

CHAPTER 1: INTRODUCTION

This research studies consumers' perceptions of fashion retailers' loyalty programmes and their impact on consumer loyalty. The study starts with an overview of Malaysia's fashion retailers and their loyalty programmes. It is then followed by a presentation of the research objectives and research questions. In addition, this chapter also presents the significance and scope of the study. Finally, the organization of the report is presented thereby enabling the reader to gain an overview of the structure of the thesis.

1.1 Overview of Malaysia's Fashion Retailers and their Loyalty Programmes

In recent years, the Malaysian retail industry has experienced tremendous growth. This is due to various factors, for instance, the increasing private demand and disposable income (especially for civil servants), greater support provided by the government through the promotion of the tourism industry to foreign markets and the strong development of residential and commercial properties, which has led to the strong expansion of retail stores (Euromonitor International, 2008).

The development of the Malaysian retail industry has thus attracted various international fashion brands such as Banana Republic, Louis Vuiton, and Gucci to penetrate the Malaysian market. These international players have further enhanced the competition within the Malaysian fashion retail industry (Euromonitor International, 2008). Consequently, building customer loyalty

among consumers has become one of their important marketing objectives. This is because loyal consumers are willing to pay premium prices, as they perceive that their preferred brand is unique and not replaceable by other alternatives (Chaudhuri and Holbrook, 2001). The loyal consumers lead to certain marketing advantages as they are able to reduce marketing costs, bring in more new consumers, enjoy greater trade leverage, create favourable word of mouth and create resistance among loyal consumers to competitors' strategies (Chaudhuri and Holbrook, 2001). Consequently, to achieve brand loyalty, retailers have shifted their efforts into building stronger bonds and more enduring relationships with their consumers through the use of loyalty programmes.

With the recent development of the Malaysian fashion retail industry, there has been an increase in the adoption of loyalty programmes. Major local fashion retailers, such as Padini and Voir, operate their own loyalty programmes (Padini Card and Voir Privilege Card), and have received a good response from their consumers. This is because these loyalty programmes provide exclusive benefits and privileges to their members compared to non-members. For example, Voir Privilege Card members (loyalty programme of Voir) are able to enjoy direct discounts for their purchases. Furthermore, Voir also organizes annual events for members such as VPC members' week. During that particular week Voir members can enjoy higher discounts for all items under the Voir Group compared to the normal period.

The adoption of loyalty programmes is perceived as a successful marketing tool for fashion retailers. It enables retailers to enjoy similar advantages to price cut promotions such as increased store-traffic, increased sales revenue without creating negative effects concerning the perceived quality and brand equity.

1.2 Research Objectives

The purpose of this research is to study Malaysian consumers' perceptions of fashion retailers' loyalty programmes and their impact on customer loyalty.

The specific research objectives include:

- (a) To understand Malaysian consumers' general perception of loyalty programmes.
- (b) To examine the impact of loyalty programmes' benefits on the creation of consumers' behavioural loyalty.
- (c) To examine the impact of loyalty programmes' benefits on the creation of consumers' attitudinal loyalty.

1.3 Research Questions

This study attempts to answer the following questions:

1. How do consumers perceive loyalty programmes that are offered by the fashion retailers?
2. Which loyalty programmes benefits are perceived as the most important by consumers?

3. What are the factors (benefits of loyalty programmes) that affect consumers' behavioural loyalty?
4. What are the factors (the benefits of loyalty programmes) that affect consumers' attitudinal loyalty?

1.4 Significance of the study

Loyalty programmes have become the trend in the Malaysian retail industry. Grocery retailers, clothing and footwear retailers, shopping malls and departmental stores treated loyalty programmes as one of the “must-have” marketing tools to be adopted to stay competitive within the industry. Some retailers operate their own loyalty programme, such as the Voir Privilege Card (VPC) loyalty programme, Padini operate their PMC Card (refer to appendix 1 for the list of Malaysian fashion retailers loyalty programmes). On the other hand, retailers who do not operate their own loyalty programme may participate in loyalty programmes operated by loyalty programme operators such as Bonuslink and Real Rewards.

This research is significant because it studies the Malaysian consumers' perception of loyalty programmes and the impact of these programmes on consumer loyalty. For retailers operating in Malaysia, an understanding of Malaysian consumers' perception of loyalty programmes is very important. Without this knowledge, it is very hard for marketers to decide whether the implementation of the loyalty programmes is more beneficial to the retailers than normal promotions. With a proper understanding of the consumers' perceptions of the loyalty programmes it will enable the retailers to develop

more attractive offers and determine appropriate tools to enhance and further improve the positive perceptions among Malaysian consumers.

In addition, this research also studies the impact of loyalty programmes on consumers' brand loyalty. In retailing, one of the retailers' goals is to increase their brand equity and to cultivate consumers' brand loyalty among their targeted market. This is because brand loyal consumers are more willing to pay higher premium prices, as they perceive that the brand is unique and, consequently, this eventually increases the profitability of the retailing business (Chaudhuri and Holbrook, 2001; Sharp and Sharp, 1997).

1.5 Research Scope

The research was conducted in the Klang Valley area (Selangor, Kuala Lumpur, Cyberjaya and Putrajaya) of Malaysia. The Klang Valley was selected because as stated in the report of *Existing Stock of Residential, Purpose Built Office, Shopping Complex, Shop, Hotel and Industry in Malaysia as at Q4 2006* (refer to appendix 2), both Kuala Lumpur and Selangor, which are located in the Klang Valley, possess the greatest amount of retail spaces in shopping complexes – 1,908,117 square metres and 1,872,937 square metres, respectively

In addition to having the largest retailing spaces in shopping complexes, the Klang Valley also possesses the largest population in Malaysia. According to the Malaysian population profile by state, the Klang Valley accounts for

23.92% of the Malaysian population, which is the highest among all the states (refer to appendix 3).

The high and dense population in the Klang Valley has encouraged retailers such as KLCC, 1 Utama Shopping Centre, Mid Valley Megamall, The Gardens, Sunway Pyramid and Starhill to set up their stores within this area. In view of the statistics stated in the above report, the Klang Valley is thus chosen as the research scope of this study, as the population in the Klang Valley have greater exposure to the loyalty programmes provided by the retailers.

1.6 Research Organization

The study is organized as follows:

Chapter 1: Introduction

This chapter commences with an introduction and background to loyalty programmes. The research objectives are also defined within this chapter. To complete the chapter, the significance of the study, research scope and research limitations are also discussed.

Chapter 2: Literature Review

This chapter will review the literature and journals that are related to loyalty programmes, including a review of loyalty, overview and benefits of loyalty programmes, loyalty and the relationship between loyalty programmes with behavioural and attitudinal loyalty.

Chapter 3: Methodology

This chapter discusses the methodology of this research. The research framework is reviewed in this chapter, followed by the development of the hypotheses. The selection of measures, sampling design, data collection procedure and data analysis techniques are also discussed in this chapter.

Chapter 4: Research Results

This chapter presents the research results of the survey. The chapter begins with the description of the demographics of the respondents. The results of the tests applied are also discussed in this chapter. Finally, the relationships of the loyalty programmes with the variables are also presented in this chapter.

Chapter 5: Conclusion

This chapter presents the conclusion of the research. It begins with an overview of the study, followed by a summary of the major findings of the research.

1.7 Conclusion

This chapter presented an overview of the research through the presentation of the research objectives, research questions, significance of the study, research scope and the organization of the thesis. The next chapter of this research project will be the literature review of customer loyalty and loyalty programmes

Figure 1: Dissertation structure

