The Importance of Loyalty Programs Today: The Case Study of Georgia

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ABSTRACT

In the contemporary global struggle for market shares, most companies use loyalty programs to extend customers, increase interaction, and contribute to revenue growth. In Georgia, like in many other nations, loyalty programs have changed from the old regular point based programs to highly data-leveraged and automated ones as well as programs which integrate artificial intelligence and mobile platforms. The aim of this research is to assess the relevance of loyalty programs in Georgia looking at client perspectives, business frameworks and in actual assessment the success of loyalty programs in practice, particularly their genesis and operationalization. With case studies of businesses in Georgia as well as of international companies in Georgia and focus group discussions and quantitative questionnaires, this research pursues to explore and explain such factors as how the local market and global market operate and how do they coexist in Georgian context. Apart from that it also addresses how onsite loyalty programs are effective on retention of consumers and the engagement that results from it as well the recent developments that confirm where the future of the loyalty programs are heading.

Loyalty programs have come to be one of the key marketing strategies that businesses in all sectors use. As the cost of getting a new customer goes up and competition grows, businesses are focused more on the current clientele. A loyalty program is a marketing technique with the objective of getting customers to remain loyal to a specific company. These may include point-earning programs, tier memberships and offering services exclusive for members. Loyalty programs are, moreover, considered to support customer retention and increase sales worldwide because they create a community and encourage customers to repurchase (Bowen & Chen, 2001). It is important to mention that when looking to acquire a new customer, it may be up to five times more costly than to retain an existing one (Reichheld & Sasser, 1990). In the case of Georgia where enterprises are quick in adopting and updating with global trends,

loyalty programs emerged as one of the best solutions to adopt especially at the time this country is advancing in a digital age.

This research paper examines the role of loyalty programs in today's Georgia, points out some changes in them and describes how companies engage this mechanism for customer retention and for overall profits growth. Yet, some specific challenges and opportunities exist in this regard, which are influenced by consumer behaviour, economic conditions, and cultural preferences.

There have been different studies in Georgia on the effectiveness of loyalty programs and their advantages in the market. Considering the highly competitive nature of Georgian businesses and the growing number of customers it is important to pay attention as to how such programs can be implemented to ensure satisfaction of customers as well as engagement.

Objectives

· Evaluating the effectiveness of the loyalty programs on the loyalty and usage of customers in Georgia and its suburbs.

· Investigating what features of the loyalty programs are favorable of the Georgian consumers

· Providing suggestions on how the loyalty program strategies can be enhanced in the Georgian firms.

Research Questions

1. What is the influence of customer loyalty programs on customers in Georgia?

2. What are the attributes that influence Georgians in the adherence and effectiveness of the loyalty programs?

3. What are the problems encountered by businesses when seeking to exercise loyal h programs within Georgia?

Relationship marketing according to Grönroos (1994) is aimed at "identifying, establishing, maintaining and enhancing customer relationships" with the aim of benefiting the parties. The setting of the customer reward programs encourages the customers to keep coming back since there is something to be earned.

The earliest basic loyalty programs were the punch card systems and stamp systems that rewarded customers for repeat purchases. Such systems were predominantly utilized in the hospitality and retail industries. But with the rise of technology and the internet, such programs have become more advanced and tailored as well as data-focused.

Nowadays, it's not just a reward that customers expect when they use loyalty programs. Targeting specific customers through data has become a standard practice for businesses in order to enhance customer experience and specific customer needs. Over 80% of the companies that introduced personalization in loyalty programs managed to boost customer retention. In terms of Georgia, the recent trend of applying digital loyalty schemes in the international markets conforms to wider patterns especially as the Georgian firms are getting more embedded in the world economy.

Customer retention is one of the most sought outcomes of loyalty programs. Other businesses in other countries as well as in Georgia understand the importance of retaining customers. Harvard Business Review indicates that by improving the retention rates by 5% the company profits may increase from 25% to 95% (Reichheld & Sasser, 1990). For this reason, in a tough competition environment, these programs are very important and beneficial for business growth.

Loyalty programs are aimed at getting the consumers to come back as well as giving them a reason for choosing one business over the other. For example, in Georgia, the TBC Bank's "Ertguli" program encourages customers to earn points with every transaction, which can in turn be used in some merchant affiliates. That helps to eliminate the need and motivate the customers to return and also enhances the rapport between the bank and the clients.

Despite the fact that there aren't many studies conducted on a Georgian market regarding loyalty programs, analytical papers still point out that Georgian clients are engaged with loyalty systems. Naturally, other such cultural factors, a concern about the quality of service and belonging to the community, influence the application and the perception of such programs (Zinkhan & Pereira, 1994).

- Case Study: Wissol Group's Smart Club

Wissol Group believes in providing more than just services to their clients. The company launched the Smart Club scheme in 1996 and has allowed clients to sign up and earn rewards or discounts by accumulating points on purchased fuel. Points are earned, and then clients can redeem them for discounts on fuel or products offered by the company. This is a strategy that

has been very successful in loyalty since there are benefits and savings. Furthermore, the exclusivity of the program would get taken to another level as Wissol decided to branch out and add partnerships with other companies like supermarkets and cafes in order to make it increasingly valuable for its customers (Kakulia, 2023)

- Case Study: Carrefour Georgia's Mobile Loyalty App

Shop smart with your mobile phone. That is what one of the largest retailers in the country - Carrefour Georgia - offers. This company set out to improve customers' lives with a mobile app that lets clients earn points while accumulating offers tailored just for them based on their buying patterns. When a customer and their mobile app can both enhance the shopping process seamlessly along with the consumers being rewarded in a customized way, it drives customer engagement through the roof. Moreover, the company claims to show the effectiveness of well-formed company loyalty, since, according to reports, app users spend more than the average user without an app in a single visit.

Most loyalty programs are no longer manual because of digital technology which allows interactive systems to automatically track customers and design personalized offers for them. Naturally, this is the case in Georgia as well. Many loyalty schemes today are either integrated with customer relationship management (CRM) systems, mobile applications, or artificial intelligence – all of which aim to make sense of customer information and present tailored campaigns to the consumer.

- Mobile Technology

The use of mobile phones in Georgia has changed the way companies run their customer loyalty programs. Due to the high internet penetration levels and the availability of smartphones, more firms are turning to mobile spaces for customer outreach. According to the National Statistics Office of Georgia (2021) a large portion of the population can access mobile-based loyalty programs.

With mobile apps, customers can be alerted about the availability of hot deals, their rewards balance and point systems, and simple point redemptions. To illustrate, one of the mobile communication firms in Georgia – Geocell – has a mobile app that combines its loyalty program with the purchasing of mobile services or bills payments so that customers can earn

points this way. This enhanced the customer relations process and enabled Geocell to collect important data about the clients' activities (Kobaladze, 2022)

- Data-Driven Personalization

Nowadays, loyalty programs are far more customized due to the ability to collect and analyze customer data, as using data analytics businesses can monitor customers buying habits, interactions and preferences which allows for highly-targeted prizes. As an example, customer data is the basis of TBC Bank ability to adjust its "Ertguli Card" loyalty program to offer customers personalized and tailored deals that resonate with their individual spending habits.

Loyalty programs are thus beneficial for both sides, but implementation is not as easy as it seems — customer-oriented companies in Georgia have to deal with the difficulties of loyalty program design and maintenance. Top challenge is to keep buyer engagement overextended period of time A number of consumers subscribe for loyalty programmes but stop using them afterwards and businesses see steadily declining returns.

As a result loyalty program functionalities become more and more driven by data, thus there are worries regarding data privacy and protection. These regulations encompass consumer data privacy laws that companies should abide by while collecting customer data, including the General Data Protection Regulation (GDPR) on both an international and local level (Javakhishvili, 2020).

These challenges have however led to an opportunity. Continuous development, rewarding sustainability and gamification are just some of the new features businesses can use to engage and create lifetimes of long-term loyalty.

With the likely evolution of the technology, the consumers will reap the benefits of loyalty programs that are even deeper into the roots of the everyday activities and are more personal. Future Trends in Loyalty Programs Impacting The Georgian Market:

- **AI (Artificial Intelligence):** Today, customers have begun to expect their rewards to be quite personalized. Thanks to AI, businesses will have the ability to better predict consumer behavior and come up with more personalized reward systems.

- **Blockchain technology**: It is believed that the introduction of Blockchain in loyalty programs can increase its transparency, so customers would be able to redeem their points and track them in a decentralized manner (Zhang et al., 2021).

- **Sustainability**: In the era of high social and environmental awareness of buyers, loyalty programs that encourage sustainable practices, such as the use of domestic suppliers or a reduction in the use of plastic, are expected to grow (Bain & Company, 2022).

Data Collection

- **Primary Data**: Surveyed 200 Customers across sectors (hospitality, retail & services) and 10 interviews were conducted with managers/business owners who executed loyalty programs.
- **Secondary Data**: Case studies of authentic reports on loyalty programs in similar markets specific to customer demographics, Type of Programs & challenges faced within Program.

The sample also targeted people between ages 18-65 in urban spaces, especially Tbilisi, to ensure various perspectives are included. We selected firms that offer loyalty program and customer retention technologies from industries such as hospitality, retail, food services industries.

- Quantitative Analysis

At least one loyalty program is used by 78% of respondents with point-based systems. It was reported by 64 % of the respondents that loyalty programs impact their decisions on where to shop or dine and 55 % public stated their preference basing on the instant rewards available in such programs as compared to obtaining points over time.

- Qualitative Analysis

During the interviews the business owners communicated that the programs were effective in enhancing the loyalty of their customers. Only challenge that they were mentioning was the changing of the consumer's preferences and the retention of the customers. The most common included; focus on the simplicity of processes, provide more personalized awards and the need to respect local cultural factors.

These findings are in accordance with global studies which argued that, the loyalty programs improve customer retention. But in Georgia there appears to be a greater preference for targeted promotions and instant gratification which could be due to local culture and economic conditions.

For any Georgian company, making the vital changes in its loyalty programs to include the targeted promotions and instant gratification offers as part of its sales process, would most likely make the programs more effective. The businesses can also appeal to their customers and improve the program's relevance and the satisfaction.

Loyalty programs have been established in Georgia as a means for businesses and for customer retention purposes but the way in which such programs should be designed has to cater to local consumer demands for personalization and immediacy. Given the global trends of digitalisation and increasing relevance of targeted marketing, there is a potential for increased emphasis on loyalty programs as part of business strategies in the future. On the other hand, businesses have to deal with the issues like consumers' brand fatigue and concerns about privacy, whilst remaining innovative in order to be competitive on the fast-changing market.

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