model, and rely solely on merchandise sales as their source of revenue.

Problem

Net Sales



Problem

Possible Solution to the Problem

Customer Loyalty Program

Purpose Statement

The purpose of the current study was to determine the effectiveness of a customer loyalty program within a small college retail store in order to increase net sales and key indicators of increased revenue.

Significance of the Study

- Possible solution to a problem within the industry
- Long-term impact of deeper relationships with customers
- Although researchers have conducted studies regarding customer loyalty programs, there was a gap in the research within small college retail stores.

Literature Review

- In 1981, the first customer loyalty program in the United States was launched (Farooqi & Rehman, 2010).



- Purpose of loyalty programs was to reward customer for repeat purchase behaviors (Bose & Rao, 2011).

Literature Review

- In one study, two types of consumer loyalty programs were studied. Both programs had an impact on customer behavior (Zahng & Breugelmans, 2012).
- According to another study, customer loyalty scores were positively affected by the presence of a consumer loyalty program (Farooqi & Rehmaan, 2010).

Research Questions

- RQ1: What impact does a customer loyalty program have on the net sales of a small college retail store?
- RQ2: What impact does a customer loyalty program have on the number of transactions within a small college retail store?
- RQ3: What impact does a customer loyalty program have on the number of items sold within a small college retail store?

Data Collection

Point-of-Sale System

- Implemented in the store on July 5, 2012
- Manage inventory and track sales data
- Information recorded with each sale includes
 - Items sold
 - Discounts
 - Customer Information
- Sales reports
- Export to Excel
- Manage appropriate data within Excel

Customer Population

- Students
- Alumni
- Staff
- Faculty
- Family and friends

Data Samples

All purchases recorded on the point-of-sale system during four specific periods of time.

Y1: August 20, 2012 – December 31, 2012

Y2: August 19, 2013 – December 31, 2013

Y3: August 18, 2014 – December 31, 2014

Loyalty Program Implemented (IV)

Y4: August 17, 2015 – December 31, 2015

Procedure

Loyalty Program (Independent Variable)

- Implemented on August 17, 2015
- Reward customers for purchases and encourage future purchases
- 5% off any purchase, any time
- Loyalty points accumulated at the rate of one point per dollar spent

Analytical Methods

Data Collection:

- Point-of-sale system
- Exported reports to Excel

Analysis:

- Manually calculated the dependent variable of the corresponding research question
- One-way ANOVA comparing time periods
- Descriptive statistics

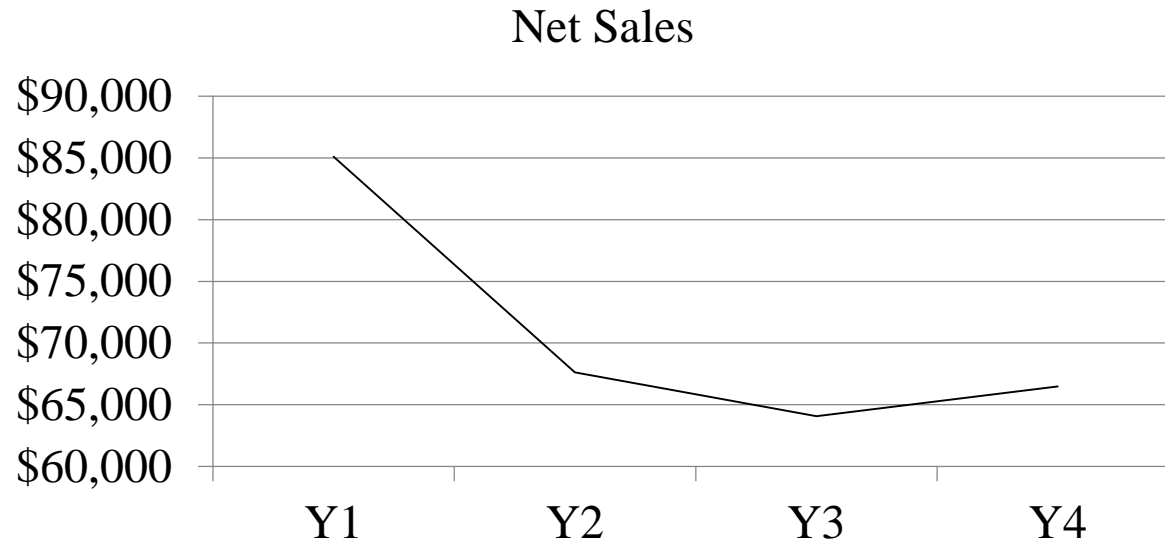
Findings: RQ1

What impact does a customer loyalty program have on the net sales of a small college retail store?

- $F(3, 394) = 1.19, p > .05, \eta^2 = .01$
- No statistical significance.
- Three notable variances to trends were identified.
- One possible relationship was identified.

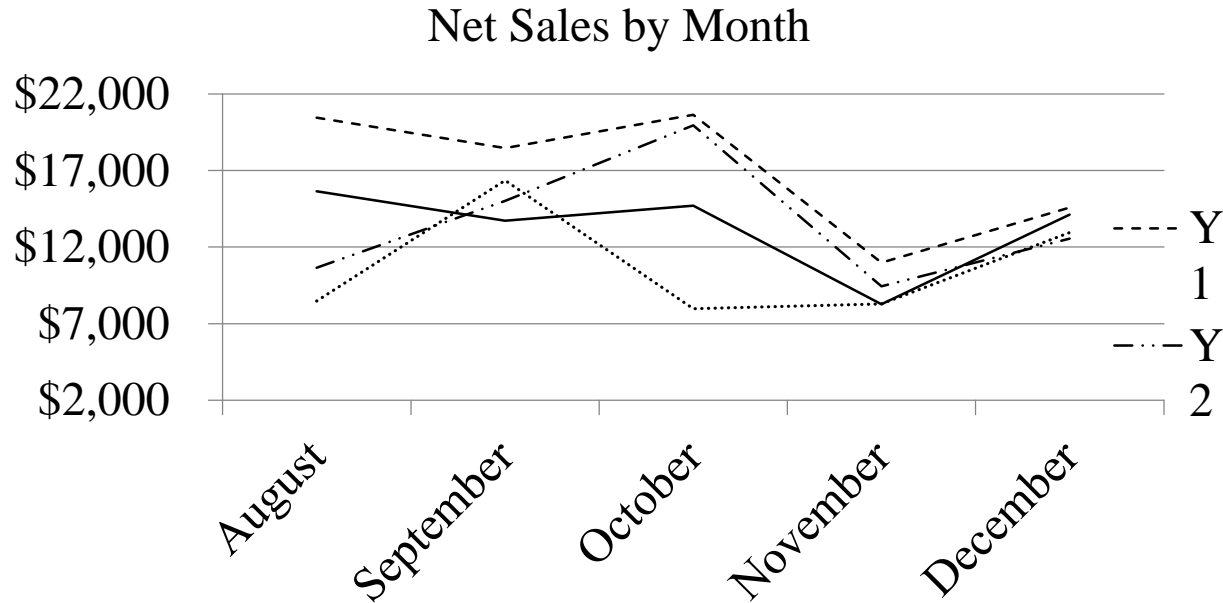
Findings: RQ1

Variance #1: Increase of Net Sales



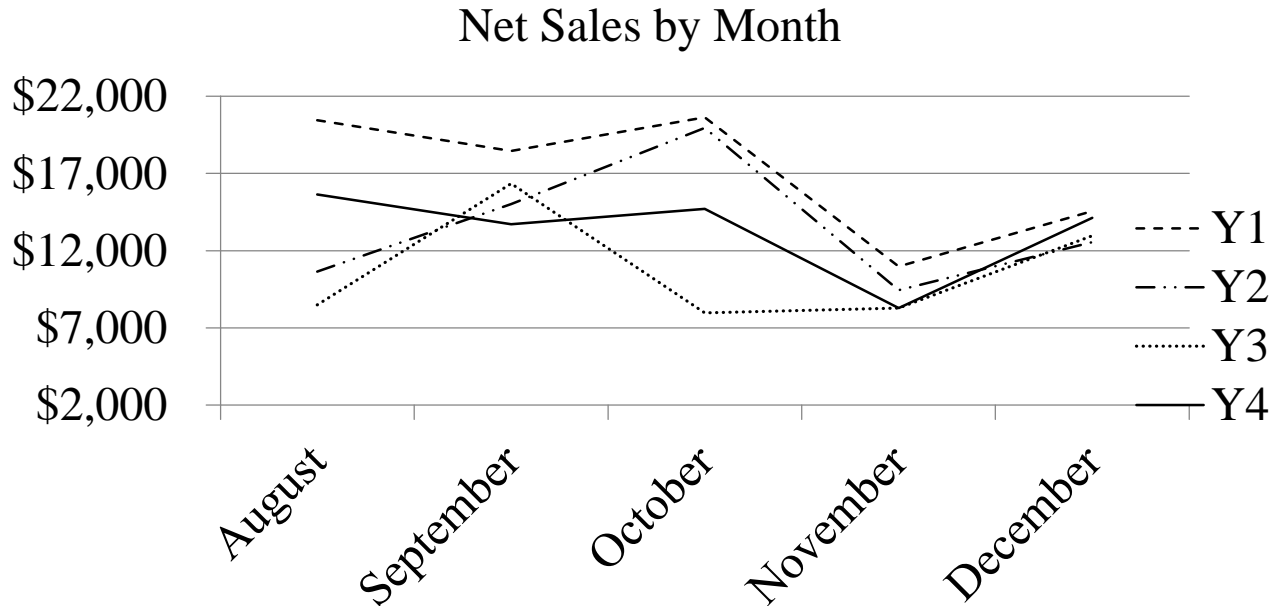
Findings: RQ1

Variance #2: Net Sales in August



Findings: RQ1

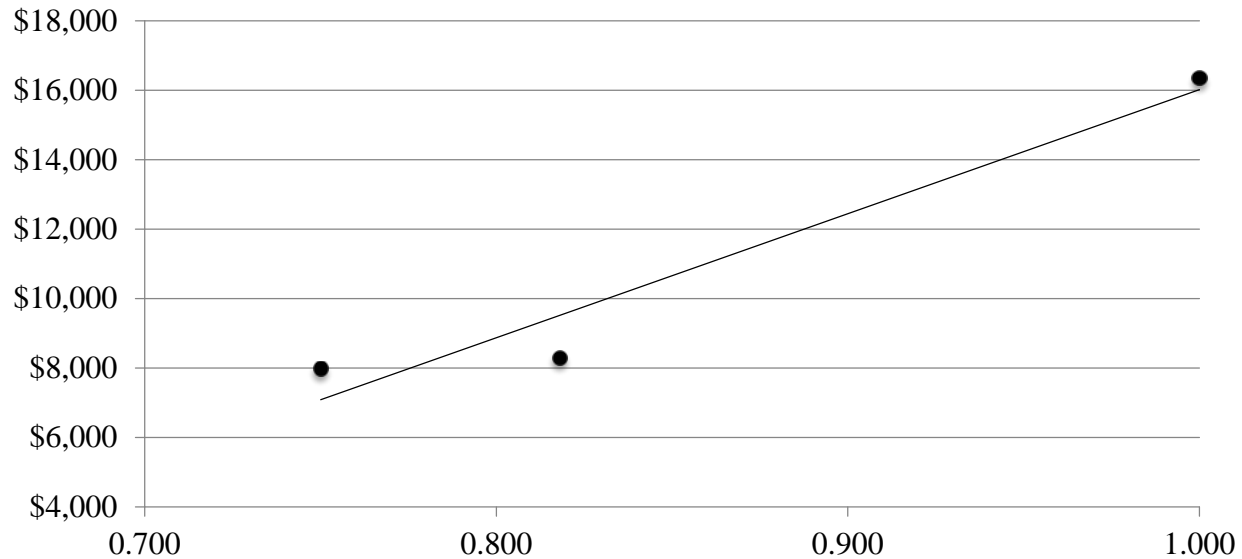
Variance #3: Y3 August to September Increase



Findings: RQ1

Relationship: Football Success

Net Sales and Football Winning Percentage (Y3)



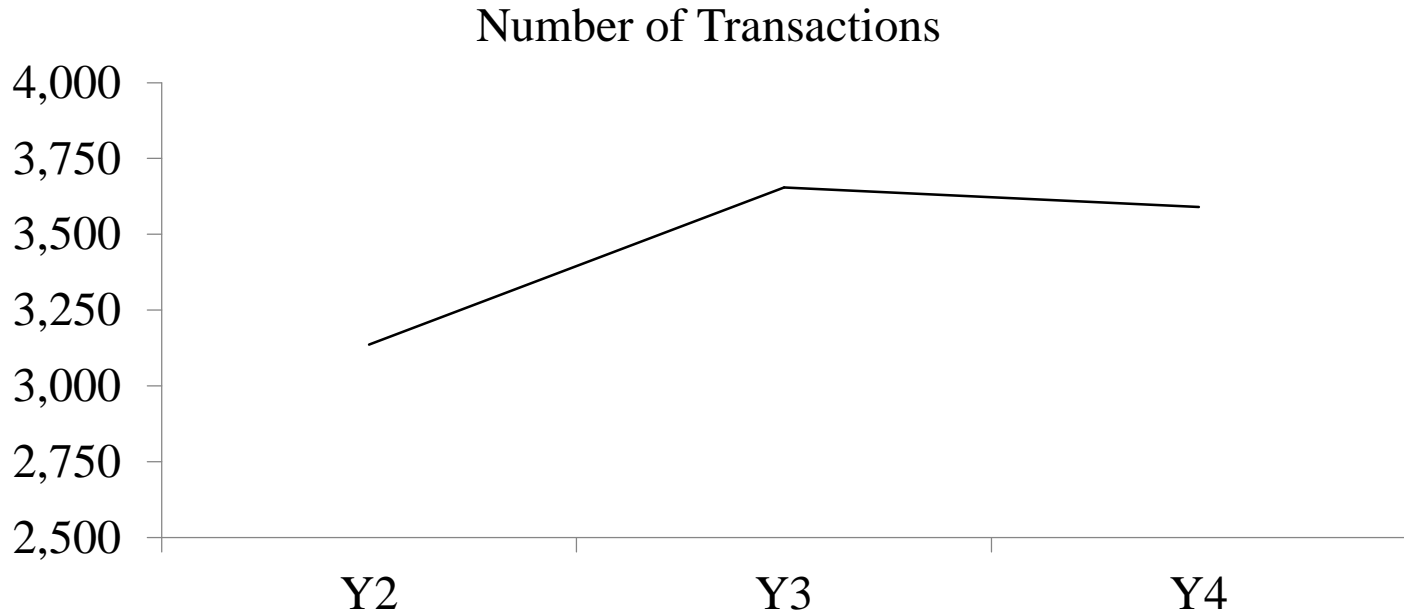
Findings: RQ2

What impact does a customer loyalty program have on the number of transactions within a small college retail store?

- $F(2, 296) = 1.07, p > .05, \eta^2 = .00$
- No statistical significance.
- Notable results were identified.

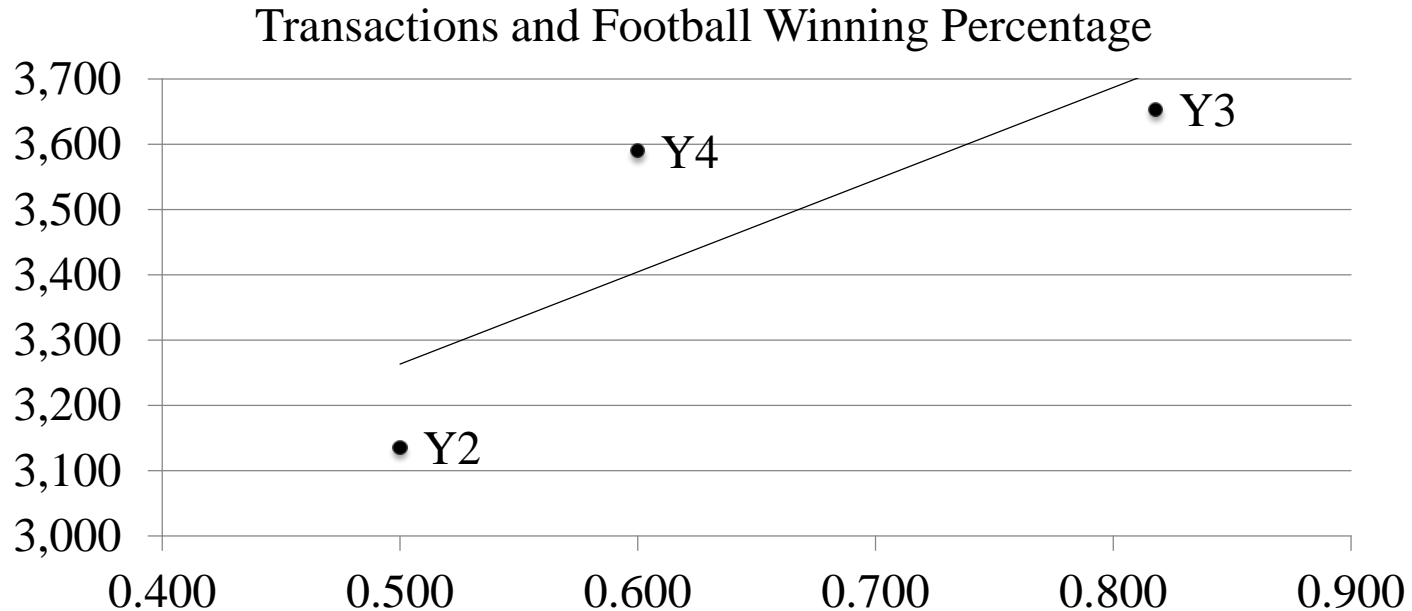
Findings: RQ2

Notable Result: Y4 transactions down, Y4 net sales up



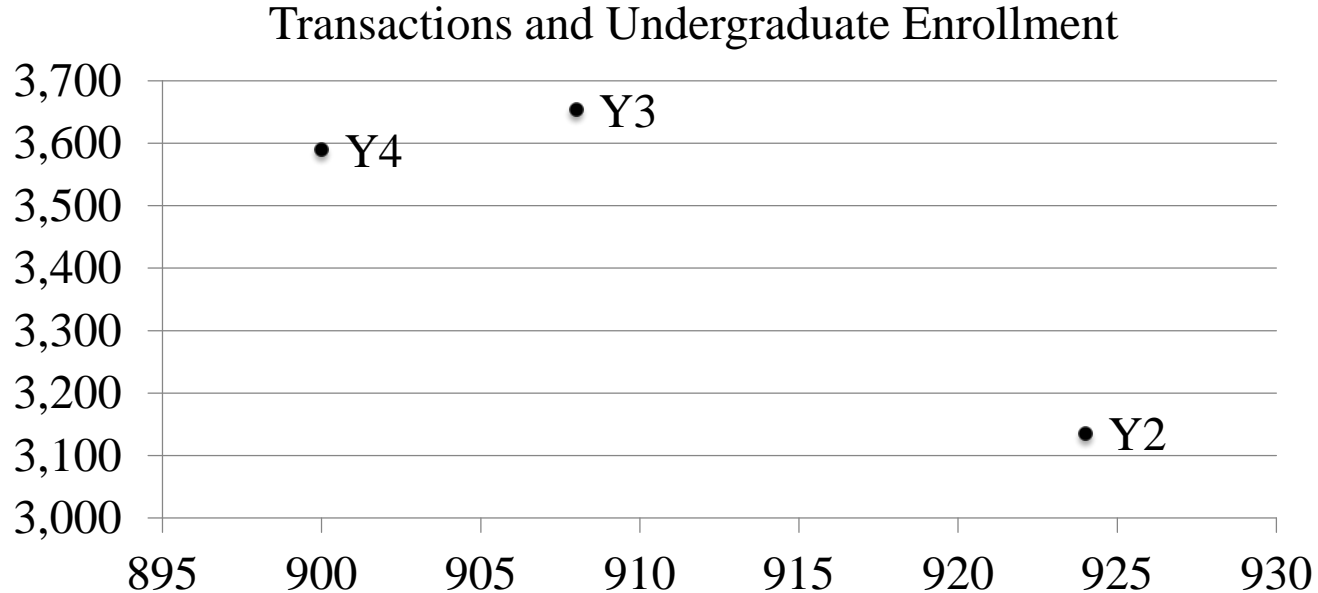
Findings: RQ2

Notable Result: Football winning percentage up, transactions up



Findings: RQ2

Notable Result: Inconsistency with Enrollment



Findings: RQ3

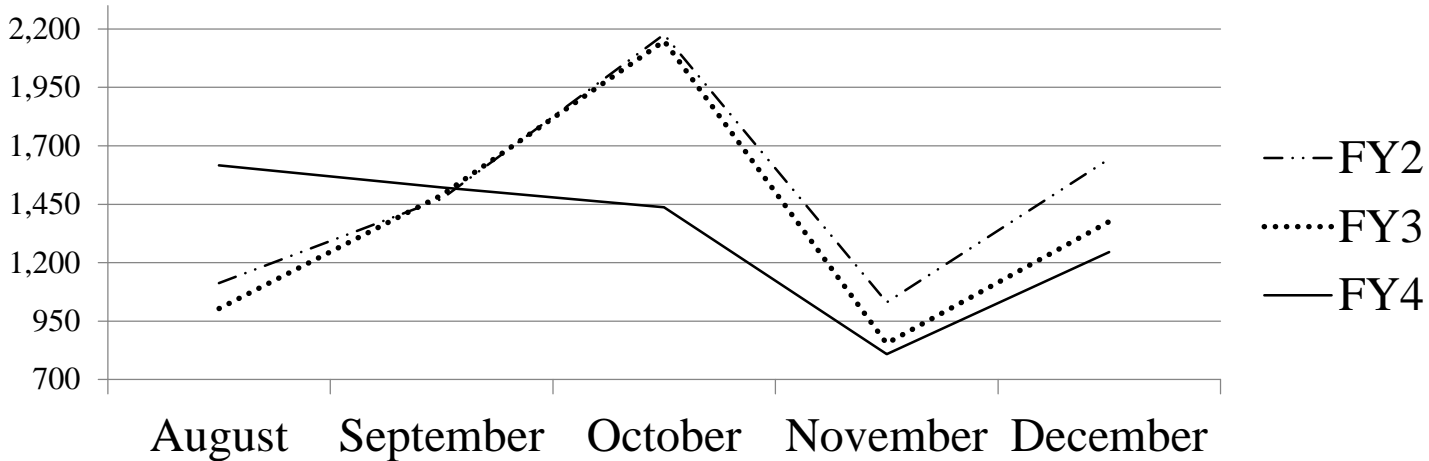
What impact does a customer loyalty program have on the number of items sold within a small college retail store?

- $F(2, 296) = .325, p > .05, \eta^2 = .00$
- No statistical significance.
- Two notable variances to trends were identified.
- One notable result was identified.

Findings: RQ3

Variance #1: August

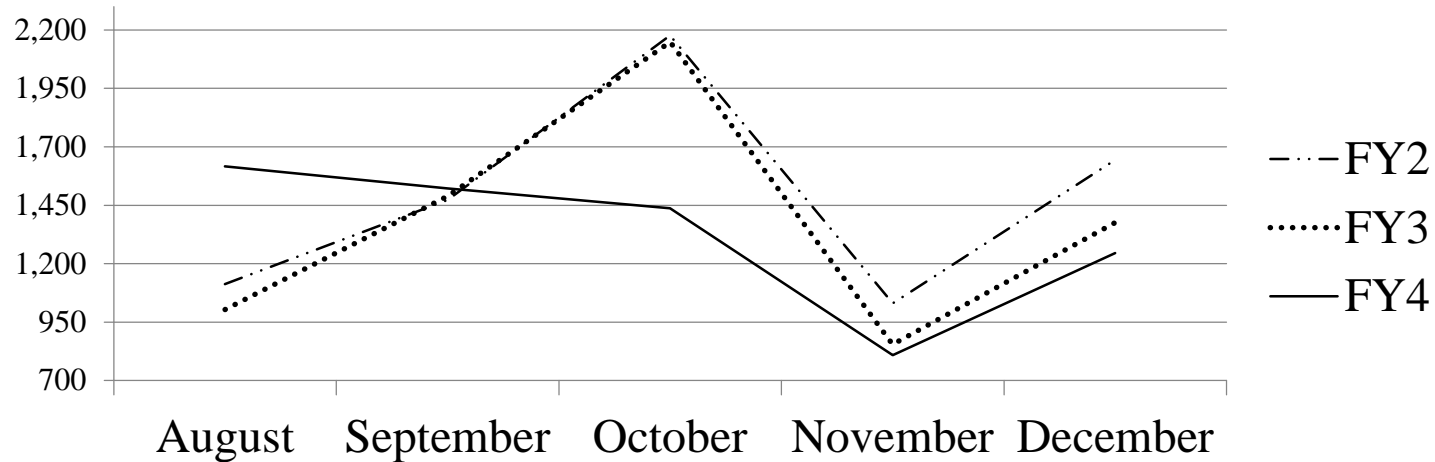
Number of Items Sold by Month



Findings: RQ3

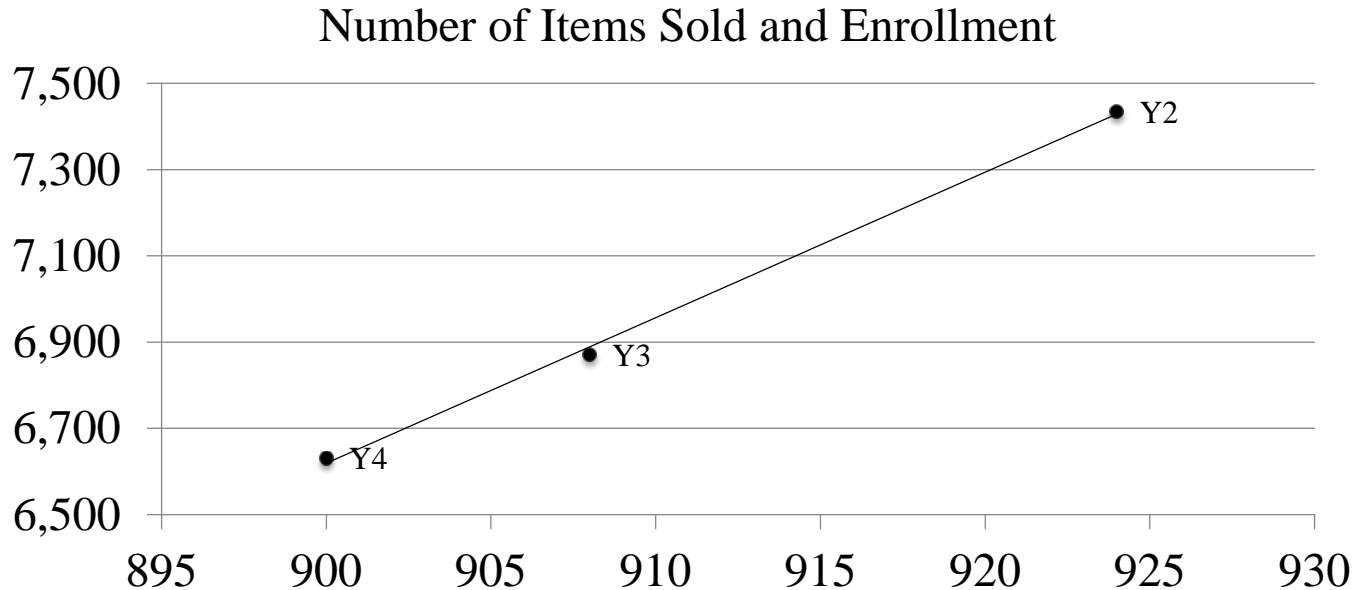
Variance #2: October

Number of Items Sold by Month



Findings: RQ3

Notable result: Enrollment up, number of items sold up



Limitations

- Limited generalizability
- Only one semester of data
- Enrollment inconsistencies
- Product selection varied
- Product pricing varied
- Staffing
- Success of athletic teams, particularly football

Recommendations

- More aggressive loyalty program
- Enrollment, number of staff and faculty, success of sports
- Other key indicators of revenue (i.e. dollars per transaction)
- Collect data over longer period of time
- Impact on repeat business
- Survey to include a qualitative component

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