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# Digital Transformation and Loyalty Programs in the Grocery Retail Sector: From a Conceptual Model to an Implementation Framework

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## Abstract

Digital Transformation, increased competition and globalization are trends that affect firms in the grocery retail business sector. The high costs of acquiring new clients lead companies to implement customers' loyalty programs, aiming to retain and increase market share. Nevertheless, there is limited information about how retail companies are adopting Digital Transformation to retain clients. The research project described in this paper aims to understand how the grocery retail companies may successfully implement a loyalty program in a digitalization scenario. Therefore, a framework is proposed, regarding the implementation process of an effective loyalty program, in a Digital Transformation context in the retail sector. The methodology used is the Design Science Research. A case study in "company X" and interviews with grocery retail industry representatives from other international companies operating in Portugal were used to validate the framework. From this research, it is possible to confirm the positive impact that Digital Transformation has on the implementation of loyalty programs. The framework contributes to implement programs that enable companies to improve services and offer a better value proposition, leading to the customers' loyalty.

**Keywords:** *Grocery Retail Industry; Digital Transformation; Implementation Processes; Customer Satisfaction; Customer Loyalty.*

## 1. INTRODUCTION

### 1.1. *Research Subject*

Digital Transformation is a continuous and evolving process which impacts on people, businesses and, consequently, in the society (Hagberg et al., 2016). Digital resources are crucial to companies transform themselves, so they can continue to shape and improve.

The retailers of food and other fast-moving consumer goods (FMCG) continue to dominate the Top 250 in number and size of companies (Deloitte, 2015). In 2018, the Portuguese food and grocery market increased by 2.9%, being that the food sector generated the higher profit, reaching 76.2% of the total market value (Marketline, 2020). In 2021, some of the most successful retailers are grocers who also have a large digital footprint (Deloitte, 2022).

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In the grocery retail sector, the customer satisfaction and loyalty programs are important strategies when competition increases (Deepa & Chitramani, 2014).

However, for retailers it is difficult to keep and create store loyalty (The Nielsen Company, 2015). For SBMarketingTools.com editorial staff (n.d.), online retailers tend to lose 25% of the clients, per year, on average. This happens because there is now a growing globalisation of markets in which competition, change and new information and communication technologies are constantly evolving to meet people's needs (Bhardwaj, 2007; K. Ristovska & A. Ristovska, 2014; Barnes et al., 2004).

Considering these aspects and the fact that businesses need to change their attitude about gathering new clients, since the costs of acquiring new customers are high, companies resort to loyalty programs so they can gain the customers loyalty and, consequently, maintain them. This is today's challenge. Despite being difficult to implement, loyalty programs are a verified technique for companies that want to increase market share and revenues (Pfeifer, 2005; Bhardwaj, 2007; Black, 2017).

With the digital transformation, companies have the possibility to improve their digital resources so they can have business upgrades, such as improving the clients experience (Saarikko et al., 2020). This leads to one of the main factors for a successful business, creating a long-term relationship with the clients, especially those that work directly with them, and to enhance operational processes (Capgemini Consulting & MIT Sloan Management, 2011).

Moreover, with Covid-19, the digitalization process was accelerated and it was crucial for the survival of the businesses. Companies were required to adapt to this new reality and to customer's behaviour as well as demands, that changed permanently, like expecting an entirely online shopping experience (Eriksson & Stenius, 2020). Given its impact, this event reenforced the opportunities and needs for Digital Transformation in the grocery retail business processes.

## 1.2. *Research Objectives and Questions*

Having in mind the objective of understanding how customer loyalty can be increased in the grocery retail sector, with the help of Digital Transformation, an analysis of the industry was conducted. To fulfil this goal, the help of a multinational grocery retail group (hereafter "company X") was paramount, making it possible to collect both theoretical and practical knowledge about the subject, in a more closely and accurate way. This case study was complemented with a set of interviews with representatives of other important groceries retail companies operating in Portugal.

To understand what must be done concerning the loyalty issue, a few research questions were set:

RQ1: How can a company in the retail sector adopt Digital Transformation to retain more customers?

RQ2: Which are the most important loyalty programs that companies use?

RQ3: Which strategies implemented by companies work better in retaining customers?

RQ4: Knowing that companies value loyalty, what processes do companies use to make this happen?

The result of this research project is the framework that supports the implementation of a loyalty program, in a digital driven environment. Moreover, it considers the implementation requirements of an effective loyalty program, so companies can be more productive and have a better financial performance. The research project was developed by the authors in the scope of a Master's Thesis in Management of Services and Technology (Vieira, 2021).

## 2. LITERATURE REVIEW

In the literature review, several themes are addressed regarding digitalization, loyalty programs and customer experience. It was analysed the existing theory regarding these topics, which lead to the discovery of a practical gap and to its consequently investigation.

### 2.1. *Digital Transformation*

With the development of the WWW it was expected that online channels would replace the physical stores (Doherty & Ellis-Chadwick, 2010). However, it happened that brands took advantage of the internet to extend the physical stores (Poncin & Mimoun, 2014; Pantano, 2016). "To increase chances for (...) success in the market many companies across industries started a major transformational change: trying to substantially integrate digital technology into their businesses. This organizational change is known as Digital Transformation." (Tekic & Koroteev, 2019, p. 6).

Those changes in the businesses are usually transformations in their operations, structure and consequently, products and processes (Matt et al., 2015). So, digital technologies are used by the organizations to change the value creation directions that they usually followed so they can stay competitive (Vial, 2019). When successfully implemented digitalization has many benefits, such as a boost in the sales or productivity, new ideas for value creation and new ways to connect with customers (Matt et al., 2015).

The digitalization impact on customer experience has been mentioned not only regarding e-commerce but also that it extends up to products and services. For example, the transformation of tangible products into digital services, despite some material features remain, uses digital technology to help in the purchasing process, connecting online and offline channels (Magaudda, 2011). Customers habits and behaviour on physical stores are changing with digitalization, such as the use of mobile devices.

This recent theme is lacking theoretical and practical knowledge, which forms a challenge and opportunity. (Hagberg et al., 2016).

## **2.2. The Loyalty Programs and Digital Transformation**

A loyalty program “is an integrated system of individualized marketing actions that aims to increase customers’ loyalty through personalized relationships that stimulate their purchase behaviour” (Meyer-Waarden & Benavent, 2009, p. 3). While the process of digitalization has an extensive history in retailing operations, the value of that change is becoming more visible (Watson, 2011).

With this new era, e-commerce has been growing and in the future offline businesses will have little opportunities for success. Those online businesses also need to create a successful loyalty program (Hajdukiewicz, 2016) as a communication approach, so they continue to be relevant to their customers.

There is a huge increase of loyalty programs based on cumulative reward point cards or to get discount vouchers (Zhang & Breugelmans, 2012), based on the purchase levels as well as the cumulative purchase volumes (Villacé-Molinero et al., 2016), which are very used.

It is also common for companies to use a points program that grants points to the clients, based on what they spent, which are placed in the loyalty card. In addition, there is also the partner program, which is the partnership between brands from different sectors that come together to reduce costs and provide various offers with benefits to their customers (Nandal et al., 2020).

More recently, two types of loyalty reward programs started to be more frequent to boost the program’s efficiency. The ones with benefits, such as reinforced services or price discounts and the ones with gamification, where customers participate in games, to earn points or rewards (Bolton et al., 2000; Hwang & Choi, 2020). However, the type of programs used should be based on the company’s objectives, such as profit, customers retention and increasing customer’s data (Berman, 2006).

An example of a successful loyalty program is Tesco’s Clubcard that has been in place since 1995. It is a success because apart from being designed to satisfy customers individual needs, likes and experiences with new technologies, it was also created to show customers how important they are to the company by making them part of the business, support reciprocal loyalty and build a lasting relationship. In the end, the clubcards also worked because they were able to run a cost-efficient loyalty program (Humby et al., 2004).

In these days, programs need to be unique, pleasing and providing more innovative experiences to the customers and having benefits in the company’s perspective (Oliver Wyman, 2015). Thus, companies need to assess the impact of the program on future purchase performance and conclude if the incomes resulting implementing the loyalty program are higher than what they spend on it. This is important, so companies can understand the efficacy of the program in the long run.

Additionally, there is not much research about this subject (Bolton et al., 2000; Uncles & Laurent, 1997).

### 2.3. *Customer Experience (Omnichannel)*

Thanks to the Internet, a lot of retailers expanded to e-commerce, since technologies create new experiences and developed e-commerce. Thus, the multichannel retailing appeared (Lockhorn, 2010; Steinhof et al., 2019).

Lately, retailers have been improving the concept of multichannel retail to a better notion, called the Omnichannel, which uses the new technologies to allow the convergence of the virtual and the physical domains (Brynjolfsson et al., 2013; Rigby, 2011). The focus on the customers is higher and they can give them the possibility to act among channels without any problems throughout one incorporated purchasing process. An example is Walmart, that offers the possibility to shop online and then collect it at the store, for free, giving clients a unified sales experience, which also helps to reduce the company's costs (Chopra, 2016).

So, in this digital era, the inclusion of channels has a positive impact on retailers' performance because they can have a general perspective of consumers shopping behaviour, preferences and products. This is possible by having data and processes consolidated by combining the consumers contact points and distributing data over the production procedures (Chen & Popovich, 2003; Cao & Li, 2015).

The proper term is business analytics, which is a recent field used by organizations to obtain relevant information from data collected. This helps companies to be able to make better decisions and overcome challenges more easily (Delen & Ram, 2018). For this to happen and consequently, generate an effective program, it is necessary to build and gather the most suitable team (Berman, 2006).

The main platform used in loyalty programs are the mobile applications (Wang et al., 2018), although, companies are providing flawless omnichannel experiences, to improve the customers sense of satisfaction (Steinhof et al., 2019).

## 3. **METHODOLOGY**

Based on the literature review, it was possible to notice that there is very little practical information regarding the effectiveness of loyalty programs, in an extended period of time, and how can digitalization help in the company's performance, considering that it may increase loyalty and generate benefits if properly implemented. Due to this lack of information, it was detected that it doesn't exactly exist a validated implementation process, by grocery retailers, of a loyalty program, to optimize mutual benefits with the consumers. Therefore, an opportunity was identified to design

a loyalty model adapted to the grocery retail sector that includes variables corresponding to the hypotheses that were identified in the literature. After being accurately validated and refined, the conceptual model may become a framework to help implementing loyalty programs in a Digital Transformation context.

The research was supported by three prestigious companies of the groceries retail sector that are operating in Portugal. These companies are among the Portuguese market leaders although they have different sizes, market penetration, store network and concept. “Company X” and “company Z” belong to different international grocery retail groups whereas “company Y” only operates in Portugal. The characterization of the three companies is rather superficial due to confidentiality issues.

The Design Science Research (Hevner et al., 2004) is established as a research methodology as it is adequate for the development of the proposed loyalty framework. Given the circumstances and the main goal of this research, there are other contributions to validate the proposed framework besides the adoption of this methodology. Those contributions are a project based case study of “company X” and interviews performed on the grocery retail sector, with “company Y” and “company Z” representatives (hereafter “the grocery retail sector”).

The participation in a “company X’s” project, aiming to improve their previous loyalty program with Digital Transformation, created an important opportunity to gain a more accurate knowledge regarding the problem and the subject of the research. In this circumstance, the case study method is also used, since the purpose is to study the phenomenon in more depth and to see how it reflects in “company X” (Yin, 2018).

The interviews are a second technique used to achieve the desired result. In this situation, the contributions come from the online interviews performed to the collaborators of “company Y” and “company Z”. The possibility of discussing the research theme, as well as the viability and accuracy of the proposed framework with representatives from different companies in the same sector, is crucial to validate the conceptual model and, in addition, to obtain more theoretical and practical knowledge. Thus, the objective of performing interviews to companies’ representatives enabled to validate the framework and reinforce the research credibility gaining from the expertise of those experts. It also created the opportunity to complement the dimensions of the proposed framework according to the participants recommendations.

Therefore, a multi-method qualitative study was used and structurally conducted. (Saunders et al., 2009). This combination of research methods had advantages in obtaining organizational information and consequently, validating the framework.

To analyse the information provided by the interviews, a content analysis software was used. To increase the study objectivity, even in a content analysis, it’s possible to quantify the occurrence of

certain concepts with a qualitative comparative analysis (QCA), which is a technique that combines both qualitative and quantitative methodologies usually focused on small samples (Ragin, 2014).

On that account, the program VOSviewer is used to map and enlarge the information regarding a particular area of study, for instance by highlighting the words matched in publications, authors or themes (van Eck & Waltman, 2010).

In the end, limitations and recommendations are provided based on the discoveries and knowledge acquired throughout the data analysis.

#### 4. LOYALTY FRAMEWORK

The result of this investigation is a validated framework for successfully implementing a loyalty program in the grocery retail sector. The loyalty framework is based on a conceptual model, that is grounded on the literature review and was subject to an empirical validation.

##### 4.1. Conceptual Model

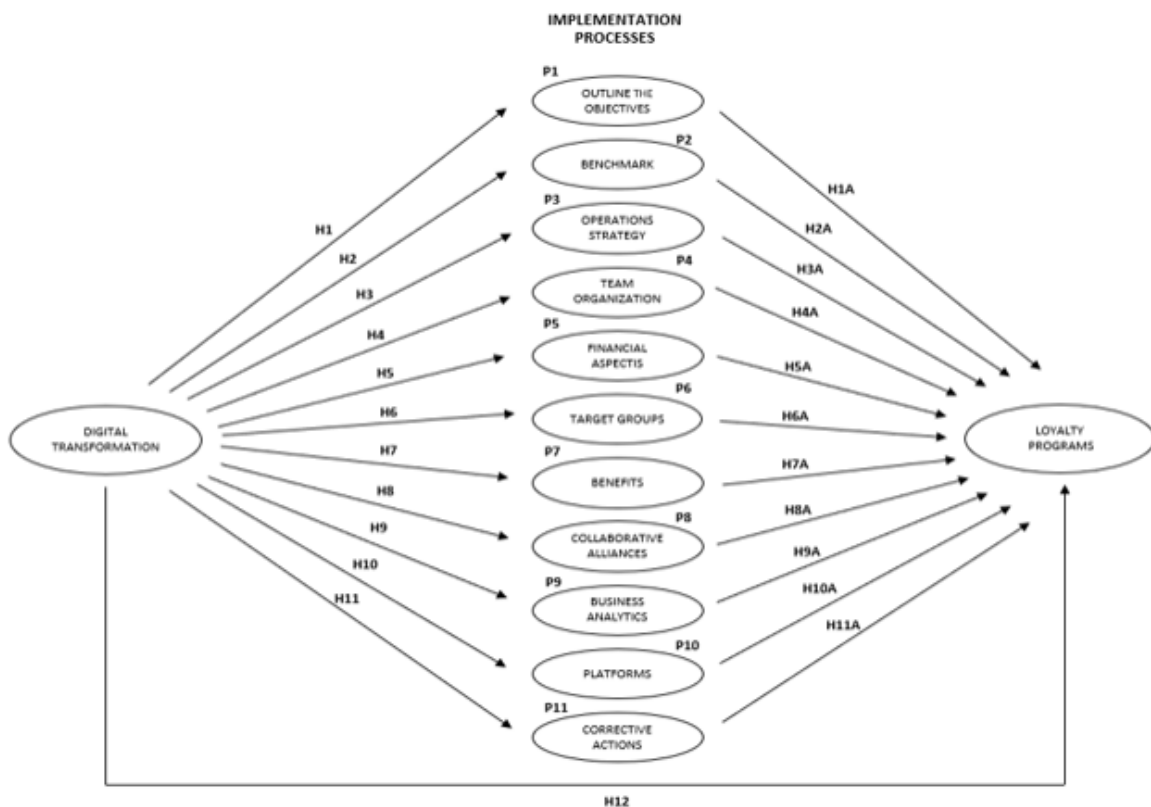


Figure 4.1 - Conceptual Model

The conceptual model has, in total, thirteen dimensions. The three dependent variables with the purpose of Outlining the Objectives, Team Organization and Corrective Actions are adapted from



an existing study of Berman (2006). The other ten dimensions are proposed by the authors based on the work carried out in “company X” concerning the implementation of a new loyalty program with Digital Transformation. However, all these variables are supported by the literature review leading to the development of the hypothesis that support the framework and answer to the intended objective of this investigation. In agreement with the literature review done, the conceptual model represented above is proposed (Figure 4.1).

#### 4.2. Variables and processes

“Digital Transformation” is an independent variable, followed by twelve dependent dimensions which are the implementation processes and the Loyalty Programs. “Digital Transformation” can be seen as an influencer dimension, since it is supposed to have a positive or negative impact on the implementation processes, which are the dependent variables (Andrade, 2021).

A brief description of the conceptual model’s dimensions is carried out, sustained on the contributions of the authors identified in the literature review (Table 4.1).

<b>Dimensions</b>	<b>Author</b>	<b>Description</b>
<u>Digital Transformation</u>	Hajdukiewicz (2016); Zhang and Breugelmans (2012); Humby et al. (2007)	Digitalization is crucial for a successful loyalty program, to innovate and keep up with client’s expectations.
Outline the Objectives	Berman (2006)	The type of loyalty program must be outlined by the company’s objectives.
Benchmark	Matt et al. (2015)	A benchmark strategy is important for companies to have a superior performance and be successful.
Operations Strategy	Slack and Lewis (2011)	The aim is to truly grasp what is happening in the competitive environment and how the operation can adapt so that it may face both present and upcoming challenges.
Team Organization	Berman (2006)	Team organization is important throughout every step of the process, to make the loyalty program effective.
Financial Aspects	Bolton et al. (2000); Uncles and Laurent (1997)	Companies need to conclude whether what they spend on implementing the program is less than the revenue generated by it, so as to ensure its effectiveness.
Target Groups	Gable et al., (2008)	Loyalty programs by default have a target group of customers, in which they work around their preferences.
Benefits	Bolton et al. (2000); Meyer-Waarden and Benavent (2009)	Benefits are part of loyalty programs because customers expect some characteristics, such as discounts and an innovative experience. The rewards need to be higher than the switching costs to be worth it to the customer.
Collaborative Alliances	Fournier (1998); Hajdukiewicz (2016); Nandal et al. (2020)	Partnerships lead to more customer retention since they can gather more information about the clients and offer them better benefits.

<b>Dimensions</b>	<b>Author</b>	<b>Description</b>
Business Analytics	Chen and Popovich (2003); Cao and Li (2015); Delen and Ram (2018)	Through data collected and analysis, companies can have a better insight and consequently, improve their performance and the client's experience.
Platforms	Brynjolfsson et al. (2013); Rigby (2011); Chopra (2016); Chen and Popovich (2003); Cao and Li (2015)	Retailers are changing to an omnichannel to allow a better service and a unique purchasing process to the customer and consequently, a better performance to the company.
Corrective Actions	Berman (2006)	Companies must be prepared in case the objectives they have idealized aren't a success.
<u>Loyalty Program</u>	Meyer-Waarden and Benavent (2009)	A loyalty program is a strategy with the objective of improving client's retention by providing a unique experience.

Table 4.1- Description of the Conceptual Model's dimensions

## 5. DATA ANALYSIS

To validate the proposed conceptual model, questions were raised regarding the two main dimensions, which are Digital Transformation and Loyalty programs, as well as the other eleven processes. The purpose is to understand the importance of each process, individually, and the impact of digitalization when implementing a loyalty program. The main goal is to validate these processes and consequently, come up with the implementation framework. For each dimension were created a correspondent table and figure that supports the analysis.

Six experts, from three large companies in the grocery retail sector in Portugal, contributed to validate the model. These practitioners play different but crucial business functions and have distinctive years of experience in the industry. This diversity helped to analyse the model and its hypothesis with a more widely perception (table 5.1).

"Company X"	Job Position	Years of Experience	"Company Y"	Job Position	Years of Experience	"Company Z"	Job Position	Years of Experience
Interviewee A	Loyalty Business Analyst	3 Years and 10 months at "company X"	Interviewee D	Project Manager, in the Loyalty Program	1 Year and 1 Month at "company Y"	Interviewee F	Communication and Marketing Director	6 Years at "company Z"
Interviewee B	Responsible for Customer Activation and Loyalty Card	14 Years at "company X"	Interviewee E	Responsible for the Client Strategy Area	9 Years at "company Y"			
Interviewee C	Customer Loyalty and Activation Director	3 Years and 9 Months at "company X"						

Table 5.1 - List of Interviewees and Respective Grocery Retail Companies

After the interviews were carried out, the answers were analysed with the help of the VOSviewer program, aiming to identify which concepts are considered most relevant by the interviewees. The program generates tables that show the number of times the terms occurred and their relevance. In

addition, it generates an easy-to-read network diagram, which connects any two parameters, allowing for a better interpretation of the content of the interviews.

Even considering that the sample has only 6 interviews, maps based on text data were created enabling to generate co-occurrence maps, using binary counting, in which only the presence or absence of terms matter.

The table content is then revised, term by term, to eliminate any errors or find synonyms, to make the data more accurate (table 5.2).

Total Interviews			
ID	Term	Occurrences	Relevance Score
1	Recommendation	13	2.3646
2	Positive Impact	12	2.1314
3	Country	10	1.9804
4	Benchmarking	13	1.7597
5	Service	14	1.623
6	Customer Loyalty	16	1.5238
7	Quality	13	1.5124
8	Collaborative Alliances	14	1.4805
9	Operations Strategy	16	1.3939
10	Partnership	27	1.3127
11	Portugal	16	1.2377
12	Organization	15	1.2106
13	Reality	10	1.1945
14	Competition	11	1.1795
15	Financial Aspect	20	1.1037
16	Credit Card	11	1.0475
17	Team Organization	21	1.0015
18	Money	11	0.9922
19	Success	13	0.9863
20	Digital Transformation	78	0.9658
21	Contact	12	0.8877
22	Budget	21	0.81
23	Database	22	0.7531
24	Customer Experience	14	0.7213
25	Value Proposition	15	0.7192
26	Behavior	27	0.715
27	Business Case	11	0.7046
28	Transformation	14	0.702
29	Corrective Action	27	0.7
30	App	23	0.6831
31	Goal	42	0.6613
32	Impact	32	0.6484
33	E commerce	10	0.6193
34	Agility	13	0.6058
35	Implementation	22	0.6018
36	Business Analytic	27	0.4939
37	Pandemic	11	0.4928
38	Adjustment	12	0.4755
39	Target Group	25	0.363
40	Problem	10	0.3316
41	Customer Data	16	0.3089

Table 5.2 - Global Interviews: Term's Relevance

After the adjustments the table is exported and the software creates maps. The map used in this analysis is the network visualization, with the update of the association strength method, whose layout was changed, in the values of attraction, for a better data reading. This procedure was performed for all the variables. In this type of analysis, the VOSviewer program separates the main themes by colour, differentiates by size of the circle, the most repeated terms and shows the connections through the lines, and the strength of the connections through the line thickness. In this



A good loyalty program requires the use of information, whether it is to understand what already exists or to launch something new. Without digitization it is impossible to do anything with that information. Thus, the connection between the terms advantage and digitalization, seen in figure 5.2 can sustain this vision. “Interviewee F” states that Digital Transformation is already over and those that have not surpassed this transformation have no future; the present and future is artificial intelligence and how one can anticipate what customers do and how can influence purchases. “Interviewee C” emphasizes that without digitization, the loyalty program from company X would not be innovative.

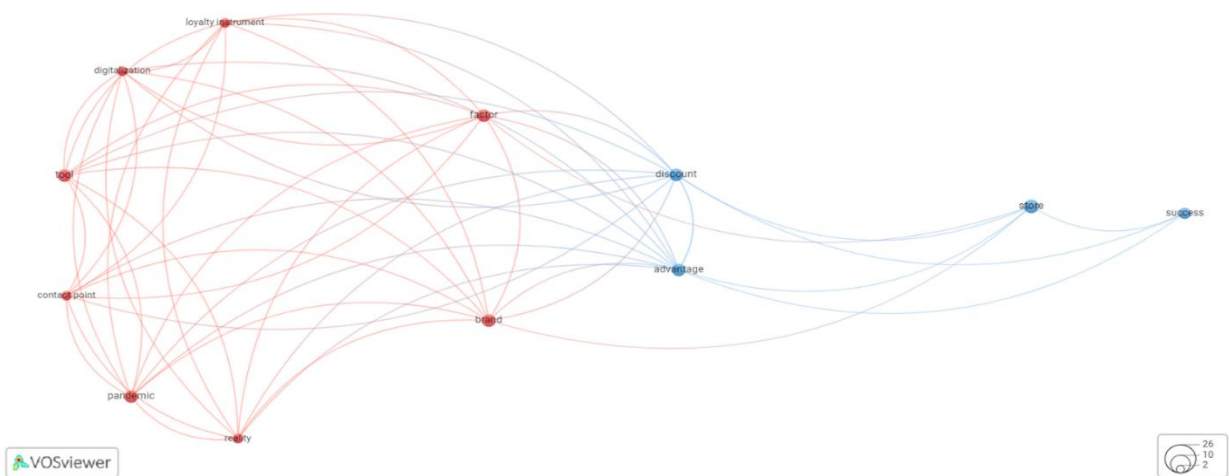


Figure 5.2 – D.T & L.P: Main Themes and Connections

For “interviewee A”, the Digital Transformation improves the customers experience, making them more autonomous, responding better to their demands, as they can better express themselves. Also, the company can collect more data to set up action plans that meet these expectations and consequently, loyalty.

Therefore, it’s possible to conclude from the interviews, and considering the equal thicknesses of the connections observed in the referred figure 5.2, that digitalization gives companies tools to make the program accessible at any time and expand the client’s contact points with the brand, as one of the objectives is to reach all customers. “Interviewee B” recalls that, nowadays, due to the impact of the Covid-19 measures, it is even more essential for companies to be digital, as it allows them to offer a more comfortable store experience, adapted to reality. This factor is also seen as a benefit, as in this type of loyalty instrument there is more than just discounts.

## 6. CONCLUSIONS AND RECOMMENDATIONS

### 6.1. *Conclusions*

In general, the proposed framework was validated by all interviewees, confirming the trends and characteristics that were identified throughout the literature review. The interviewees defend the importance of the model variables and the positive impact that digitalization has on each one of them, even if in different degrees, as outlined in the previous section.

The variable's degrees of importance can be influenced on the company's strategy, objectives and resources and consequently, be used in different ways. Therefore, the sequence of the implementation processes can differ, as three out of six interviewees mentioned.

For "company X" representatives, the operations strategy and team's organization are very important stages since one of their goals is to implement a project that aims to teach teams, especially those operating in the store. Team members must be thoughtful and proactive with customers, to provide a better experience and create a long-term relationship. In contrast, although "company Y" finds these two steps important, the store teams, for instance, do not have an active role in the implementation of the loyalty program, more specifically in the operationalization of ideas.

Moreover, the model's acceptance is justified by the three participating companies, especially the impact of the influencer dimension, Digital Transformation.

Despite the expected result of this project being the proposed implementation framework, the aim of this research is also to understand how loyalty can be built in this sector, with the support of Digital Transformation. To understand the loyalty issue mentioned in this research, four questions were placed. After combining and interpreting both types of data collected in this research, the literature review, the observations done and mainly the interview's results, the research questions can finally be discussed:

RQ1: How can a company in the retail sector transform itself digitally to better retain customers?

Digital Transformation is a trend that has been happening for several years, to help improving the value creation, in a very competitive sector. Retaining customers is very difficult in any sector. However, digitalization can contribute to improve the customer's experience and satisfaction and therefore, its loyalty. Thus, the company must make changes in their processes and business structure, like transforming physical processes and services into digital ones, for example the payment, by using new digital technologies, the connection between offline and online means, and communication.

With covid-19, this transformation was forced but necessary, to maintain the clients, as the interviewees stated. Despite the challenges, this restructuring allows companies to improve their processes, services, offers, the client's satisfaction and experience as well as innovation, staying ahead of the competition. However, that transformation and strategy should be based on the market and must consider the client's perceived value.

RQ2: Which are the most important loyalty programs that companies use?

There are plenty of loyalty programs, these days, to match the competitors and consequently, improve the value proposition offered to the clients. The type depends on the company's vision and means. However, the most used loyalty program is a combination of several ones, which are the reward programs with points, benefits, and gamification as well as the partners program.

The reward program with gamification is something relatively new, that with digitalization is easier to offer. Yet, the partners program is a requirement, as the interviewees mentioned since it is adopted by the national and international leaders, to increase the benefits, the customer's contact points with the brand and the amount of data collected.

RQ3: Which strategies implemented by companies work better in retaining customers?

Digital technologies, if well implemented, can bring many benefits to the company, such as improving financial and service performance and enhancing communication with the customer. It can also provide more data both to the company and to the client with a flawless and innovative purchasing experience by providing convenience and simplicity just as tailored offers. Therefore, to succeed, business strategies must be defined, such as operations and marketing strategies, which are the main ones when implementing a loyalty program.

In consequence, some of the strategies that help bringing new customers to the companies and maintain the existing ones are the creation of loyalty tools, building a long-term relationship with the clients, generating word-of-mouth communication, and creating focus groups. Providing training to the teams including the type of speech, knowledge and behaviour are other engagement tools. However, despite all the actions taken to satisfy the customer, it is known that a client's loyalty is difficult to obtain, especially loyalty to just one brand.

RQ4: Knowing that companies value loyalty, what processes do companies use to make this to happen?

Apart from the implementation processes mentioned in the proposed framework, companies also perform focus groups, to gather data like the client's preferences and to test benefits or services before being implemented. Consequently, co-creation and co-production are increasingly used. Many companies include the clients in the process, so they feel part of the process and the company, which also ends by increasing the probability of success, since it is based on their opinion and taste.

From all the processes, the business analytics is one of the most important processes to improve loyalty since it provides information about the clients and their behaviour, which allows companies to personalize the client's experience in almost every process of a loyalty program, making it more relevant to them as well as making the client feel unique and special to the brand.

Today, the process is more digital. However, the companies still give a special importance to tangible aspects since their business is mainly related with primary products, which makes many customers still prefer the physical process.

## 6.2. **Recommendations**

Digitalization is important and brings many advantages to the company and its clients. However, one of the main recommendations for "company X" and for the grocery retail sector, in general, is to adopt "the right amount of digital" at any time since the core business of grocery retailers is still to sell the products. As "interviewer C" mentioned, this type of market will always have physical assets because people want to experience those products and the service, as well as having a close relationship to the brand. The "interviewer D" reinforced this idea by mentioning that most consumers still prefer the physical card and that can't be ignored, especially since this sector covers all ages.

An additional recommendation, which comes from the observation of "company X", is the importance of companies following, from the beginning, a consistent implementation process for the loyalty program to become efficient and effective. For example, to determine the benefits, the company should take into consideration the economic factor, such as the budget available, the business case and the target audience, with a careful segmentation and an understanding of the company's objectives. This conclusion was reached mainly through the interviews.

Finally, the last suggestion is that companies should focus on having a top business analytics since it is their main source of information, for implementing and maintaining a relevant and successful program. They can understand the client's purchase behaviour by knowing the number of visits and the average of money spent, types of products chosen, and platforms used, for example.

Nonetheless, all companies agree that clients should participate with their opinion. An example is the creation of focus groups, in some processes, such as the benefits, platforms and communication means, to obtain an assessment of the company's ideas.



As recommendations for further studies, the main suggestion is to validate this framework in other retail sectors, as well as using a larger and diverse international and national sample. However, since the sectors are different and consequently, the objectives and strategies are distinct, it may also be interesting and necessary to investigate which dimensions should be added for each of the sectors or to assess the feasibility of creating a universal loyalty framework, for the retail sector. Furthermore, it is also proposed the study of this theme, in the customer's perspectives since the loyalty program is built for the customer, aiming its retention. Besides that, their perception of the value proposition can differ from the company's viewpoint.

At last, considering the current situation in which we live in, it would be interesting to analyse the impact that covid-19 had on the grocery retail sector regarding customers loyalty and Digital Transformation since both sides had to adapt to the changes made in their day-to-day practise. For instance, losing clients to competitors because of proximity or availability of the wanted products and adapting their shopping behaviour, like from physical to digital (Pantano et al., 2020). This impact can also change the type of loyalty programs used by the companies, from now on.

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