THE KEY SUCCESS FACTORS OF LOYALTY PROGRAMS IN THE COSMETIC MARKET IN THAILAND

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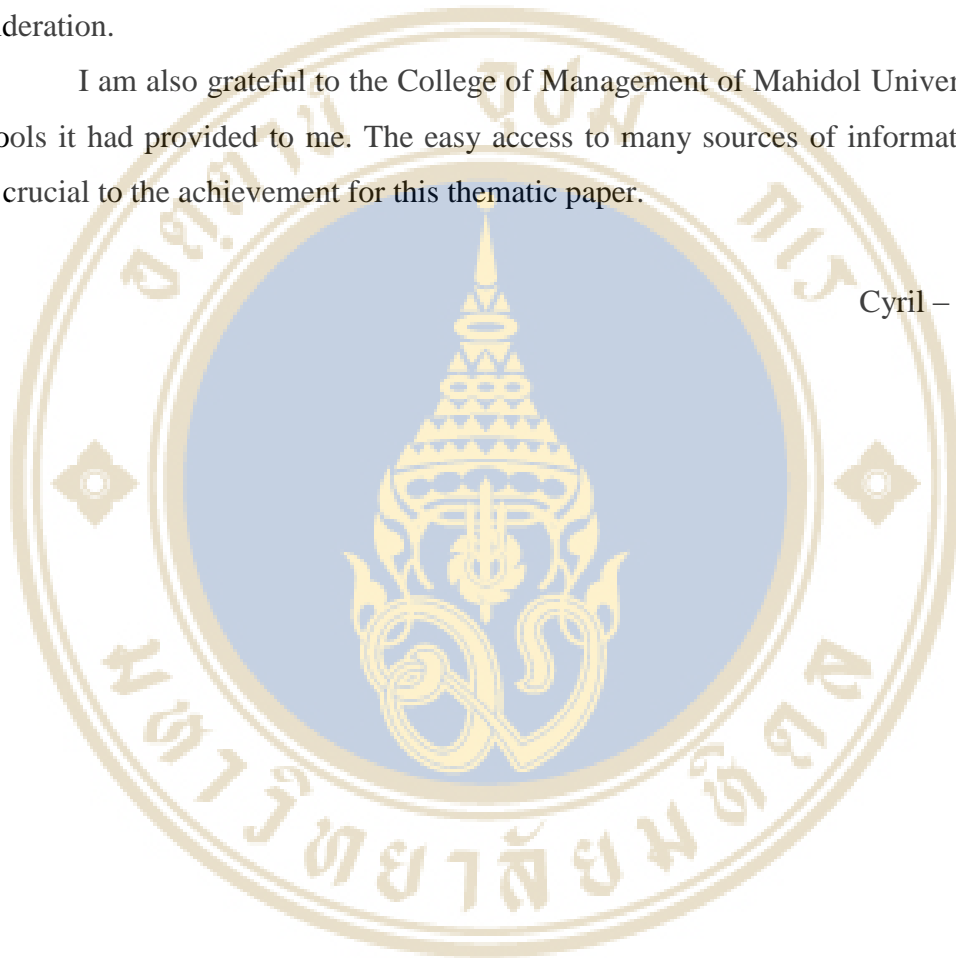
THE KEY SUCCESS FACTORS OF LOYALTY PROGRAMS IN THE COSMETIC MARKET IN THAILAND

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ABSTRACT

The title of this thematic paper is "The key success factors of loyalty programs in the cosmetic market in Thailand". The purpose of this paper is to find out what are the key success factors not to miss to set up a loyalty program in the cosmetic industry in Thailand. This thematic paper is an assignment to graduate an international master in marketing and management at the College of Mahidol University.

Key words of this thematic paper: Loyalty program, cosmetic, Thailand, key success factors.

The research methodology that has been applied in this paper is a survey with 20 questions. Fifty usable responses has been collected and analyzed with specific software: SPSS.

The analysis of the results of the researches conducted show that the key success factors for loyalty programs in the cosmetic market in Thailand are the following:

The enrollment: it has to be quick, easy and possible through different methods (online, in shop…)

The online presence: a loyalty program has to have its own website and application and to use the social networks to communicate

The compatibility: a loyalty program has to be compatible with many different non-competitors shops; these shops can be from different industries

The type of reward: the type of reward is one of the most important components of a loyalty program. Targeted discounts, additional discounts and social rewards are the most effective rewards.

KEY WORDS: loyalty program / Thailand / Cosmetic / Key Success Factor

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CHAPTER I
INTRODUCTION

A grocery store owner has invented loyalty programs in 1793 in the USA. He started giving copper tokens to his customers. Customers collected it to exchange the tokens for products in the store. With this system, he gets more and more customers (Lach, 2005). The practice became a popular method and was used by many retailers in the USA throughout the 19th century. Many big companies started to use the same concept (Grand Union Tea company in 1872 for example).

In 1891, Jackson Michigan launched a new loyalty program: the Blue Stamp Trading System. The concept was that people can collect stamps (called "Green Stamps") from many retailers (gas stations, supermarkets...) and when they have enough stamps, they get rewards. The rewards were household products and personal items. This system was a real success (Nann, 2010).

Then, in 1981, the first airlines started using frequent flier programs. It has been possible because of the invention of computerized database that can stock information about customers. People gain miles when they use the airlines, and can purchase tickets with their miles when they have enough.

In 1985, the first cash-back loyalty program has been launched by DISCOVER. At the end of the year, the customer who bought products with the Discover card in the partner stores gets a cash-back proportional to the amount he spent during the year.

In 1995, Tesco deployed a massive card based loyalty program. The company set this program to track customer transactions and get all the purchasing data they needed (Lach, 2005).

In 2011, Starbucks enables mobile payment for members of its loyalty program. By 2014, Starbucks has 10 million users and drove 4% of all mobile payments in the USA.

Nowadays, loyalty programs are used in every industry all around the world.

One of the biggest loyalty programs in the world is the program: "Beauty Insider" of the cosmetic shops Sephora. The Sephora Beauty Insider program offers members to earn points for purchases; the points can be redeemed for a large variety of items. Program members gain one point per dollar spent, and once they reach a certain number of points, they can access to products that are only available to members, such as: limited-edition products, free in-store beauty classes and other products that aren't available to the public. Members are also rewarded with free birthday gifts and seasonal promotions.

Loyalty programs are very innovative in the cosmetic industry. Global cosmetic companies have all a loyalty program and invest a lot in it. In this paper we will look at the Thai market. The cosmetic market in Thailand is huge and is growing fast. It was estimated at 155 billion baht in 2014, with a 5.5% yearly growth (Center For ASEAN Studies, 2014).

The purpose of this paper is to find out what are the key success factors of loyalty programs in the cosmetic market in Thailand. In other words, we will try to find out what makes a loyalty program successful in this market. The goal is to create a method to help the cosmetic companies launching a new loyalty program on the Thai market.

To answer this question, we will first look at which theories related to the success factors of loyalty programs exist on different markets, in different countries. Then, we will try to find out if the existing theories can apply to the cosmetic market in Thailand.

We will conduct a survey (questionnaire) to know what people who consume cosmetics in Thailand are looking for when they apply for a loyalty program. What are the most important criteria to them?

By analyzing the responses to this questionnaire, we will identify the key success factors of loyalty programs in the cosmetic industry in Thailand and be able to will rank them. Once we will have the list of the key success factors, ranked from the most important to the less important. We will create a list of concrete and applicable rules to follow to create a successful loyalty program on the cosmetic Thai market.

A well developed a loyalty program can be very successful and profitable. The cosmetic industry is a promising industry in Thailand; cosmetic products are very

popular among Thai people. As Thailand's economy is growing, more and more people will be able to afford cosmetic products, which are relatively expensive. The cosmetic products market in Thailand will keep growing; it is a very interesting market to study.

In this paper, the expected outcome is to find out a way to create successful loyalty programs specially designed for the cosmetic industry in Thailand. So, when the market will grow and become a huge market, the competitiveness on this market will increase, and more and more companies will be interested in tools to retain customers. Loyalty programs are effective tools, so they will need information directly related to their market, industry. The purpose of this paper is to help them to design powerful loyalty programs.

CHAPITRE II
LITERATURE REVIEW

2.1 Attract new customers vs retain existing customers

Attracting a new customer can cost as much as 15 times more than retaining an existing customer (Gillen, 2005). Terry Gillen is not the only author who has proven that it is a lot cheaper to sell products to an existing customer than to a new customer. Many authors have conducted researches to evaluate the cost of customer acquisition and compare it to the cost of customer retention and (Gertner, 2007). All these researches have shown that it costs significantly more to acquire new customers than to retain the existing ones. In light of that fact, companies can reduce their marketing and sales costs by retaining existing customers. So the question that comes up is: How to retain existing customers?

First at all, we have to analyze our customers. Does our company have many different types of customers? Are there types of customers more willing to re-purchase our products than others?

2.2 Customer analysis

Companies have to know their customers as much as possible to set up an effective marketing strategy. There is a mathematic model to predict which first-time customers will return and which first-time customers will not return. By knowing which customers have the highest probability to be one-timers, the company can create a marketing campaign to target them. In fact, it is a waste of money for a company to target customers who were going to return anyway. This method is a good way to increase the growth and the profit (by increasing the sales) at a low cost (low marketing expenses). As shown in the figure below, the targeting modeling helps companies to get a high retention rating with low marketing expenses:
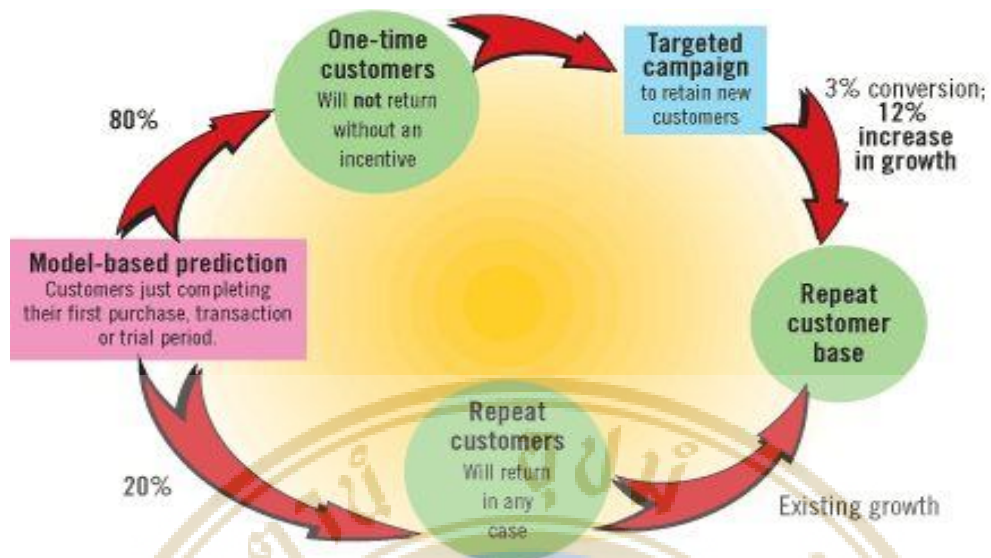
Figure 2.1 The retention model

This figure exposes the fact that using the right targeting to retain new customers drive to a high retention ratio and a direct increase in growth.

2.3 What is customer loyalty?

The most common definition of customer loyalty is the one from Dick and Basu in 1994. They defined customer loyalty as an interaction between one's attitude to something and one's repeat purchase behavior for that brand. They created a model to identify the different possible types of loyalty.

Table 2.1 The Dick and Basu's Loyalty Typology

		Repeat Patronage	
		High	Low
Relative Attitude	High	True Loyalty	Latent Loyalty
	Low	Spurious Loyalty	No Loyalty

The relative attitude describes the affect that people have with the products, the brand or the company. The repeat patronage refers to the number of times people buy the company's products.

In this matrix, the true customer loyalty is described as a sum of a high relative attitude and a high repeat patronage.

2.4 Loyalty programs

A loyalty program is a program designed to reward customers who buy frequently and in substantial amounts, or through more complex loyalty programs that have a wider range of objectives according to different levels of membership. Many different types of loyalty programs exist, and they do not all have the same purpose. The term "loyalty program" can be used to describe many different marketing projects. Loyalty programs do not all have the same goals and can be used to reach different targets (Wirtz, 2011).

The main difference between loyalty programs and other marketing activities (advertising, price reductions, increase in service quality...) relies on the goal, the targeted outcome. Some marketing activities can increase the customer retention of the company and have a positive effect on the repeat-purchase loyalty of customers, but it is more a coincidence that a direct objective. By contrast with sales promotion that have a short-term effect on the sales, loyalty programs can bring long term benefits (Sharp, 1997).

Loyalty programs can be described as marketing efforts, which encourage loyal behavior. The main purpose of a loyalty program is to change the repurchase behavior of customers.

This change must take effect on different points:

- Decrease switching to non-program brands (from competitors or from the company itself)
- Increase repeat purchase rates (for the concerned brands)
- Increase the usage frequency of the product / brand
- Transform as much as possible customers into exclusively loyal customers (customers that consume only the products of the brand, this

is equivalent to the True Loyalty in the loyalty typology created by Dick and Basu).

Loyalty programs are special types of marketing activities, different from others. They have a specific goal. Even if the final goal is the same: increase the profits by selling more products; the strategy to reach this goal is different.

Ann Sharp and his team have conducted a very interesting experimentation. They tried to figure out whether loyalty programs really can change the fundamental repeat purchase patterns of market or not. They tested loyalty programs on many different markets (6 different industries) and they have found that it is very hard to change these patterns a lot, but it is possible, by using loyalty programs, to make minor changes in these patterns; and it can make a huge difference for the companies that benefit from this change. Companies that do not use any loyalty products definitely take a risk to loose their repeat purchases (Sharp, 1997).

2.5 What are the outcomes of loyalty programs?

Information systems play a main role in the implementation of a loyalty program. In fact, implementing a loyalty programs required a lot of information concerning the customers. Technology and an effective information system allow companies to get the information they need about their customers, and to implement personalized marketing for each customer.

There is a mathematical model to evaluate how successful a loyalty program can be by analyzing the previous behavior of the customers in terms of cumulative purchases and forward-looking factors, such as expectations of future prices and loyalty rewards. This model allows the company to see evidence that the loyalty program effectively increases repeat-purchase rates. The company can also use this model to conduct complete and accurate analyses of customer retention (Lewis, 2006).

2.6 Does true loyalty really exist?

There are two existing theories that a company can apply to know which marketing strategy apply (Grahame, 2005).

The first one: "Leaky bucket theory" says that to success, a company must emphasize on gaining new customers. The company has to replace the 'leaking customers' (non loyal customers) with new customers (Ehrenberg, 1969).

The second theory is the "Polygamous theory" is more recent and most of the marketing researchers agree that this theory describes the actual situation. This theory tells that "Polygamous loyalty" is the best way to describe the actual consumer behavior. The term "Polygamous loyalty" describes a loyalty to different brands. Customers are not loyal to only one brand but they switch between some brands that are in their set of consideration. This means that even with the best loyalty program, it is very hard to get a high percentage of true loyal customers (Roberts, 2015).

Loyalty programs must be implemented to protect the company's sales from competitors and to support the products value. A loyalty program is useful and has high probability if its purpose is to:

- Neutralize a competitor's program
- Broaden the availability of a product
- Enhance the product value proposition (the customer will get more)
- However, a company must not implement a loyalty product that does not add any value to the product.

2.7 Customer information management in loyalty programs

Loyalty programs are the best way to get information about customers and to be able to apply personalized marketing (Worthington, 2005).

Companies collect information in different ways:

- Collect information provided by the customer upon applying for the program.
- Collect information about purchases made using the Loyalty program. (type and location of retail outlet, type of product, price...).
- Collect responses to surveys.

The most common kinds of information that loyalty programs collect are: customer demographics (age, gender...); location (home address, most visited store...); products purchased; frequency of purchase, value of the transaction, customer behavior.

The most effective marketing strategies are those that use the most personalization and interaction with customers (Van Der Riet, 2006).

1. Outlining Loyalty Program Objectives
2. Developing a Budget
3. Determining Loyalty Program Eligibility
4. Selecting Loyalty Program Rewards
5. Considering Partnerships with Others
6. Building an Appropriate Organization
7. Developing and Maintaining the Loyalty Program Database
8. Managing an Internal Data Warehouse and Data Mining Capacity
9. Evaluating the Success or Failure of the Loyalty Program
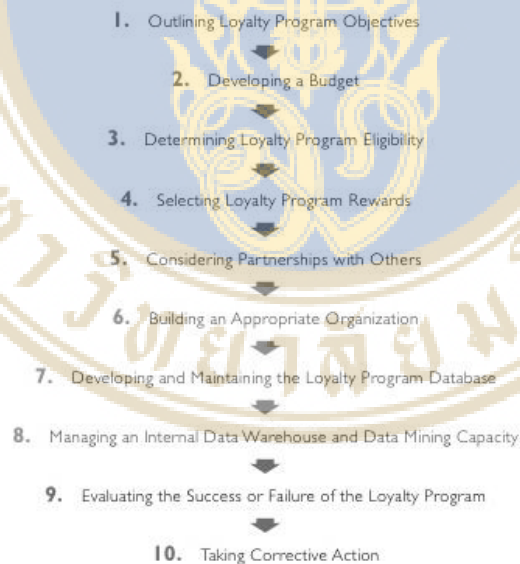10. Taking Corrective Action

Figure 2.2 Steps in developing a loyalty program

2.8 Different types of loyalty programs

There are 4 different types of loyalty programs with a typology (Berman, 2005).

- Type 1: Members receive additional discount at register, the membership is open to all customers. If a member forgets or does not have his card he will not get the discount. Each member receives the same discount regardless of purchase history. The company has no information on customer and there is no targeted communications.

- Type 2: Members receive one free product when they purchase a certain amount of products. The membership is open to all customers, The company does not maintain a customer database linking purchases to specific customers

- Type 3: Members receive rebates or points based on cumulative purchases. This program seeks to get members to spend enough to receive qualifying discount

- Type 4: Members receive targeted offers and mailings Members are divided into segments based on their purchase history. This type of programs requires a comprehensive customer database of customer demographics and purchase history. This is the hardest to implement, but also the most effective.

There is a scheme with 10 steps to develop, Implement, and Control an effective loyalty program (Berman, 2005).

This scheme is very interesting because it reflect the fact that the most important part is the objective the company wants to reach with the loyalty program. It shows how the information management is important too.

2.9 What makes a loyalty program successful?

There are 6 main characteristics that make a loyalty program successful (Robinson, 2006).

These characteristics are:

- Goods are frequently purchased: a loyalty program must be implemented to promote product that customers buy frequently.
- Customer has a choice between providers: a loyalty program is useful on a competitive market where customers can choose between several providers (brands).
- Providers have equivalent offerings: if the products proposed by providers are too different, a loyalty program cannot work.
- Customer membership has multiple tiers: a loyalty program must be personalized and propose different status according to the amount or frequency of purchase. Each status must have a different level of reward.
- Unused points should expire: a loyalty program without any expiration date cannot be successful.
- Customer's experience is materially different in the top tiers: one of the main roles of a loyalty program is to increase the value of products and enhance the customer's purchasing experience.

2.10 Loyalty in emerging markets

Consumer behaviors differ from a country to another. It is hard to find a pattern to describe consumer behavior common to all the emerging markets. However, it is possible to spot the main trends in each country and to use it to develop an effective marketing strategy. In Thailand, the perceived quality of a product is directly related to the advertising attitude of the company (Barret, 2010). Implementing a loyalty program in Thailand can increase the perceived value of the concerned product. The relationship between the perceived quality of the product and the advertising attitude of the company toward customers is very strong in Thailand, but it is very low in Vietnam. It is easier to develop the customer's loyalty through a loyalty program in Thailand than in Vietnam.

2.11 Loyalty programs in Thailand

Loyalty programs are used in many industries in Thailand. A loyalty program in Thailand can be very successful, information companies get from it regarding their customers really help them to develop their business (Paul, 2010).

In Thailand, commitment, trust and satisfaction have a direct impact on customer loyalty. So a loyalty program must emphasis on increasing these factors. Customer loyalty programs do not have a direct impact on customer loyalty, but an indirect one through the mediators of commitment, trust and satisfaction (Xinman, 2006).

The framework

In the literature review part, we have seen that there are many theories regarding loyalty programs, but the is no information about Thailand and the cosmetic market. The survey will be way to find the key success factors of loyalty programs in the cosmetic market in Thailand. To design the questionnaire and find out these keys success factors, the following variables will be tested:

Table 2.2 Table of hypotheses

Hypotheses to be tested	Variables
H1: For the cosmetic products in Thailand, people prefer to register for loyalty programs online	Registration process
H2: For the cosmetic products in Thailand, people prefer to register for loyalty programs in a shop	
H3: For the cosmetic products in Thailand, people prefer to register for loyalty programs by phone	
H4: For the cosmetic products in Thailand, people prefer loyalty programs using a card	Serviceability
H5: For the cosmetic products in Thailand, people prefer loyalty programs using a mobile application	
H6: For the cosmetic products in Thailand, people prefer loyalty programs offering additional discounts	Benefits
H7; For the cosmetic products in Thailand, people prefer loyalty programs offering free products	
H8: For the cosmetic products in Thailand, people prefer loyalty programs offering gifts	

Table 2.2 Table of hypotheses (cont.)

H9: For the cosmetic products in Thailand, people prefer loyalty programs that work in many shops	Compatibility
H10: For the cosmetic products in Thailand, people prefer loyalty programs using a mobile application	Paperless system
H11: For the cosmetic products in Thailand, people prefer loyalty programs offering social rewards	Social rewards
H12: For the cosmetic products in Thailand, people prefer loyalty programs offering VIP status	
H13: For the cosmetic products in Thailand, people prefer loyalty programs present on social media	Social media presence
H14: For the cosmetic products in Thailand, people prefer shop more in store proposing loyalty programs	Effectiveness

This framework exposes the hypotheses that will be tested in the survey and the variables related to these hypotheses. These variables are potential key success factors of loyalty programs in the cosmetic market in Thailand.

CHAPTER III
RESEARCH METHODOLOGY

To find out what are the key success factors of loyalty programs in the cosmetic market in Thailand, we conducted a survey to get accurate primary data. Indeed, there are a lot of secondary data available related to loyalty programs and what can make a loyalty program successful, but there is no information directly related to loyalty programs in the cosmetic industry in Thailand. The only solution was to search the information by myself. To find the required information, we chose to use a survey. We chose a survey because it is a research method that allowed me to get accurate information with a limited budget and within a limited time.

3.1 The survey

Our goal is to get as much exploitable responses as possible to the survey. We wanted to get at least 50 exploitable responses in a very limited lapse of time (one week). On average, for a survey concerning cosmetics (medium involvement products), respondents are willing to spend 10 minutes and to answer to less than 30 questions. The shortest the questionnaire is, the longer respondents spend time on each question and the better the quality of the answers is ("Brent, C. (2014). How Much Time are Respondents Willing to Spend on Your Survey? California, USA: Survey Monkey") Thus, We have decided to create a short questionnaire of 17 questions to be sure to get the highest rate of exploitable responses.

3.2 Structure of the questionnaire

- Title and presentation: We first indicated the title of the questionnaire and then we explained in two sentences my project and the purpose of this survey. So people know why we are conducting this survey and understand what it is about.

- The instruction on how to answer the questions.

- The first question is a question we used to select the profile of my respondents. This question has an exit. If people answered no to this question, it was written to stop the survey. This question is very important to get information from people that we target (cosmetics consumers).

- Then we used quantitative close-ended questions for the main part of the questionnaire. We used a 5 points Likert scale. We used this method to be able to compare and rank the different factors that people find important concerning loyalty programs in the Thai cosmetic market.

- At the end of the questionnaire, we have included 4 demographic questions. These questions allowed us to know more about the respondents and to get an accurate analysis of the responses from the previous questions.

To create this questionnaire, we used "Google Form", the survey tool provided by Google. We chose this tool because it is very easy to use for the respondents. People are generally used to use the Google products, so they have no problem answering the questionnaire.

3.3 Composition of the sample

Cosmetics are most used by females, but men use it more and more. Cosmetics for men are more and more popular and this could become a huge market in the coming year. So, we decided not to set any sample requirement and to distribute the questionnaire to everybody. In fact, people of all ages use cosmetics. To be sure not to miss any cosmetics customer's behavior toward loyalty programs, we did not exclude anyone for the questionnaire. We did it because I knew that the first question, with the exit option will select the targeted respondents only. As the study concerns the Thai cosmetics market, we target people who are living in Thailand (from any nationality).

3.4 How we gathered the samples

As we had a very limited time to get the responses to the questionnaire (one week), we decided to use the Internet to spread it. We used the most popular social networks in Thailand to share the link to answer the questionnaire. We used Facebook, Instagram, Twitter and Line. We asked all my friends to share the link so we can reach as much people as possible. This is not a true random technique, but this is the quickest and the less expansive to get a heterogeneous sample.

3.5 How we made the measurements

To analyze the responses and make my measurements, we used the software SPSS. We chose this software because it is a very complete and has a good repute. We used the statistical techniques listed below:

- Descriptive statistics
- Correlation
- Cross tabulations

CHAPTER IV

DATA ANALYSIS

4.1 Profile of the respondents

The following analysis is based on the collected responses to the survey: "Cosmetics and loyalty programs in Thailand". Sixty people answered the questionnaire. The answers to the demographic questions help us to know more about the respondents and to edit a profile of the respondents.

In term of income, most of the respondents (50%) earns between 30.000 THB (1.000 USD) to 40.000 THB (1.250 USD) a month. 25% of the respondents have a monthly income between 20.000 THB (750 USD) and 30.000 THB (1.000 USD). The resting 25% earn between 40.000 THB (1.250 USD) and 50.000 THB (1.700 USD) a month. According to the National Statistical Office of Thailand, the average monthly wage in Thailand is less than 14.000 THB (466 USD), the respondents belong to the higher social classes of the Thai society. People from the low social classes cannot afford cosmetics, especially imported cosmetics that are highly taxed by the Thai government (more than 30% excluding the VAT).

75 % of the respondents are female and 25% are males. This is not surprising as most of the cosmetics customers are women. More than 85 % of the respondents are aged between 20 to 30 years old. The remaining people are aged between 30 and 40 years old. A large majority of our respondents are young. At the beginning of the questionnaire, there is a screening question that allowed us to select the respondents according to their frequency of purchase of cosmetics. Only people that but cosmetics more than one time every three months have been selected.

If we had to create a profile for the respondents to this survey, it would be women, with an income between 30,000 THB and 40.000 THB, aged between 20 and 30 years old who buy cosmetics at least one time every three months.

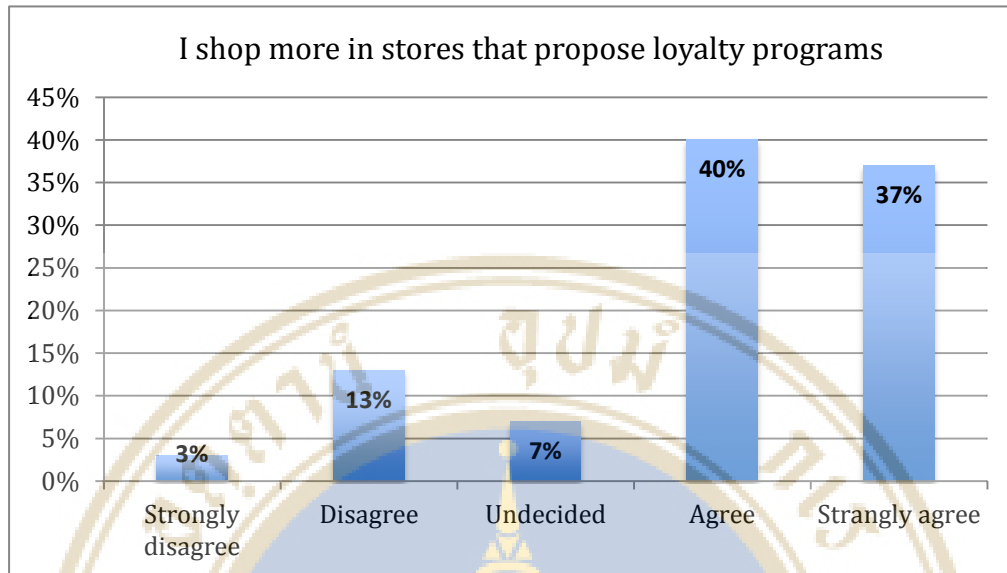## 4.2 Effectiveness of the loyalty programs

Figure 4.1 Effectiveness of the loyalty programs

77 % of the respondents agree or strongly agree with the fact that they shop more in stores that propose loyalty programs. Only 16% of the respondents disagree or strongly disagree with it.

This shows that loyalty programs push customers to buy more and are effective in the cosmetic market in Thailand.

4.3 Enrollment

The enrollment is an important stage for a loyalty program. A loyalty program is long and expensive to set up. When a company launches a new loyalty program, the costs in term of advertising, training and organization are very high. That is why it is determinant to get a lot of participant to this program. To get as many participants as possible, the enrollment process has to be effective.
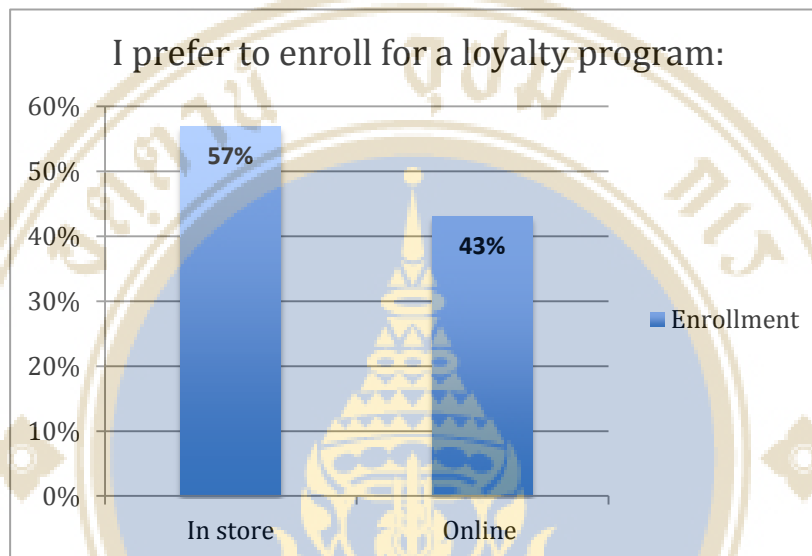

Figure 4.2 the enrollment question responses

57 % of the respondents prefer to enroll directly in the store and 43% prefer to enroll online. Enrollment is definitely a key success factor for loyalty programs. A loyalty program cannot be successful without a lot of participants and an effective enrollment method is necessary to get a lot of participants.

Even if the online enrollment is getting more and more popular, a majority of people still prefers the classic in shop enrollment. It is obvious that a company has to propose both solutions, online and offline to get as many enrolled people as possible.

To enroll as many customers as possible in its loyalty program, a company must propose an online enrollment solution as well as an enrollment directly in shop. The enrollment process has to be clear and fast. A welcome promotion can be associated to the enrollment to push customers to join the program.

4.4 Social media

There are more than 18 million people using social media in Thailand. Many companies use social media to communicate with their customers and to strengthen the image of their brands. In the survey, almost 80% of the respondents would like to be informed of the offers of loyalty programs on the social media.

Figure 4.3 The social media question responses

A very large majority of the respondents want to be connected with the loyalty program via social media to get information and offers. It is very important to be aware of it and to think about it for the enrollment process. To be connected with the customers, the company has to get their social media information. The only way to get it is to include it in the enrollment process.

To create a successful loyalty program, a company must use the social media to communicate with the enrolled customers. The company has to do it in the good way, in a professional way. The content has to be clear and adapted to any device (smartphone, tablets, computers…). The content has to be updated very frequently and the company has to answer to comments, questions, and complaints of the customers. The company has to edit entertaining and interesting content not to bother the customers.

Most of the people would like to get information via social media, but 20% disagree or are undecided. To be sure not to disappoint these customers, the company has to allow the customers not to give their social media information (even if they use social media) during the enrollment process.

It is important to use social media, but the companies have to use it in addition of the other traditional means of communication. The Internet penetration in Thailand is only 26%. It means that 74% of the population does not use Internet and it is very important to reach as many people as possible.

4.5 Mobile application

According to the IDC analyze center, Thailand has a smartphone penetration rate of 50%. It means that half of the population (about 39.000.000 people) own at least one smartphone. One of the ways to use this fact in marketing is to develop a mobile application that customers can use directly on their connected devices (smartphone, tablets).
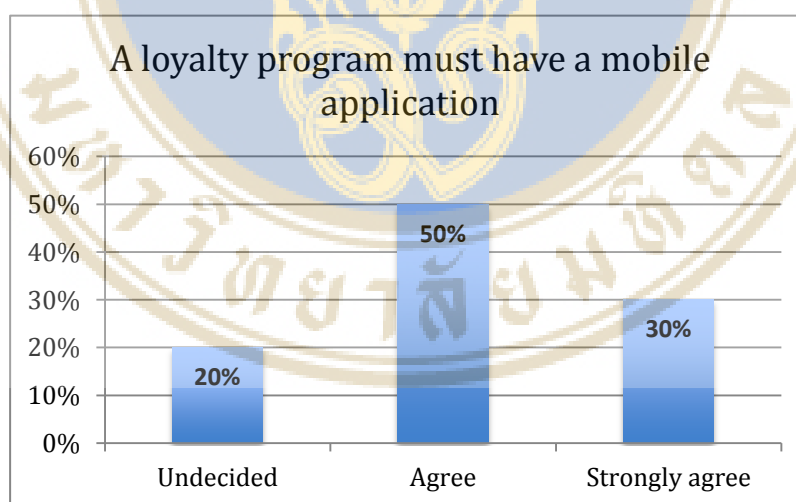

Figure 4.4 The application question responses

80 % of the respondents strongly agree or agree that a loyalty program must have a mobile application. The 20 remaining percent are undecided. This result clearly expresses the fact that people use a lot their connected devices and mobile

applications. Commercial mobile applications are very popular because they are free and work faster than classic (or even mobile optimized) websites on connected devices.

To be used by most of the people, an application has to be:

- Available on several operating systems: all the connected devices do not use the same operating system. A version of an application cannot work on every operating system. So the company has to develop different versions, one version for each operating system. The most used operating systems are: Apple IOS and Android.

- Updated frequently: an application has to evolve and be updated as often as possible to be attractive and not to be deleted by the user.

- Simple to use: people use applications because it is fast and easy. If the application is complicated or does not work properly, people will delete it.

- Useful: the application has to propose a real added value. If you cannot do anything more than getting information, it is not interesting for the customers. It has to have extra features (where to find a shop, special discounts, check your account balance…).

- Be easy to find in the applications browser of the device (as Apple Store or Play Store for example).

A loyalty program must have its own application to be connected to the customers.

4.6 Social Rewards

Image and social status have a very important place in the Thai culture (Nguyen, 2013). A loyalty program can provide benefits in term of money and convenience, but it can also provide benefits in term of image and social status.
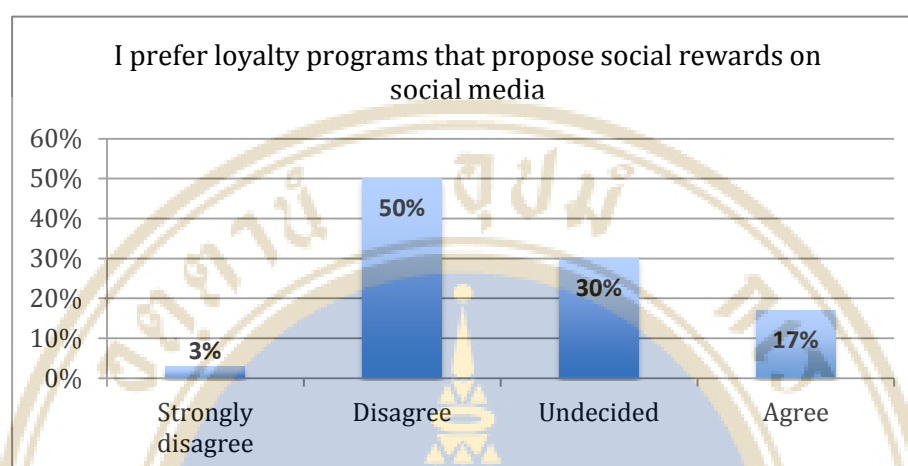

I prefer loyalty programs that propose social rewards on social media

- Strongly disagree: 3%
- Disagree: 50%
- Undecided: 30%
- Agree: 17%

Figure 4.5 The rewards question responses

More than half of the respondents (53%) don't want to get social rewards on the social networks (as a post on Facebook for a certain amount of purchase, of a badge on Foursquare for example). But, 87% of the respondents like programs that propose exclusive limited offers to the members (VIP sales for example).

As image takes a large place in the Thai culture, it is important to include limited offers for the members who spend the most. People like to have a special treatment and to get recognition from the company and from other members because they are heavy customers. They like to feel special by being invited to VIP private sales. However, they are attached to their privacy. They do not allow the company to post on their Facebook page or use any other social reward on the social network.

A loyalty programs must definitely have some exclusive and limited offers for the most important clients and emphasize on the VIP aspect. The company must use it for the advertising too.

4.7 Compatibility

A same loyalty program can works with many different companies and be compatible in different shops.
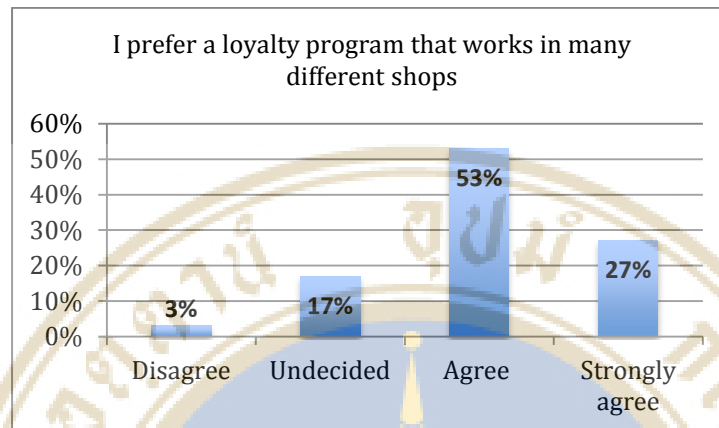

Figure 4.6 The compatibility question responses

80 % of the respondents prefer a loyalty programs that is compatible in many different shop to a loyalty programs that works in only one shop, for only one brand.

A cosmetic company can set up a partnership with other companies that are not competitors that are not in the same industry to create a common loyalty program. The advantage is that the companies can share the cost. The customers can use the loyalty programs in different shops, to buy different items. So they will have more opportunities to use the loyalty program and will get more reward. This is a very interesting solution for both the companies and the customers. Even if it takes time to create a powerful network of partnerships between well-known companies, share a loyalty program has a lot of advantages and can be very successful. It is very important to choose companies in different industries and that can not be competitors.

4.8 Rewards

As exposed in the first part of this paper, there are several different ways to reward loyal customers through loyalty programs. The most efficient reward system has to be chosen according to the business and the country.
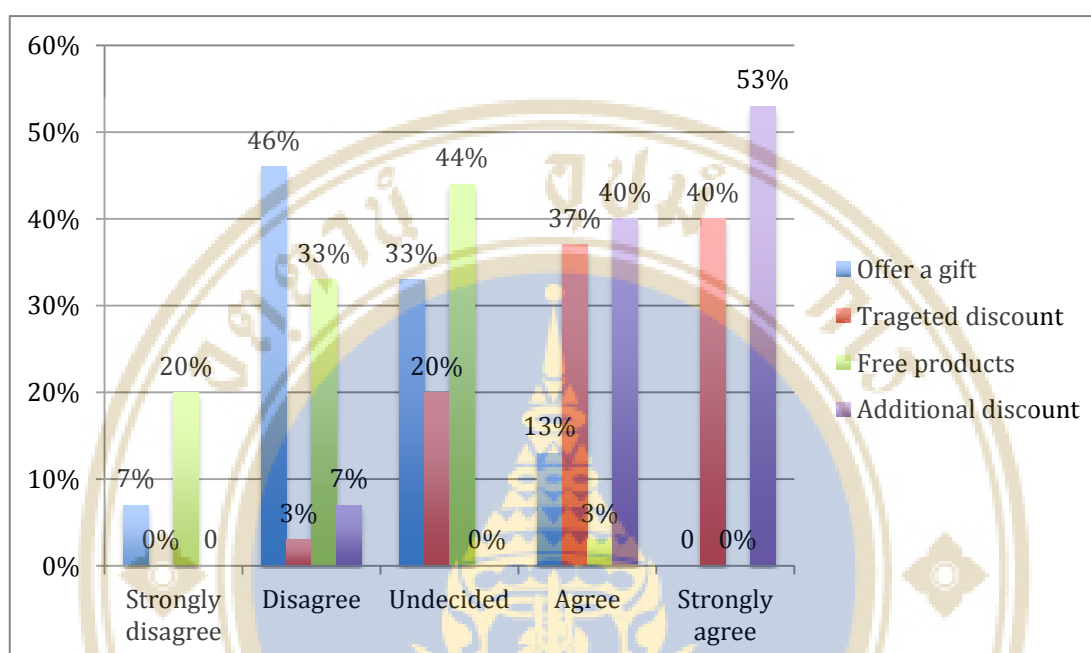
Types of reward	Strongly disagree + disagree (%)	Undecided (%)	Strongly agree + agree (%)
Offer a gift	**53%**	33%	13%
Targeted discount	3%	20%	**77%**
Free products	**53%**	44%	3%
Additional discount	7%	0%	**93%**

Figure 4.7 The rewards question responses analysis

93% agree or strongly agree that an additional discount on the products they are going to buy is a very good reward.

77% agree or strongly agree that a targeted discount on the products they buy the most often is a very good reward.

53 % of the respondents strongly disagree or disagree that offering a gift or a free product is a good reward.

The best rewards companies must use to develop a loyalty program in Thailand for the cosmetic products are:

- Offer targeted discount to the customers. With the information the company has concerning the customer (previous purchases, preferences…), the company send special discounts on the product the customer buy the more.

- Additional discount: the company offers an additional discount on the product that the customer wants to buy (with a minimum amount of purchase).

The attractiveness of the reward is one of the main factors that can make a loyalty program very successful. It is very important to choose a reward that will stimulate the customers and push them to be loyal and buy more products.
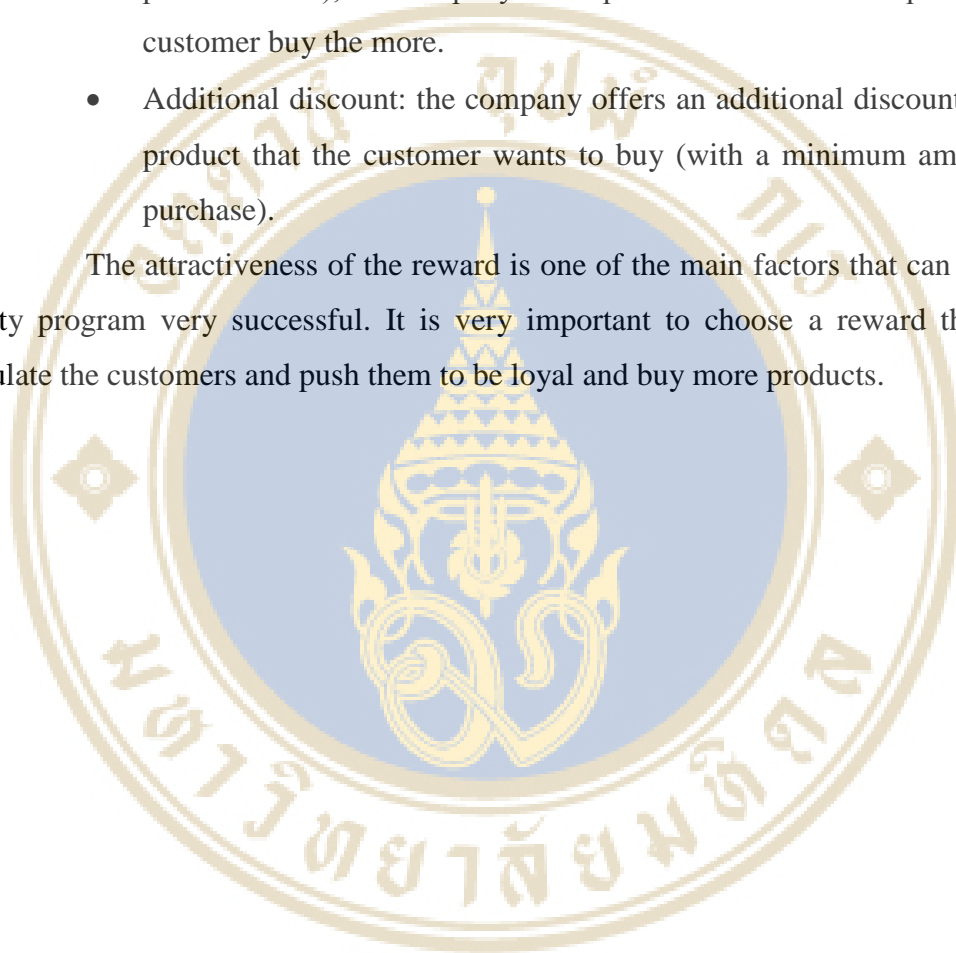
4.9 Approved and rejected hypothesis

Table 4.1 Hypotheses conclusion

Hypothesis	Approved	Rejected
H1: For the cosmetic products in Thailand, people prefer to register for loyalty programs online		❌
H2: For the cosmetic products in Thailand, people prefer to register for loyalty programs in a shop		❌
H3: For the cosmetic products in Thailand, people prefer to register for loyalty programs by phone		❌
H4: For the cosmetic products in Thailand, people prefer loyalty programs using a card		❌
H5: For the cosmetic products in Thailand, people prefer loyalty programs using a mobile application	✅	
H6: For the cosmetic products in Thailand, people prefer loyalty programs offering additional discounts	✅	
H7; For the cosmetic products in Thailand, people prefer loyalty programs offering free products		❌
H8: For the cosmetic products in Thailand, people prefer loyalty programs offering gifts		❌
H9: For the cosmetic products in Thailand, people prefer loyalty programs that work in many shops	✅	
H10: For the cosmetic products in Thailand, people prefer loyalty programs using a mobile application	✅	
H11: For the cosmetic products in Thailand, people prefer loyalty programs offering social rewards	✅	
H12: For the cosmetic products in Thailand, people prefer loyalty programs offering VIP status	✅	
H13: For the cosmetic products in Thailand, people prefer loyalty programs present on social media	✅	
H14: For the cosmetic products in Thailand, people prefer shop more in store proposing loyalty programs	✅	

CHAPITRE V
CONCLUSION

The analysis of the data form the survey shows that there are 4 key success factors for a loyalty program in the cosmetic industry in Thailand: the enrollment, the online presence, the compatibility, and the type of rewards.

5.1 The Enrollment

The enrollment is one of the most important stages of a loyalty programs. To create a successful loyalty program in the cosmetic industry in Thailand, the enrollment must be easy, fast and multichannel. The customers must be authorized to enroll online (website, application…) and offline (in the shops).

5.2 The online presence

To create a successful loyalty program in the cosmetic industry in Thailand, a company must be online. This online presence can exist in different ways:

- Use the social networks to communicate with the customers. A company has to use the social media to communicate about the loyalty program with the customers and the member. By that way, the company can attract more members to the program and communicate the new offers to the existing members.

- Create a mobile application compatible with all the devices, free and easy to download. The application must be easy to use, work perfectly and propose extra services related to the loyalty programs.

- Create a website page dedicated to the loyalty program.

- Use Internet advertising to get as many members as possible for the loyalty program.

5.3 The compatibility

To be successful on the Thai cosmetic market, a loyalty program has to be compatible with many companies, in different industries. Companies have to set up partnership to build a successful and powerful loyalty programs. This will help them to beat the competitors.

5.4 The type of reward

The type of reward is the main key success factor for a loyalty program. The reward is the reason why the customers enroll. It has to be attractive to get as many members as possible. The 3 best types of rewards for a loyalty program in Thailand for the cosmetic market are:

- Targeted discount: the company offers a discount on the products that the members buy the more often. It will push the customer to buy more and increase the probability that the customer buy the product.
- Additional discount: the company offers an additional discount to members when they buy for a certain amount. This will motivate customers to reach this amount to get the discount.
- Social rewards: the company organizes VIP sales and invites the most loyal customers. The customers feel that they are special, important. There is a high probability that they buy some products.

5.5 Limitations and further studies

This paper has been written to give pieces of advice to companies in the cosmetic industry in Thailand that want to set up a loyalty program. By identifying the key success factors of loyalty programs in the Thai market, the companies can know what their loyalty programs must have and what is important when they develop it. However the research that has been conducted has some limit. The sample was limited (50 answers) and there were a high majority of women. It would be interesting to conduct a new survey, with a higher budget. So we can have more respondents and a larger diversity of profiles. The research that has been conducted is interesting to know the general trends in term of expectations regarding loyalty programs in the Thai market. But it is very general. It would be very interesting to know the customers expectations in term of loyalty products according to different categories of cosmetic products. We could conduct more research to figure out if we can identify different behaviors in the loyalty programs usage in the cosmetic market in Thailand. Is there a profile of customers who are more willing to use the loyalty program?
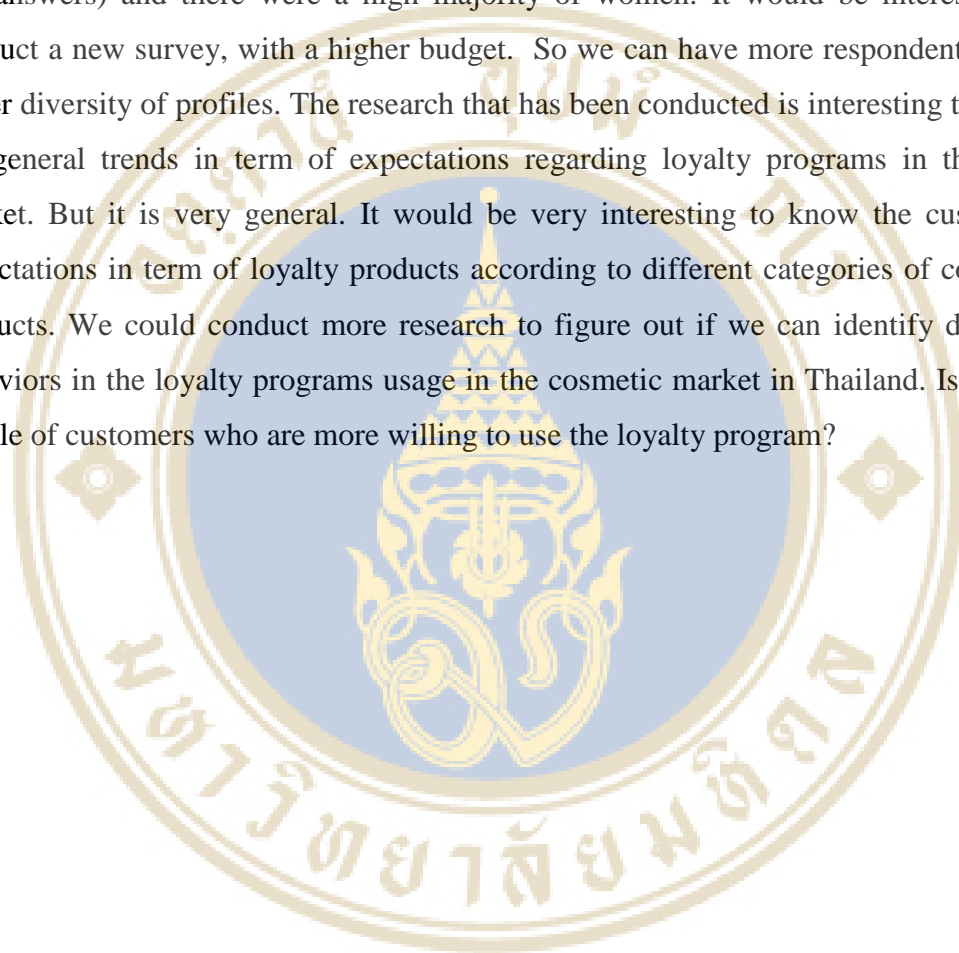
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APPENDICES

35

APPENDIX A: Questionnaire

Cosmetic and Loyalty Programs in Thailand

I am a marketing student form Mahidol University and I am conducting a research on what people like or not concerning loyalty programs from cosmetic companies in Thailand

1. **I buy cosmetic products:**
   This question concern all kinds of cosmetic products (creams, make up, beauty products...)
   Une seule réponse possible.

   ◯ Once a week

   ◯ Once a month

   ◯ Once in three months

   ◯ Once in six months

   ◯ Once a year

2. **I prefer to enroll to a loyalty program:**
   Une seule réponse possible.

   ◯ Online (with an online form)

   ◯ In a store (paper form)

   ◯ By phone (by answering questions)

   ◯ By postal mail

3. **I prefer loyalty programs that work:**
   Une seule réponse possible.

   ◯ With a card (show your card at the shop)

   ◯ With a website only (shop online)

   ◯ With a mobile application (show your smartphone in a shop)

   ◯ With my name only (just tell your name in the shop)

4. **For cosmetic products, the best loyalty programs are those that offer additional discounts to what I buy.**
   1: Strongly Disagree; 2: Disagree; 3:Undecided; 4: Agree; 5: Strongly Agree
   Une seule réponse possible.

	1	2	3	4	5	
Strongly Diasgree	◯	◯	◯	◯	◯	Strongly Agree

5. **For cosmetic products, the best loyalty programs are those that offer me a free product when I buy for a certain amount**
1: Strongly Disagree; 2: Disagree; 3:Undecided; 4: Agree; 5: Strongly Agree
Une seule réponse possible.

	1	2	3	4	5	
Strongly Diasgree	◯	◯	◯	◯	◯	Strongly Agree

6. **For cosmetic products, the best loyalty programs are those that offer me discounts on the products I buy the most often**
1: Strongly Disagree; 2: Disagree; 3:Undecided; 4: Agree; 5: Strongly Agree
Une seule réponse possible.

	1	2	3	4	5	
Strongly Diasgree	◯	◯	◯	◯	◯	Strongly Agree

7. **For cosmetic products, the best loyalty programs are those that offer me points that I can exchange for gifts or products**
1: Strongly Disagree; 2: Disagree; 3:Undecided; 4: Agree; 5: Strongly Agree
Une seule réponse possible.

	1	2	3	4	5	
Strongly Diasgree	◯	◯	◯	◯	◯	Strongly Agree

8. **I prefer a loyalty program that works in many different shops (exemple: cosmetic shop and gaz station)**
1: Strongly Disagree; 2: Disagree; 3:Undecided; 4: Agree; 5: Strongly Agree
Une seule réponse possible.

	1	2	3	4	5	
Strongly Diasgree	◯	◯	◯	◯	◯	Strongly Agree

9. **To me, a loyalty program must have a mobile application**
1: Strongly Disagree; 2: Disagree; 3:Undecided; 4: Agree; 5: Strongly Agree
Une seule réponse possible.

	1	2	3	4	5	
Strongly Diasgree	◯	◯	◯	◯	◯	Strongly Agree

10. **I prefer loyalty programs that provide social rewards as badges on Foursquare or posts on Facebook**
1: Strongly Disagree; 2: Disagree; 3:Undecided; 4: Agree; 5: Strongly Agree
Une seule réponse possible.

	1	2	3	4	5	
Strongly Diasgree	◯	◯	◯	◯	◯	Strongly Agree

11. **I prefer loyalty programs that provide exclusive offers to members (VIP offers)**
1: Strongly Disagree; 2: Disagree; 3:Undecided; 4: Agree; 5: Strongly Agree
Une seule réponse possible.

	1	2	3	4	5	
Strongly Diasgree	◯	◯	◯	◯	◯	Strongly Agree

12. **I shop more in stores that propose loyalty programs**
1: Strongly Disagree; 2: Disagree; 3:Undecided; 4: Agree; 5: Strongly Agree
Une seule réponse possible.

	1	2	3	4	5	
Strongly Diasgree	◯	◯	◯	◯	◯	Strongly Agree

13. **I like to be informed of the special offers of a loyalty programs via social medias**
1: Strongly Disagree; 2: Disagree; 3:Undecided; 4: Agree; 5: Strongly Agree
Une seule réponse possible.

	1	2	3	4	5	
Strongly Diasgree	◯	◯	◯	◯	◯	Strongly Agree

14. **My monthly income is**
Une seule réponse possible.

- ◯ Less than 20.000 THB
- ◯ 20.000 to 30.000 THB
- ◯ 30.000 to 40.000 THB
- ◯ 40,000 to 50.000 THB
- ◯ More than 50.000 THB

15. **I am**
Une seule réponse possible.

- ◯ A male
- ◯ A female

16. **I am**
Une seule réponse possible.

- ◯ A student
- ◯ An employee
- ◯ A public officer
- ◯ A free lancer (liberal professions)
- ◯ A business owner
- ◯ Autre : ....

17. **My age is between:**
Une seule réponse possible.

- ( ) less than 15 years old
- ( ) 15 - 20 years old
- ( ) 20 - 30 years old
- ( ) 30 - 40 years old
- ( ) More than 40 years old

Fourni par

Google Forms