Saint Petersburg State University

Graduate School of Management

MASTER THESIS

Topic: Loyalty program development for small business: case of the accessories retailer

Done by:

2nd year Master in Management student

Ivan Myasnikov

Scientific advisor:

Professor of the Marketing Department; Doctor of Economic Sciences

Sergey Starov

Saint Petersburg

2022

ЗАЯВЛЕНИЕ О САМОСТОЯТЕЛЬНОМ ХАРАКТЕРЕ ВЫПОЛНЕНИЯ ВЫПУСКНОЙ КВАЛИФИКАЦИОННОЙ РАБОТЫ

Я, Мясников Иван Константинович, студент 2 курса магистратуры направления 080200 «Менеджмент» (профиль подготовки – Master in management), заявляю, что в моей выпускной квалификационной работе на тему «Разработка программы лояльности для малого бизнеса: кейс сети магазинов аксессуаров», представленной в службу обеспечения программ бакалавриата для последующей передачи в государственную аттестационную комиссию для публичной защиты, не содержится элементов плагиата. Все прямые заимствования из печатных и электронных источников, а также из защищённых ранее курсовых и выпускных квалификационных работ, кандидатских и докторских диссертаций имеют соответствующие ссылки.

Мне известно содержание п. 9.7.1 Правил обучения по основным образовательным программам высшего и среднего профессионального образования в СПбГУ о том, что «ВКР выполняется индивидуально каждым студентом под руководством назначенного ему научного руководителя», и п. 51 Устава федерального государственного бюджетного образовательного учреждения высшего профессионального образования «Санкт-Петербургский государственный университет» о том, что «студент подлежит отчислению из Санкт-Петербургского университета за представление курсовой или выпускной квалификационной работы, выполненной другим лицом (лицами)».

_____ . _ (Подпись студента) ___25.05.2022 (Дата)

STATEMENT ABOUT THE INDEPENDENT CHARACTER OF THE MASTER THESIS

I, Ivan Myasnikov, second year master student, MIM program «Management», state that my master thesis on the topic « Loyalty program development for small business: case of the accessories retailer », which is presented to the Master Office to be submitted to the Official Defense Committee for the public defense, does not contain any elements of plagiarism.

All direct borrowings from printed and electronic sources, as well as from master theses, PhD and doctorate theses which were defended earlier, have appropriate references.

I am aware that according to paragraph 9.7.1. of Guidelines for instruction in major curriculum programs of higher and secondary professional education at St.Petersburg University «A master thesis must be completed by each of the degree candidates individually under the supervision of his or her advisor», and according to paragraph 51 of Charter of the Federal State Institution of Higher Education Saint-Petersburg State University «a student can be expelled from St.Petersburg University for submitting of the course or graduation qualification work developed by other person (persons)».

__ . _____(Student's signature) ___25.05.2022_____ (Date)

ABSTRACT

Master Student's Name	Ivan Myasnikov
Master Thesis Title	Loyalty program development for small business: case of the accessories retailer
Educational Program	MiM
Main field of study	Management
Year	2022
Academic Advisor's Name	Sergey A. Starov
Description of the goal, tasks and main results	**Goal** – to formulate the recommendations for loyalty program development for small business.. **5 tasks:** 1. To examine existing studies on loyalty programs trends, loyalty programs design and loyalty programs performance, also to consider small business limitations. To define key trends and features of loyalty programs, which may be implemented by small business. 2. To perform in-depth interviews among managers responsible for loyalty programs and interviews with consumers to examine the attitude and interaction with loyalty programs. 3. To formulate the approach for loyalty program development for small business. 4. To apply the approach on the development of the loyalty program project for the small business company "Aksessuarnaya #1". 5. To formulate key managerial implications for loyalty program development for small business. **Methodology:** in-depth interviews, case study **Main result:** As a summary of theoretical analysis, market and company analysis and interviews, the implications for loyalty program development for the small business were described.
Keywords	Loyalty program, small business, SME, retail, accessories

АННОТАЦИЯ

Автор	Мясников Иван Константинович
Название ВКР	Разработка программы лояльности для малого бизнеса: кейс сети магазинов аксессуаров
Образовательная программа	MIM (Master in Management)
Направление подготовки	Менеджмент
Год	2022
Научный руководитель	С.А. Старов
Описание цели, задач и основных результатов	**Цель** – сформулировать рекомендации по разработке программы лояльности для малого бизнеса. **5 задач:** 1. Изучить существующие исследования тенденций программ лояльности, дизайна программ лояльности и эффективности программ лояльности, а также рассмотреть ограничения малого бизнеса. Определить ключевые направления и особенности программ лояльности, которые может реализовать малый бизнес. 2. Провести глубинные интервью среди менеджеров, ответственных за программы лояльности, и интервью с потребителями, чтобы изучить отношение и взаимодействие с программами лояльности. 3. Сформулировать подход к разработке программы лояльности для малого бизнеса. 4. Применить подход к разработке проекта программы лояльности для малого бизнеса «Аксессуарная №1». 5. Сформулировать ключевые управленческие рекомендации для развития программы лояльности для малого бизнеса. **Методология:** глубинное интервью, кейс стади. **Основной результат:** По итогу теоретического анализа, анализа рынка и компаний, а также интервью, были описаны рекомендации для разработки программы лояльности для малого бизнеса.
Ключевые слова	Программа лояльности, малый бизнес, аксессуары, ритейл

TABLE OF CONTENTS

INTRODUCTION

Loyalty programs have become a very popular instrument of marketing in many spheres. Most of top-10 retailers in Russia have their loyalty program: X5 retail (separate programs of Pyaterochka and Perekrestok), Magnit, Lenta, MVideo-Eldorado, Diksi, Krasnoe&Beloe, Fix Price, Sportmaster, Letual, etc. In the services sector there are also many examples of popularity of loyalty programs: airlines (Aeroflot and S7) and railways (RZD), fast food (McDonalds and Burger King) and restaurant chains (Eurasia and Tokyo City), taxi (Yandex) and food delivery (Delivery Club and Ya.Eda), etc. (Retailer, 2020)

The research of Cision (2018) states that 87% of generation Z consumers expect omnichannel loyalty programs which give bonuses for every spending on their favorite shop, café, etc. The same number is provided by the other researchers from Annex Cloud (2020), the only part of numbers are presented here: an average business loses 15% of its customers every year (based on US market research). Acquiring new customers can cost 16 times more than retaining old ones. 68% of millennials report that they need a loyalty program to keep buying from a brand; The cumulative loss to businesses due to customer churn is estimated at a staggering $1.6 trillion a year; 54% of consumers continue to buy from a brand if it offers rewards or loyalty points.

The fact that even biggest successful companies, market leaders, who work successfully for years without loyalty programs, such as McDonalds and Magnit recently launched LP deserves an attention of researchers and questions like: What are incentives to implement loyalty programs now? Which instruments of loyalty programs companies use now? How they are going to evaluate its efficiency?

In general, loyalty programs may be used:

1. To increase revenue or profitability;
2. To grow customer loyalty;
3. To increase the level of retention and frequency of purchases;
4. To return customers who stopped purchasing;
5. To influence on other KPIs (e.g. % of returns in LaModa).

Main instruments of loyalty programs are:

Database with contacts of clients, number of purchases, etc. Client mobile app, account or card. Motivators: discounts, bonuses, personal offers, gifts, rewards, statuses, notifications, sms reminders etc.

All these components require noticeable budget, big data analysis, specialists, which may be not affordable for small business. The company "Aksessuarnaya #1", which is a chain of 8 shops of accessories for smartphones, operating on the accessories market of Saint Petersburg with total revenue in 2021 – 35,8 million rubles is the representative of the small business, which faces

difficulties with growth and retaining customers nowadays, especially due to current expectations of the economic crisis. In such conditions, the company as many representatives of SMEs is interested in tools for retaining customers, grow the loyalty towards the brand of the shop, increase or at least retain the average check, etc.

The share of small business in developed countries is about 50%, and in Russia is 15% by different estimations (Sberbank, 2020). Even 15% is noticeable share of economy, which should be examined. There is a hypothesis that some features and ideas of loyalty programs conception may be applicable for "Aksessuarnaya #1" – small business representative. Besides budget limitations, small business may have staff competences limitations and data limitations - smaller number of observation data for loyalty program, which could also be a limitation for big data analysis and achieving relevant results for managerial decisions. And even in case loyalty program instruments are affordable, it will be harder to pay-off the implementation, as smaller companies have less economies of scale.

Here the *research problem* occurs: lack of loyalty programs studies devoted to small business.

It comes to the *research topic*: "The development of loyalty program for small business, with the main *research question*: How can small business implement modern loyalty programs solutions, used by bigger companies?

The *object* of the study is loyalty programs. The *subject* is loyalty programs development for small business.

The overview research in databases as Scopus and Google.Scholar showed that there is no articles covering the loyalty programs for small business with all limitations, and none of them counts the efficiency estimation or focuses retail companies from the same market. However, this is very important, as small business enterprise sometimes launch loyalty programs without understanding how to evaluate efficiency.

As there is a need for deeper understanding of subject with questions "how" - qualitative methods are used.

The *goal* of this master thesis is to formulate the recommendations for loyalty program development for small business.

For this study were formulated following *research objectives*:

1. To examine existing studies on loyalty programs trends, loyalty programs design and loyalty programs performance, also to consider small business limitations. To define key trends and features of loyalty programs, which may be implemented by small business.

2. To perform in-depth interviews among managers responsible for loyalty programs and interviews with consumers to examine the attitude and interaction with loyalty programs.

3. To formulate the approach for loyalty program development for small business.

4. To apply the approach on the development of the loyalty program project for the small business company "Aksessuarnaya #1".

5. To formulate key managerial implications for loyalty program development for small business.

This work consists of the three chapters with introduction and conclusion. In the first chapter there are four paragraphs: first paragraph describes what is loyalty, what is the history of the term, what types of loyalty are defined, how to define loyalty nowadays. The second paragraph shows the description of loyalty programs, its types, stages of development and its design – how they are organized. As the field of loyalty program is developing, the third paragraph describes current trends of loyalty program development. Final paragraph defines small business and covers its features and limitations.

In the second chapter there are three paragraphs: first describes the methodology and design of the research – customer and experts interviews. The second paragraph shows the results of the interviews. In the third paragraph there is the summary of the analysis of the accessories for smartphones market – volume, borders, market structure, competitors, consumers, 5 forces analysis and the company "Aksessuarnaya #1" and its prerequisites – to understand its way, strategy, problems, current situation different types of analysis are used.

In the third chapter there are two paragraphs – in the first paragraph there is loyalty program project for the case and in the second paragraph there are managerial implications for loyalty program development for small business.

The material, used for the analysis, was collected mostly from cited academic sources – articles and books, found on Scopus and Google.Scholar. Some articles were taken from the industry journals, devoted to business and marketing or taken from the company "Aksessuarnaya #1", which is analyzed in this work.

1. BRAND LOYALTY AND LOYALTY PROGRAMS DEFINITION

1.1. Brand loyalty definitions and types

At first, we need to define, what do we consider as loyalty. General definition from Business Cambridge Dictionary looks like "the quality of being loyal to a particular company or brand" (Cambridge dictionary, 2022). This is common definition, which gives the general introduction to the term, but does not clarify what means to be "loyal".

The first mention of the phenomenon of loyalty returns back to Copeland (1923), which he called "brand insistence". At the first stage, it is considered loyalty towards brand. Loyalty was considered the state of customer, who is ready to buy a particular brand in 100% cases. Later we will consider more types of loyalty.

The Global Loyalty Agency defines loyalty as "all the feelings or experiences that would incline a customer to consider the re-purchase of a particular product, service or brand or re-visit particular company, shop or website". This definition focuses on emotions, feelings which influence customer attitude towards brand.

On the contrary, another definition of loyalty by Bloemer, de Ruyter (1998) focuses on an action: "customers' non-incidental and intentional actions displayed over a long period of time towards a particular service/product supplier which operates among numerous and similar service/product suppliers". This definition is more complex, but still it does not clarify, what is meant by actions.

Newnan and Werbel (2011) give another definition, which implies concrete action – repeated purchase of concrete brand: "repeat purchase of a particular brand, without considering purchase of any other available brand".

Szczepańska and Gawron (2011) define customer loyalty as a "constant and positive attitude towards an object (i.e. brand or business enterprise)".

Main points in all definitions include customer attitude, which results in preferences towards particular brand, which is followed by the decision to purchase it regularly.

To make deeper understanding of loyalty it is required to consider how the loyalty can be measured. Pritchard et al. (1992) consider 3 main approaches of measures of loyalty: "behavioral", "attitudinal" and "composite".

Behavioral measures consider repeating behavior of purchases the same product or service during long period of time. It was the first approach, which considered psychological behavior of consumers. At this point appear such terms as the proportion of purchases of exact brand, sequence of brands, in which they were purchased, the probability of purchasing exact brand. Behavioral loyalty is associated with changes in the behavior of the buyer when making purchases (for example, a change in the share of costs for a certain product in the total costs of the buyer for the

product category), and the factors causing these changes are not indicated. This is the most popular view of loyalty, since its behavioral aspect is closely related to the economic results of the firm.

Attitudinal measures are associated with simple statement of a consumer about the intentions to buy some exact brand. Consumer could state which brand is preferable by attitude. This measure of loyalty is associated with the subjective opinions and assessments of buyers, and the influence of such subjective indicators on the actual behavior of the buyer is not always clearly indicated. At the same time, perceptual indicators are often considered more significant than transactional indicators, since they contain certain diagnostic and prognostic information, i.e. answers to questions about what causes loyalty, how to build loyalty, how the demand for our products will change in the future. Perceptual loyalty is measured using surveys.

Composite measures combined both behavioral and attitudinal approaches and are still used, as considering more complex set of preferences. Often composite loyalty is defined in the form of loyalty indices compiled periodically for different levels of the company (bank branch, regional market, consumer segment, etc.). Loyal customers are those who have a positive attitude towards the activities of the company, the products and services it offers, its personnel, etc. This positive attitude is expressed by the preference given to the products of this company in comparison with the products of competitors, and this preference is stable over time and is characterized by repeated purchases.

As the definitions of loyalty are different, it is possible to assume that they cover different types of loyalty. One classification of types of loyalty by Szczepańska and Gawron (2011) divides them into two groups: first group is connected with brand awareness – attitude towards exact brand, second group is the attachment to product/service supplier.

Brand awareness group includes three types of loyalty: real loyalty, common loyalty and forced loyalty. Real type of loyalty is the situation when customer consciously prefers to buy a particular brand towards others, having considered different options without limitations. This is the most common type of loyalty, which works on competitive consumer markets. Common loyalty is caused by customs, traditions, habits – brand is not perceived as the most preferable one, but due to habits is still purchased. For example, main state bank may be chosen as habits of most people are connected with this bank. Forced loyalty is based on inevitable circumstances, which force to buy particular brand, for instance, budget limitations, which force to buy the cheapest brand.

The second group – attachment to product/service supplier has also 4 types of loyalty – lack of loyalty, hidden loyalty, true loyalty and false loyalty. They can be presented as a table:

Table 1. Types of loyalty based on attachment to the supplier of product/service organized in a table.

	HIGH level of repeated purchase	LOW level of repeated purchase
HIGH level of attachment	**true loyalty**	**hidden loyalty**
LOW level of attachment	**false loyalty**	**lack of loyalty**

Source: [Szczepańska and Gawron, 2011]

This classification also helps to determine, which type of loyalty the brand has now and which the brand is willing to achieve.

There is another classification of types of loyalty, which shows more plain structure by Rowley (2005). There are four types of loyalty: captive, convenience-seekers, contented and committed and they can be also shown by a table, depending on types of behavior and attitude:

Table 2. Types of loyalty by attitude and behavior.

	Inertial attitude	Positive attitude
Inertial behavior	**Captive**	**Contented**
Positive behavior	**Convenience-seeker**	**Committed**

Source: [Rowley, 2005]

Captive type of loyalty assumes that customer has no choice, so continues buying the product/service. She is neutral to the brand. This is risky situation for the potential changes on the market, leading to the new competitors appear. In this case the loyalty may be gone.

Convenience-seeker shows routine purchases which do not require high involvement. Customer is loyal, buys the brand, but has ho particular attitude and also may shift to other brand by some external factors: price raise, not in stock in the closest shop, etc.

Contented loyalty category has positive attitude towards brand, but sill has smart behavior: evaluates characteristics to find the best option, so may buy another product despite positive attitude to the other brand.

Committed loyalty is the same as "true loyalty" in the previous classification. This customer sees additional value in the brand, likes this brand, does not consider other ones and purchases this brand. This is the most desirable type of loyalty, which is strong despite many factors and decreases the elasticity of demand of such customers.

To conclude, even in different classification, there is main difference for the types of loyalty based on how often the purchase is made (behavioral loyalty) and what is the attitude of a

customer towards brand (perceived loyalty).

The indicators, which measure behavioral loyalty, which are defined as follows:

1) Cross-sell – the number of additional products of the company purchased by the consumer in a certain period of time;

2) Increase in purchases – the amount or proportion of the increase in the size of the purchase of the same product over a certain period of time;

3) Repeated purchases – the number of repeated purchases;

4) Maintenance by the consumer of the achieved level of interaction with the company – the relative constancy of the amount of purchase of the same product for a certain period of time.

The components of perceived loyalty are:

1. Awareness, which is defined as the degree of awareness of the firm's activities in the target market. In addition, awareness can be measured as the number of recommendations from existing customers leading to the acquisition of new customers;

2. Customer satisfaction, which is closely related to the quality of the service. Satisfaction assessment often comes down to assessing the quality of the service. Customer satisfaction is made up of three components: the quality of key benefits; the quality of the service delivery process; perception of the value of the service.

Therefore, the assessment of satisfaction will be carried out in three areas:

a) assessing the quality of key benefits;

b) assessment of the service delivery process;

c) assessment of the value of the service perceived by the consumer.

Besides classification it is also important to consider drivers of loyalty. Matersen et al. (2000) offered a model, which is still used by different researchers in 129 works till 2019.
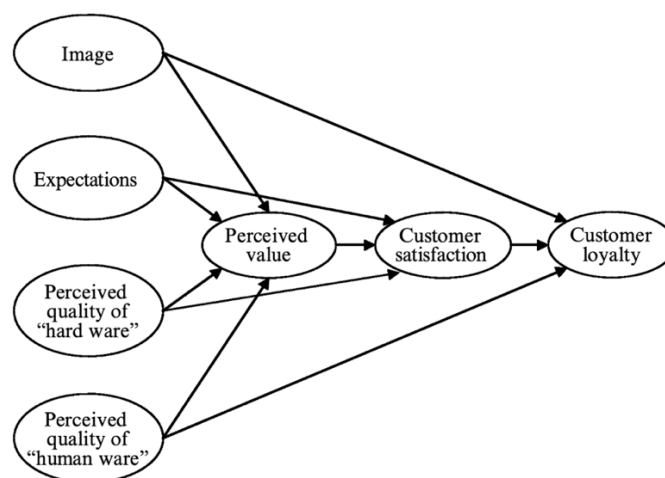

Figure 1. Basic ECSI model.

Source: [Matersen et al., 2000]

This model shows that loyalty is drive by Customer satisfaction, Image of the brand and perceived quality of "human ware". Customer satisfaction is drive by other elements of the model – perceived value, expectations and perceived quality of "hard ware". All elements in the model are interdependent.

Thus, main drivers of loyalty are: Image, which shows the brand of a company, how it is perceived by customers. Expectations of a brand, which customer has. Perceived quality of "hard ware", which is influenced by the quality of product/service itself. Perceived quality of "human ware", which is influenced by personal behavior and atmosphere/service of the environment of the company.

More concrete drivers description depends on the sphere of business, which is examined for insights. Dolnicar, et al. (2011) describe drivers for airlines companies. The main driver is frequent flyer program (loyalty program), which includes the ability to get bonuses or discounts. Other important issues are image as a national carrier, reputation among friends and price at the booking stage. So, here image of the brand is important as in a basic model, but in some particular issues. Expectations and perceived quality are not covered in this model, however it is almost impossible to imagine that they do not matter.

There are other attempts to examine which factors are important to build loyalty. Han et al. (2018) examined the relations between drivers from ECSI model in chain coffee shop industry and added one more variable – perceived value. Perceived value describes the "trade-off between affordability of product an its perceived quality". Thus, it includes both attitude to brand and behavior (purchases).
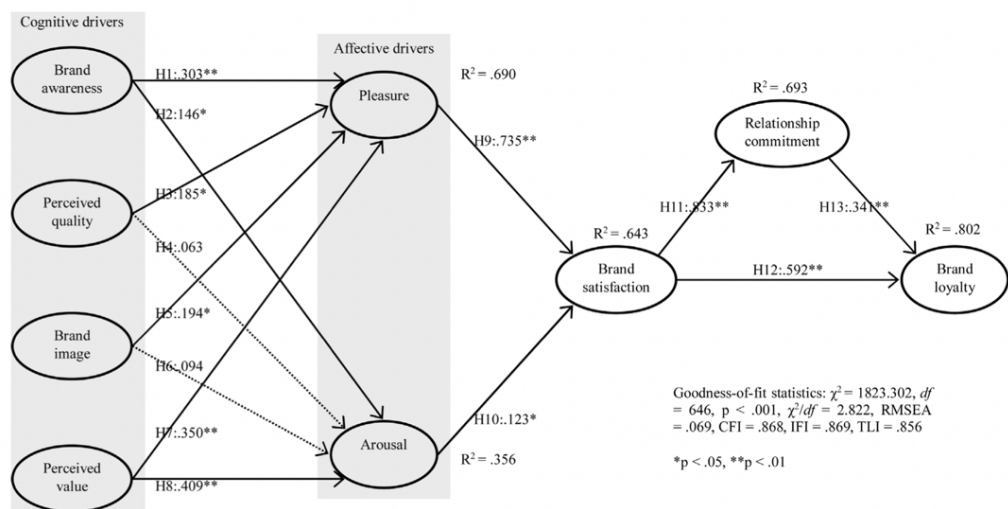

Fig. 2. Structural model results.

Figure 2. Loyalty drivers analysis.

Source: [Han et al., 2018]

In the service industry, perceived value is defined as the consumer's overall evaluation of the economic, technical and relational benefits they receive in return for the payment charge in relation to the firm's competitive alternatives. Interestingly enough, it is the perceived value, rather than satisfaction level, which significantly encourages the consumers' repurchases".

On the first column of the figure there are cognitive drivers, influenced by mental processes, thinking, perception, intuition. On the second column there are affective drivers, influenced by changes in the organism: breathing, pulse, state of excitement, etc. Thus, all drivers in the model have an influence on the brand satisfaction and brand loyalty.

To conclude, brand loyalty is very important part of business, which includes attitude towards brand and repeating purchasing behavior. It comes from brand awareness, perceived quality and value of the brand, brand image and expectations. To manage loyalty in business systematically, special system was developed – loyalty program.

1.2. Brand loyalty program and its design

There are different definitions of loyalty program, with one main difference: "marketing program that is designed to build customer loyalty by providing incentives to profitable customers". Youjae, Hoseong (2003) This definition focuses more on building loyalty and as a result of loyalty – increase sales or other expected business results.

Another definition is: "any institutionalized incentive system that attempts to enhance consumers' consumption behavior over time, which captures a broad span of types of programs". Kim, et al. (2021). It focuses more on achieving final expected results – enhance consumption, not on just loyalty.

However, it is similar that both definitions state system, which aims to achieve business goals, by managing loyalty.

Dorotic, et al. (2015) state the 3 key areas of loyalty programs research: loyalty programs designs, assessment of loyalty programs performance and emerging trends/impact of new technologies.

Starting with loyalty program design, five main design components were formulated by different authors (Bijmolt et al., 2011; Liu and Yang, 2009) and then approved by Dorotic, et al. (2015). However, point structure and reward structure here are united as their meaning now is similar. Here the components are stated with questions which company should answer doing the design of loyalty program:

1. Membership requirements – how customers become members of loyalty program. Should it be automatic or require some action? Should it be hard to join loyalty program?

2. Program structure – form of motivation for customer. Customer may either get some bonuses, presents, cashback, discounts, or be qualified for a tier.

3. Point structure and reward structure – how many types of bonuses or tiers should be? How they are organized?

4. Program communication – how to communicate with members? How to promote the LP and attract new members?

Such structure shows that loyalty programs have variety and depending on the company, or the goal the company tries to achieve, or the industry of a company, the design of loyalty program may be different. At this stage the loyalty program for SMEs does not assume any specificity, as it is important to be aware of this structure, despite the size of a company.

While research in the area of CRM highlights the increase of CRM activity by SMEs, it also points out that despite the potential benefits, evidence of successful implementation is limited. (Hutchinson, et al., 2015) It has been found that for SMEs, CRM adoption activities are flawed not by the technological system but by the employee capabilities of the organization to adapt to the changing process. Authors claim that implementing the loyalty programs to SMEs firms need to take into account some specific factors.

These three main factor groups that impact upon the CRM implementation process in SMEs:

1. Organizational – the team should have enough competences to implement CRM system, it should be ready to deal with counteraction and unwillingness of part of a company. In a small company there is higher risk of not enough expertise about marketing, consumers, segmentation, analysis and other required competences.

2. Technical – the implementation of loyalty programs may require specific equipment, which needs to be purchased and tuned. It requires investments, which are not always affordable to a company. In such situations sometimes for company goals may be found more flexible solution, than the most common.

3. Data quality – how much data should be collected and analyzed, how to ensure relevance, correct collection and other criteria for suitable data, which could be used to make decisions on loyalty programs and business in general.

Although technology factors have arguably been the primary focus of investigation, it is argued that the structural, operational, human and managerial sides of the SME are also integral to success.

There is also an issue of marketing management in SMEs: "On the one hand, SMEs have an opportunity to forge closer relationships with customers, but on the other hand, SMEs multi-

tasking activities to keep the business operational can mean that CRM and marketing are not always a priority." (Hutchinson, et al., 2015)

The second field of the research - the assessment of performance assumes that the company has to set one or several goals, which it wants to achieve by the use of loyalty programs. As it was mentioned before, main reasons why companies implement loyalty programs are:

1. To increase revenue or profitability. This is the most general KPI, however it is hard to evaluate, which revenue or profit was gained from loyalty program. Usually, it may be counted by longitudinal complex research with a lot of data for long period of time.

2. To grow customer loyalty. In case the company has data about previous purchasing history of a client, it is able to evaluate how it has changed with loyalty programs implementation. Other way is to use such metrics as NPS and compare loyalty programs members with others.

3. To increase the level of retention and frequency of purchases. These indicators are easier to evaluate by analyzing purchasing history, by quantitative methods.

4. To return customers who stopped purchasing. The most general instrument is RFM-analysis and development of incentives for churn-segments how to return them. After implementation such incentives, the result is also possible to evaluate.

5. To influence on other KPIs (e.g. % of returns in LaModa, switch to other product inside the same company). Such data is also available in CRM system if the data organization is correct.

As for the general evaluation of performance, there are different ways to do it. Some examples are aggregated by Meyer-Waarden (2006). In general, they assume quantitative research with large number of observations to exclude the influence of many other factors on revenue and to make sure that it is definitely loyalty program's influence.

At its own example of the influence of loyalty program membership on customer purchase behavior, the author comes up with following results:

1. Loyalty programs affect purchase behavior for both market leaders and smaller retailers.

2. Behavioral indicators show that loyalty program members and non-members demonstrate significantly different purchase behavior, irrespective of the time and trading area. Specifically, cardholders have significantly higher purchase intensities in terms of total and average shopping baskets, share of category purchases, purchase frequencies and inter-purchase times than do non-members over the entire three-year period and throughout the trading areas.

Authors	Sector, country	Dependant variables	Research design, sample, method	Results
Mägi (2003)	Grocery retailing, Sweden	Share-of-purchase and share-of-visits to the focal store	Self-reported survey ($n = 643$, 4 weeks), OLS regression	Mixed support for impact of loyalty cards on customer behaviour
Yi and Jeon (2003)	Perfumery and restaurant, USA	Loyalty to programme and brand	Experimental design ($n = 262$), structural equation modelling (SEM)	Impact of program's perceived value on programme and brand loyalty
Lewis (2004)	Online grocery retailing, USA	Basket, customer purchase incidence rate, revenues, number of orders	Online purchase data ($n = 1.058,1$ year), discrete choice programming	Impact of loyalty programme on basket, purchase incidence rate, revenues, number of orders
Taylor and Neslin (2005)	Grocery retailing, USA	Basket, purchase incidence rate, revenues, number of orders	Purchase data ($n = 776$, two years)	Increase sales points pressure and rewarded behaviour impact
Kivetz et al. (2006)	Coffee and music on internet, USA	Inter-purchase time	Experimental design, ($n = 952$). Tobit and logit models	Progress toward goal induces purchase acceleration. Acceleration toward goal induces retention
Meyer-Waarden (2007)	Grocery retailing, France	Lifetime duration and share-of-purchase in the focal store	Panel data ($n = 2,476$, 397,000 purchase acts, three years), GLM, survival models	Positive effects on lifetimes and share-of-purchase. Multiple card memberships reduce lifetime. High share-of-purchase increases lifetime duration

Figure 4. Examples of efficiency evaluation.

Source: [Meyer-Waarden, 2006]

3. There is no conclusion with certitude that loyalty schemes and their associated gratifications change established behavioral patterns over the long term by creating rewarded behavior mechanisms.

4. Finally, author states that, "when they are ubiquitous, retailing loyalty schemes even may entail negative impacts on purchase behaviour through customer saturation. Competitive parity prevails in many retail markets, making it extremely difficult for one retailer to move ahead of the pack without growing its overall market share. A prime reason for this failure is the proliferation of loyalty schemes in most markets (with a greater degree of imitation than innovation), which has destroyed a key reason for loyalty, namely, distinctiveness and differentiation." (Meyer-Waarden, 2006)

The report of Rusbase studies loyalty programs of Russian retailers and states that as even 1% of bonuses may have an average impact on profitability about 14%. Multiplied by billions of annual turnover, these shares show very high costs of loyalty program. At the same time, for the customer this results in a very small sum of money, which will hardly increase loyalty significantly. For this reason biggest food retailers in Russia – Magnit and Pyaterochka – did not launch loyalty programs for the long period, but now finally they did it. The reason for it is complicated – companies expect future benefit from the data collection and aggregation. (Rusbase, 2020)

Data about customers, purchases, goods could be used for assortment management, pricing, storage, supply, logistics management and marketing activities. This causes long term pay-off for loyalty programs. There is no data available about the reasons why fast-food chains and many

other companies recently launched loyalty programs, but it may be suggested the same reasons as in retail sphere: without big data collection and usage loyalty programs for well-established brands are not profitable. According to the article of Hoffman (2008), the US retail industry is headed toward a zero-sum game, a place where growth comes from taking customers away from competitors. In any other market, classified as "red ocean" market, where is also slow growth rate, there is also shift toward a zero-sum game. In such situation the implementation of loyalty program by one company means that extra revenue, gained from additional loyalty will decrease the revenue of competitors. This leads to the situation, when every company on a market has to implement its loyalty program. The same is seen in retail or fast-food market in Russia.

1.3. Emerging trends/impact of new technologies on brand loyalty programs

The third field of the research is - emerging trends/impact of new technologies, which was separated into paragraph, as trends in industries and loyalty programs often change. Hutchinson et al. (2015) try to analyze the data on existing shops to formulate key ideas on loyalty card usage in retail sector. The authors use qualitative and longitudinal case studies. Data is collected from different types of sources, including observations within a firm, semi-structured interviews and the analysis of documents of a company.

The first outcome of the research is deep analysis of existing works on the loyalty card usage, CRM implementation in retail, which is also connected to the loyalty program development. Then final results of the research are formulated in a formalized instruction for managers how to implement the loyalty program using CRM system. The model proposed by the authors has many detailed features in each stage of the loyalty program development. It includes both marketing and organizational issues of the loyalty program implementation. Thus, it may be partly generalized with limitations of the retail sector and within the same size of the business. Also, as it includes many factors, in other sectors, developing the loyalty program it is possible to partly use these ideas.

The results of research done by Loyalty Barometer Report (Retailer, 2019) show some new trends and insights on consumer behavior in loyalty context:

1. Unexpected surprises add much value to the customer perception, this may also be related to adding more personalization to offers of loyalty programs.

2. New technologies for shopping – chat-bots, in-apps shopping, etc.

3. Discount is now not the most popular offer by loyalty program. Bonuses, cashback, presents are more attractive offers.

4. Main dissatisfaction is caused by too complicated loyalty programs and too much spam.

5. The most important factors to develop customer loyalty by the opinion of customers: make the process of purchase more convenient, solve problems fast, make personal offers.

The most noticeable trend for loyalty programs is mobile app usage. According to Thakur (2018) and Baalong, et al. (2018) it is very important to follow next implications:

App should have a user-friendly interface with intuitive orientation, easy accessible features, and easy payments. It will increase efficacy to continue using the loyalty app. Furthermore, interactive help ensures consumers to choose the products based on purchase history and upsell is likely to increase customer efficacy in the usage of a loyalty program app.

Also service experience as consumers convenience is likely to generate both self-efficacy as well as satisfaction for intention and positive word-of-mouth. Convenience is one of the key reasons for which customers shop using mobile apps as compared to other channels. Well established customer responsiveness forces use of tools and features that influence an self-efficacy of an app and satisfaction among consumers. The study of Thakur (2018) confirmed that these are predictors of loyalty, and positive WOM, the most desired outcomes for e-retail practitioners.

This is a risk for SMEs, especially small business, as the development of mobile app, which would include all trends, good support and updates, which will follow principles of customer development and design thinking to ensure that it is done convenient for consumers requires high competences and budget. On the other hand, as SMEs need to take into account fewer factors and fewer users support, it could be easier to launch an app faster.

The examination of trends should include the understanding the specificity of an industry. For instance, here are some findings of Wei-Ming, O. (2011) and Baolong, M. (2018) for retail industry:

1. Membership Card and Lottery Draw of customer loyalty programs have a significant positive impact on loyalty. This is also approved by Loyalty Barometer Report (2019).
2. Consumers usually show high expectations on the gifts of customer loyalty programs provided by the retailers. Therefore, the gifts chosen should try to meet consumer expectations as closely as possible.
3. Relationship commitment significantly impacts customer loyalty; hence, the higher the commitment, the more willing the customer is to spread word of mouth and provide recommendations. Examples include: public welfare activities, social group management, and society activities.
4. Marketing activities should be created to meet customer consumption habits, especially for customer loyalty programs. For retailers to establish good customer loyalty, not only is service quality, relationship quality, and good customer relationship management important, but the design of customer loyalty programs must also be able to provide

differentiation.

These trends could be followed also by SMEs retailer, during the development and management of loyalty program.

The frameworks, which are used in loyalty programs design are constantly improving and changing. One of the examples is Kim et al (2021), who tried to examine many current trends and findings in loyalty program development into a model, which describes elements, which should be considered during loyalty program, development and improvement:
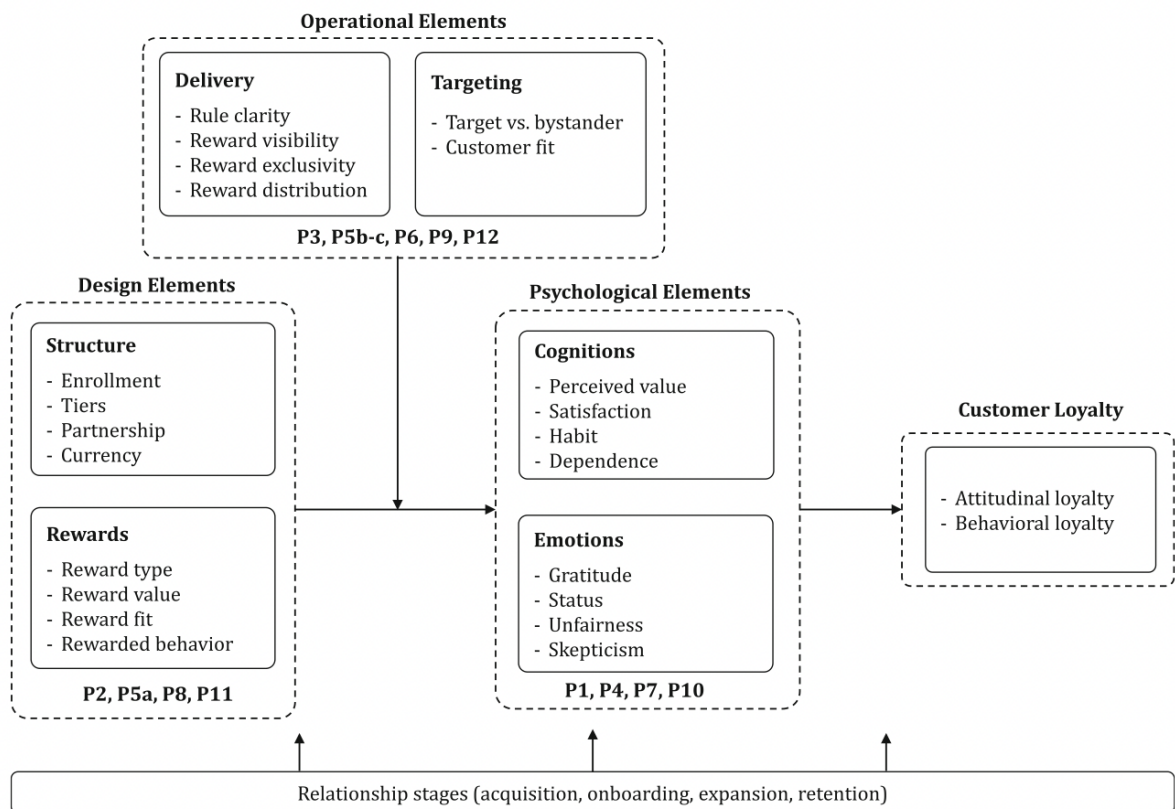
Figure 5. Integrative conceptual framework of loyalty program effectiveness
Source: [Kim et al, 2021]

Design elements here include structure of the program: how customers join program, are there any tiers, does it assume partnership? And rewards: type of the reward, its value, what is the rewarded behavior? These questions should be asked. Then there are operational elements – the delivery of loyalty should be organized and supported by marketing or sales campaign or other means of activation, the rules should be clear, the target audience should have an interest in the program. Then psychological elements occur: cognitions and emotions, which finally lead to customer loyalty.

What is more, the construct of relationship stages should be taken into account while

developing loyalty program: acquisition – what should be done to acquire members the best way? Onboarding – how to activate members into active members? Expansion – how to make current members even more active, motivate them to invite others? Retention – how to keep members with us, do not increasing churn rate? These stages describe ideal customer journey or funnel, at each stage the conversion should be analyzed and the points of improvement should be developed.

From this perspective, at first we should research current trends in **design elements**. There are different findings in the current trends in the structure of loyalty programs by Kim et al (2021):

Loyalty program structure

1) The addition of different levels (tiers) increases the perceived status of members. Even customers who does not have status would choose loyalty program with more than one tier, for instance, Silver, Gold and Platinum signal status. (Drèze and Nunes 2009). Thus, having different statuses is important and adds gamification and motivation to increase the status.

2) Loyalty programs partnerships influence good both on the brand, which launched loyalty program and its partner. Cross sell helps to increase sales for both partners, specifically in case when products or services of companies are complement and the link between them is strong. Lemon and von Wangenheim (2009). However Shumann et al. (2014) found that such strategy of partnerships also has risks – in case there are some problems with customer experience with a partner, its negative experience may spread to the company's brand. Therefore, the partner choice for the loyalty program should be careful. It is advised to choose a partner with complementary goods/services and the reputation and behavior of the partner should be very predictable.

Loyalty program rewards

3) Strong attitudes and benefits from loyalty program, customer discounts and coupons, cause the satisfaction from the brand. Light rewards, such as exclusive services to program members, cause loyalty towards brand. Satisfaction from the brand intermediates relationship between loyalty program and loyalty towards brand in the retail sector. Bridson et al. (2008). The study adds value to this area by finding an additional dimension of store loyalty, word-of-mouth, which offers a more holistic view of the design.

4) In cases when financial benefit from loyalty program somehow looks or appears lower than expected, it may cause negative reaction from customers. In such cases correct and clear verbal clarifications may decrease this effect. (Liu, et al. 2015) This study states that non-direct-financial or non-financial at all rewards are perceived more positively, as they are harder to estimate and compare with the expectations of the customer.

As for the **operational elements**, there are also different findings, selected by researchers:

1) As a reward delivery, it is important to ensure that if loyalty program status includes preferential treatment, when it is demonstrated to others it may cause negative emotions if others

have the same membership status. If other people have other membership status, negative effect is not very strong. (Jiang, et al 2013).

2) From the work of Steinhoff and Palmatier (2016) it was approved in different spheres that loyalty programs effect of differentiation on both current members and buyers without membership there are 3 main directions of influence: gratitude (positive treatment in a service), status (demonstrated in public) and unfairness (price differentiation or bonuses/other rewards) and effects of program delivery - rule clarity, reward exclusivity, reward visibility. These points should be considered while developing loyalty program for different spheres – coffee shop, hotel, airline, etc.

As a result of design and launch there are **psychological elements**, which should also be taken into account. There are several findings, which should be considered:

1) Members of loyalty programs, who have even artificial visible progress towards goal have motivation to proceed, complete tasks and achieve aims of loyalty program. (Nunes and Drèze, 2006) This again proves the importance of communication process for loyalty program members, clear rules and reminders.

2) Cognitive bias of risk aversion more than perceived benefits from profits also presents in loyalty programs emotions. Wagner et al. (2009) prove that negative effect from the lost of tier/status is stronger and brings more negative to brand perception than the achievement of the tier adds positive perception. This study covers such issue as the reputation and other risk caused by cancel or change of loyalty programs. It may cause loss of loyal customers, who are used to several level of benefits.

Also modern studies pay much attention on the reasons of failure of loyalty programs. Yadernaya (2014) states several reasons why loyalty programs do not work or do not work as intended:

1) Clients are reluctant to disclose their personal data or provide false information to the company.

2) Buyers willingly share loyalty cards and bonus offers not only with family members and close friends, but also with acquaintances and acquaintances of acquaintances. As a result, information about the purchase history is not formed correctly enough, which gives an incomplete effect when used as a tool.

3) Analysts themselves do not fully or incorrectly process information that comes to them, which makes loyalty programs ineffective. So, relying on the data of loyalty programs, companies often do not take into account individual elements of the consumer behavior model and influence those "points" that have no value for the client.

How to work with these problems, author proposes the "carrot and stick" method. On the one hand, in order to obtain optimal sales data, of course, it is necessary to limit the possibility of using a loyalty card by a non-customer. The logic is not even to avoid giving a discount or bonus to a non-customer, but in the absence of distortion of sales statistics when analyzing data from the card, otherwise optimal planning of cross-selling, stimulating the frequency and number of positions in the check will be difficult.

On the other hand, this restriction can be achieved not only by a direct ban and verification of the client's data when making a purchase, which can be conditionally attributed to the "whip" method. As a "carrot" method, you can offer a reward to the client for the desired behavior. So, if a client brings a friend, then he can use the "guest" discount equal to the client's discount, while getting the opportunity to accumulate on his personal account as opposed to saving on the account of the company's current client, while the latter also receives bonuses, i.e. a kind of pyramid principle is involved.

It should be beneficial for a new client who came on the recommendation of an existing one to create their own profile and receive their own offers, taking into account only their needs, including information about promotions and special offers of the company.

Turning to the next problem - the provision of incorrect information by customers, we highlight the following aspects.

1) The benefits of providing correct information about yourself should be obvious to the client. Getting news about special offers and sales point events is obviously not a sufficient motivator, because you can find out this information on your own on the company's website or in social networks. On the contrary, getting special promotional codes that are not published anywhere else is a weighty argument. The ability to save a wish list and manage a wardrobe, track prices and receive discounts on requested items are also important incentives to leave contact information about yourself.

2) The frequency and method of communication with the company must be clear to the client. In this context, the cashier's remark that mailings are made no more than twice a month may be very appropriate. The consumer should be aware that by providing incorrect information, he will not be able to take full advantage of the loyalty card. This is not about blocking the card and not providing the accumulated discount or bonus, but about the fact that without receiving information about special events, promotions, co-branding, accumulation will be slower. So, when calling a code word from the mailing list, the client can receive an additional discount.

As a reward for providing correct information about themselves, the seller offers the client a one-time significant bonus, which is sent to the client by SMS or e-mail (depending on the contacts left) in gratitude for the correct registration. If you want to register an additional family

member on this card, you should not only impose a restriction on the collective use of the card, but at the same time offer an incentive for registering an additional card (with saving accumulation, but with a separate purchase account), additional bonuses on the main card when issuing a card to a friend or acquaintances, collective offers for each using their own loyalty card while making purchases, etc.

In fact, author proposes many very simple ways to eliminate the risks of loyalty programs, but the most important recommendation is to strike a balance between restrictions, avoiding direct prohibitions, and incentives, making them not maximum, but attractive to the buyer. For the client, the benefit of the model of behavior desired for the seller should be obvious - only this will encourage a conscious desire to provide correct data about themselves and information only about their purchases, which ultimately will help the sales department to stimulate repeat purchases, increase in the number of items in the check and cross-sell certain product categories, while satisfying the needs client in the best way, what is the original essence of marketing as a concept of market management of sales.

It it also important to study trends among consulting reports, practical articles and posts. Authors from McKinsey & Co – Carluccio et al. (2021) published big study on loyalty programs trends. Main conclusions from the article are:

1) After the COVID-19 pandemic there are big shifts in the changes of consumer behavior. "More than 75% of consumers have changed their buying habits in the past 18 months — and are increasingly willing to change brands."

2) Loyalty programs are still valuable for the companies and can make great positive impact on business, in case they properly designed and managed.

3) The most important issue is to find new ways how to collect, analyze and use correct data.

Also there are main principles how to construct or improve loyalty program:

1) More competently work with bonuses. Many companies are afraid to encourage customers to spend bonus points more actively; they feel that this practice reduces the value of bonuses. But a well-thought-out reduction in the cost of bonus purchases allows you to activate dormant consumers and get additional revenue without a long-term negative effect. Current losses will be made up many times over by repeat purchases from the most loyal customers.

2) Analyze unused bonuses. If unused points burn out, this may indicate a problem: for example, that offers are not interesting or relevant for customers, that the threshold for receiving rewards is too high, etc. Therefore, it is important to analyze underused points by customer segments, and special attention should be paid here the most profitable client groups.

3) Expand the range of offers with the help of partners. Partnerships provide access to new customers and data, unlock new benefits for customers, and increase brand awareness. But if partnerships are poorly designed, they can backfire: products and services offered are not relevant to customers, benefits and discounts are easier to get through other channels, rewards are too hard to get, and all of this is annoying. Therefore, it is important to think through all the terms of the partnership from the very beginning, including the process of obtaining remuneration, economic indicators and benefits for each of the parties.

4) Evaluate success not only by the number of new participants, but also by their activity. According to their research, an active member of the program generates 10% more sales than an inactive one, and an active user of privileges spends 25% more.

5) Segment customers by behavior, not by needs. As a result, incentives and other measures not only take into account the current needs of customers, but also push them towards a targeted behavior model, based on which they can create a personalized customer experience.

Authors claim that the competition for loyalty now has become even stronger – and constant improvement of all processes, rewards, analysis of data is very important to succeed.

One of the biggest consulting companies - "Accenture" in their presentation, devoted to loyalty programs development offered another framework how to construct loyalty strategy and loyalty program. (Figure 5)
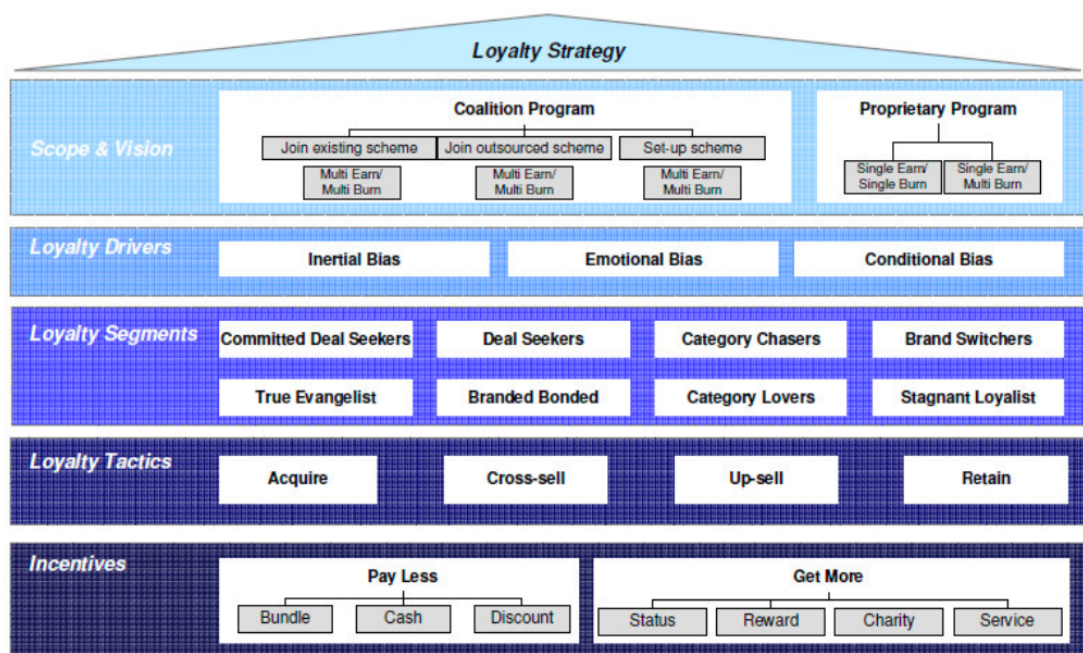

Figure 5. Loyalty strategy framework (Accenture, 2020)

Loyalty strategy defines scope and vision of the program. Then 3 main loyalty drivers which can be inertial (low involvement and attitudes, but behavioral - purchases), emotional (high attitudes and behavior) and conditional (rational loyalty). Then loyalty segments need to be classified – not obligatory like in the framework. Then there is loyalty tactics for each segment. And finally exact incentives are formulated – rewards system.

This framework again offers the structure and steps how the company can build loyalty program – from top to bottom.

Another issue is the exact tools of the loyalty program management – **CRM systems**. There are many ready solutions on the market, which provide the opportunity to implement, develop and manage loyalty programs. The world market leaders are software developers such as Oracle, SAP, Epsilon.

For the most popular solutions, which could be affordable for large enterprises are:

1) Oracle CrowdTwist, which is a cloud-based customer loyalty management solution. The service allows brands to apply an individual approach to their customers, create loyalty incentive programs using the collected behavioral data. It allows to track a variety of spending behaviors and customer habits, including reading articles, shopping, writing reviews, referring friends, and more. Built-in predictive analytics automatically collects customer data and transforms that data to deliver personalized, targeted content and rewards to maximize conversions.

2) SAP is a full-featured CRM platform for a wide range of business industries, including an advanced customer loyalty and rewards management module. SAP is an enterprise level, no more no less, high-tech software. Advising brands on the part of platform employees in developing a strategy for interacting with customers. Manage customer loyalty program through web channels, interaction centers and social networks. Manage loyalty points and reward accounts. Providing access to inter-brand cooperation within the platform to provide a wide range of products and services used in loyalty programs.

3) Annex Cloud marketing platform provides solutions for loyalty management, referral marketing, and services for managing user generated content. Many well-known brands are users of this platform, including Hewlett-Packard, Bed Bath & Beyond, G.H. Bass, Olympus and VF Corp. It is multichannel. Collection of behavioral characteristics of customers. Management of paid membership, club loyalty. Gamification of programs. Check scanning service with customer reward processing.

However, such solutions are generally not affordable for small and medium enterprises. Limiting company total spendings on the loyalty program by 10% from the revenue, the total spendings on the it solution should be limited by 1-3% of the revenue. Then, taking as an example

"Aksessuarnaya #1", the expected cost on managing the loyalty program should be less than 50-100 thousand rubles per year per each shop. (less than 400-800 thousand rubles per year in total of 8 shops). In such segment the following solutions are available on the Russian market:

1) GetMeBack. Offers different mechanics. The average expected price for "Aksessuarnaya #1" is between 300-700 rubles per year, depending on the functionality. The functionality includes branded mobile app with personal design, CRM database, segmenation, notifications, sms-verification, technical support, integration with cashbox solutions 1C, IIKO, r-keeper, MoySklad, etc. Also offers cheap solutions for less quantity of shops – from 40 thousand rubles per month.

2) JoyS. Full functionality of the bonus loyalty program, including: welcome bonuses, automatic bonuses on birthdays, automatic bonuses for events (holidays, etc.), manual accrual of bonuses, card groups (silver, gold, platinum), promotions and special offers, sales statistics, uploading the database of customers and sales data, unlimited number of accounts for managers with different access settings. The cost of such solution for "Aksessuarnaya #1" is 133 thousand rubles per year, what is cheaper, but does not offer branded mobile app and all cashbox integrations.

3) Mindbox. The experts with many publications devoted to loyalty programs in Russia. Includes marketing consulting, analytics, individual approach, the integration costs and smart individual solutions. More applicable to medium, not small business, as the starting price is 2000 thousand rubles per year, what could be not affordable to business with the yearly revenue less than 100 million rubles.

There are also examples of systems, which offer most of functionality of GetMeBack, including the integration with cashbox and most of communication tools, except personal mobile app. From the examples there are BonusPlus (80-100 thousand rubles per year), MaxMa, (100-120 thousand rubles), +Plus (150-200 thousand rubles), Bonus Money (80-160 thousand rubles), Tuvis (120 thousand rubles). Most of solutions offer the same functionality and operate on the same price range, so final decision should be based on the required functions and final price calculations.

One more trend is the reasoning. The companies do not often realize what is the purpose of launching the loyalty program. At the very first stage the management of the company should realize what are strategical and tactical benefits, the company is expected to gain from loyalty program? Is it the best way to achieve corporate goals? At least, will loyalty program pay-off? To solve this problem there is analytical approach, described in the previous paragraph by Galvão, et al. (2018), that requires the formulation of goals, which the company expects to achieve and step

by step design of the program, starting from the analysis of all aspects of the market, and finalizing the description of value and satisfaction, expected to gain by customers.

To conclude, there are 3 main areas, which were examined: loyalty programs design, loyalty programs efficiency evaluation, loyalty programs trends. Most of implications above – about the loyalty program structure, types of rewards, CRM systems for loyalty programs, current trends in customer behavior – may be used in further development of loyalty program for the company, taking into consideration size limitations, budget limitations, competences limitations and economies of scale limitations. If considering all these limits, the feature or principle is still applicable for SMEs, it may be implemented.

1.4. Main features of small business in terms of loyalty programs

In Russian official state law #204-FZ a company can be attributed to a small business by the following characteristics: it is a presence of 16-100 employees and the revenue from the activities or the book value of its assets does not exceed 400 million rubles according to the results of the remuneration of the year. Business entities with up to 15 employees are recognized by the same definition of small business as micro-enterprises and their annual income or book value of assets should not exceed 60 million rubles.

By analogy, a definition is formulated for the category of medium business. It involves an enterprise with 101-250 employees, whose annual income or book value of assets does not exceed 1,000 million rubles. The definition of a small business, as well as a medium one, with reference to the law on accounting and the Tax Code of the Russian Federation, involves the calculation of proceeds from the sale and / or the value of assets in accordance with the norms established by the government of the Russian Federation.

This work is focused on micro-enterprises and small business, which is close to the micro-enterprises by the indicators, such as revenue and number of employees, which influence the features of loyalty programs development for small business.

Depending on the affiliation of a small business to a particular industry, there are three types of it:

1) **Manufacturing business**. The field of activity is the production of goods. It includes construction, industrial, automotive, pharmaceutical enterprises, as well as light and food industries.

2) **Commercial, financial business**. The scope of activity is the purchase and sale of goods. This includes wholesale and retail stores, intermediary firms, pharmacies and gas stations, etc.

3) **Service business**. The most common in world practice, because it is easy to set up and service activities are in high demand. (Executive, 2021)

Considering loyalty programs, there is a focus on the B2C segments of business – commercial and service businesses, which work directly with customers, who could join loyalty program. Among the main limitations of such types of business, attributed to the small business:

1) **Budget limitations**. The loyalty program it solutions price starts from 100,000 rub per year per 1 shop to 200,000 and more. The numbers are presented in the paragraph 1.3. In addition, there is a need to develop the project – marketing materials, structure, analytical background. Also, there is a need to pay for exact discounts or bonuses or other rewards from loyalty program before it starts to pay-off. The cost of fully organized and developed solution with system, plan of analysis starts from 1-2 million rubles per year. As usual microbusiness consists of several units – shops or barbershops or cafes, etc., the average revenue per unit per year may lay between 5-10 million rubles. What is more, the EBITDA may lay between 0,5-2 million rubles per year. In such case, part of it-solutions become non-affordable. That is why, the solution should be affordable.

2) **Staff limitations**. The successful loyalty program management requires specialists – CRM-marketer-analyst, who will analyze the data, look for insights, launch special individual offers, do segmentation, manage loyalty. Also, it requires time of general marketing staff, designers, managers to synchronize the management of the program – its offers, communications, promotions.

3) **Data limitations**. As it was found in trends analysis, the most value of the program could be gained by the use of big data analysis, which could be used for sales prediction, behavior analysis, accurate segmentation, hypotheses testing. In small business the data amount is limited as the companies are smaller, less sales, less customer database. The strategy based on these data is less accurate as may have more mistakes.

4) **Scale limitations**. As the small business needs to pay-off the loyalty, which was acquired by loyalty program, it needs accessibility of its units – shops, cafes, coffee points. In case if there is a small business, which does not have enough coverage of its units, it may lose part of loyal clients, on which the budget was already spent, in case of closure of nearest unit or if customer moved to another part of the city. In such case the economy of scale works worse than in medium and large business, which has better coverage.

However, despite these facts, small business is also interested in increasing the loyalty and improving marketing instruments, using loyalty programs. These features should be taken into

account while considering the launch of loyalty program – it should suit to the budget of micro-enterprise, it should consider the problems of lack of marketing staff and their qualifications, it should be able to use data analysis on smaller amount of data and it should pay-off in companies with not many branches.

This brings the idea of the need to develop main principles of loyalty program development for a small business, using the data, which was found and extra research, done in this work.

2. EMPIRICAL STUDY OF THE LOYALTY PROGRAM DEVELOPMENT

2.1. Research design

As the company needs to retain customers and improve or at least retain the volume of sales and average check, it faces the need to increase loyalty towards the brand of the shop. To increase it considers the possibility to launch loyalty program. The loyalty program could be a solution, which helps to solve current problem. To evaluate the possibility of the development of loyalty program, it was decided to create draft of the most suitable solution to analyze its perspectives.

All components of loyalty program are organized and performed by CRM system, which contains the database with all required data to perform all processes. By doing the research Galvão, et al. (2018) try to "explore marketing analysis by developing a customer loyalty program approach for SMEs in the service sector based on the CRM in the context of an emerging economy". This means that they are also interested in the loyalty program development for SMEs. Authors state budget limitations of small business in developing the loyalty program. In the introduction they describe the examples of studies which offer different IT systems and their possibility to be implemented. Also, authors state the importance of taking into account customer peculiarities, which are easier to access for small business, than for huge firms.

The results of the research describe 4 steps of the loyalty program development with the information sources and management tools, based on the case study.

At the first step the competition and the market are identified, this step could be performed by the person who is responsible for loyalty programs development. It has to have understanding how questionnaire is done, how to perform the audit of current situation. Management tools are stated at Figure 3.

At the second step customers are segmented and differentiated. Here the general marketing skills are required, but this stage also may be performed by internal sources, if a company has required marketing specialists.

Then mechanisms for relationships are developed. This stage require expertise in loyalty programs, assuming competitors analysis, the analysis of current trends, skills in marketing, psychology, customer development, etc. This step and the next step "offer individualization and satisfaction" are the most important and general success of loyalty program highly depend on decisions made at these points.

In recommendations for further research authors also state the possibility to check the application of the model in other markets and spheres to make more generalizable conclusion about universal loyalty program development.
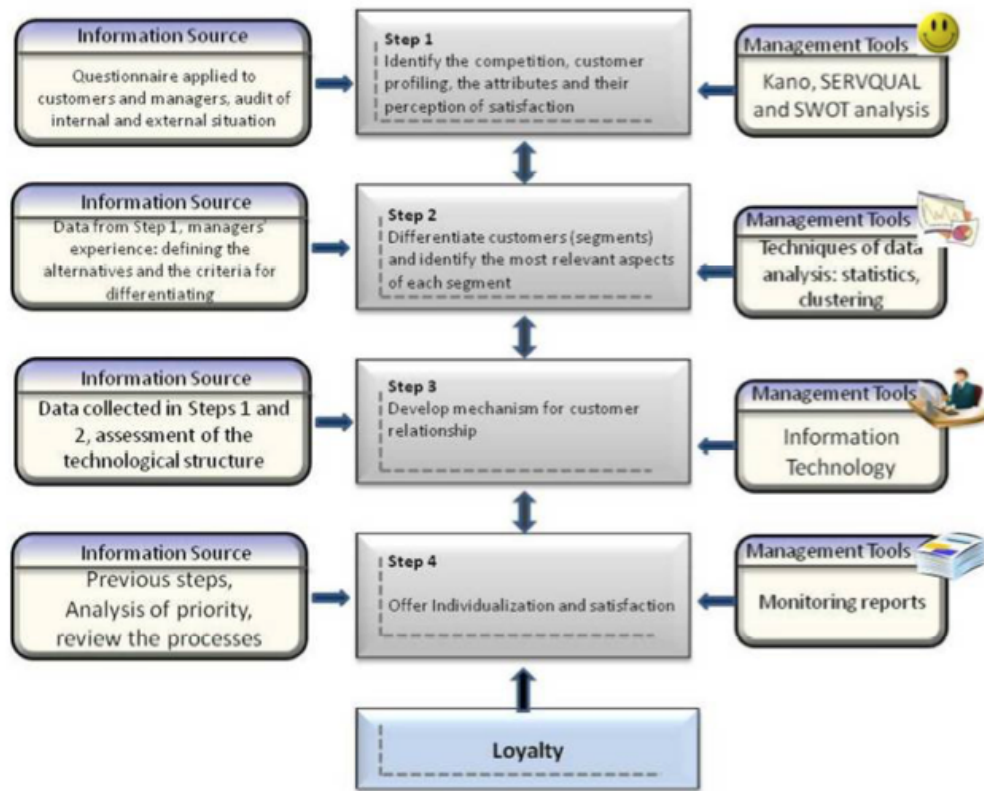
Figure 3. Loyalty programs approach for SMEs.

Source: [Galvão, et al., 2018]

For the deeper analysis of the last 2 steps and to choose the most appropriate structure of the loyalty program for SMEs it is required to perform extra research among customers and loyalty experts – interviews. As there is lack of loyalty program studies devoted to SMEs, especially to the concrete small retail companies, to answer the questions and make the plan of the research, the structure of 6 W's (Marketing research, 2012) were used:

Table 6. 6 W's of the research

Who?	Current customers of "Aksessuarnaya #1"; potential customers of "Aksessuarnaya #1"	representatives of SMEs, responsible for the marketing decisions – both companies, which already have loyalty programs and those which still do not have it
What?	How the decision of purchasing accessories is made? Which loyalty programs already use and why? Which offers did not use and why?	If the decision of launching loyalty programs was considered, how it was made? What are the results?
When?	April 2022	April 2022
Where?	Face-to-face passing by customers in shopping mall	By phone
Why?	To compare both types of responses from customers and marketers and use this information and insights for decision making about loyalty program for the company	
How?	In-depth interviews	In-depth interviews

Source: [Marketing research, 2012; own research]

When research is focused on testing some specific hypotheses, it uses mostly quantitative methods like Sreejesh, S. and Abhigyan, S. (2015); Meyer-Waarden, L. (2006). However, when there is a need to examine the possibility of implementation in uncertain situation, when there is not much information on the topic, there are qualitative methods - Hoffman, J., Lowitt, E. (2008), etc.

To reach stated in the beginning goals the research will include qualitative methodology. In-depth interviews both potential and current customers of "Aksessuarnaya #1", will be carried out to find main insights – how to develop loyalty program. Also, there will be expert in-depth interviews with people, who are responsible of decision-making in SMEs, from the companies which already have loyalty program and which still do not have it.

An in-depth interview is a qualitative method of analysis that explores the needs, expectations, challenges, and concerns of product users or target audiences. An in-depth interview involves a personal conversation. Features of an in-depth interview - it helps to better understand the feelings, past experience, way of thinking, beliefs, motivation of the respondents.

The purpose of an in-depth interview is to get answers, insights that could not be found under other conditions. The study will help to avoid mistakes in communication with the audience and the cost of ineffective advertising.

In-depth interviews can be divided into: problematic — as part of the study, hypotheses about problems are tested: for example, why users find the service interface inconvenient; and decisional — they test hypotheses that will help reach the goal: for example, will the redesign of a cloud product make it easier to work with it. In this research the decisional type will be applied.

To perform sampling for in-depth interviews of customers, the strategy is presented in the table 7.

For in-depth interviews sampling required covering all segments, which are important to consider and questioning at least 2 people in each segment. If the 2nd person in any small sub-segment gives any new insight, then such sub-segment should be deepened by 3 and more people. If not, the research goes to the next sub-segment. Finally, there are 33 interviews.

The segments, which are chosen for sampling were described in the paragraph 2.1 – here we also add groups of current customer and people, who are not our customers yet. Each group is divided by the smartphone brand – iPhone or others, by the gender and by the age.

The territory, where the in-depth interviews were conducted are in Saint Petersburg, in shopping malls near the existing shops of "Aksessuarnaya #1" – shopping malls "RIO", "Zanevskiy Kaskad", "Park House".

Table 7. Sampling of customers for in-depth interviews

Current customers								Still not customers but able to become							
iPhone owners				Non-iPhone owners				iPhone owners				Non-iPhone owners			
male		female		male		female		male		female		male		female	
<45	>45	<45	>45	<45	>45	<45	>45	<45	>45	<45	>45	<45	>45	<45	>45

The dates of collecting the interviews were: 8 - 18 April 2022.

The guide of conducting the in-depth interview of customers includes general questions for the research tasks, but it does not assume having exclusively these questions, there may be added some more detailed questions, depending on the answers of respondent:

Warm up questions. Asking for the name, age and current smartphone brand.

Accessories details. Which accessories for smartphones do you use and how? How often and where do you usually buy these accessories? Why? How can you evaluate your satisfaction of the current place where you buy? Could you tell examples of some positive and negative experience in buying and using accessories? What is important in the choice of accessories? Why? Does your preference change in the last 1-2 years, if yes, please tell, why? What can be a reason why you will change the place where you buy accessories?

Loyalty programs details. Which loyalty programs do you participate? Why? What do you like and don't like in them? Which loyalty membership or cards do you have but not participate? Why? Please tell if you have examples, when you choose a particular shop or brand because of loyalty program advantages? Which rewards, bonuses you like mostly and why? If the accessories shop launched loyalty program, which type of rewards may motivate you to switch to this shop (to buy even more)?

Final. Where are you going to buy accessories next time and why?

The second part of the research is expert interviews. The experts are 6 people from small businesses, who also faced the need of implementing loyalty programs. These people are responsible for marketing in their companies. 3 out of 6 represent companies, which finally implemented loyalty programs and the rest 3 did not implement it. The results of the interview should also help to discover patterns in making decision how to implement loyalty program, what is important to consider and why some of them decided not to implement it at all.

The experts represent the following types of business: another chain of accessories for smartphones shops, computer cybersport club, chain of fast food cafes of doner, studio of printing on clothes, coffee "to go" café and barbershop. All companies are located in Saint Petersburg,

work in B2C segment, represent small business, assume repeated purchases, so the results may be relevant for different SMEs, including the company "Aksessuarnaya #1".

The guide for in depth interviews of experts includes more questions and may be supplemented with more clarifying questions during the interviews:

Warm up. Asking for details about the company, duties in a company (the existence/absence of loyalty program was questioned before the interview) What are your duties in the company? How does your company attract new clients / retain existing clients – which channels and activities do you use? Which activities do you consider as efficient / non efficient? Why?

For those who have loyalty programs. Please tell about loyalty program which you have. Why did you decide to launch it? What instruments do you use to manage it? How long does it exist? How did it change over the years? Why? How do you understand if your loyalty program conditions are relevant to your customers? How do you work with inactive members / attract new members? How is your program different from other programs? Do your competitors also have loyalty programs? What features (if there is any) do you think provide competitive advantage? How do you evaluate its efficiency? How often do you evaluate it / change it / request for feedback? How much do you spend on loyalty program? What are the benefits of loyalty program for the company? How do you inform customers about the loyalty program and its conditions? What channels do you use when you want to inform program members about any changes?

For those who do not have loyalty programs, but considered the possibility to launch it / or had it before but closed. Please tell the attitude of your company towards loyalty program? If you had it before, tell about its rules, mechanics, evaluation, reaction and why it was closed? What was the reaction of members after closure of loyalty program? If you did not have it, please tell why you did not launch it? What did you consider, what were the points of analysis? Do your competitors have loyalty program now? Are you considering the launch of loyalty program now? Why? What other retention mechanics, such as coupons, notifications do you use? Why?

2.2. Results of interviews

The interviews conducted were analyzed, all findings were grouped by key topics to find the most noticeable insights:

1) Accessories purchase insights.

Brands of shops. There is usually no attachment towards any brand of stores. Respondents buy accessories in the most convenient channel, which is affordable now – they may combine both

accessories' shops and marketplaces or different chains of cell phone salons and chains of electronics and home appliances. Even those, who are fully satisfied with the range and price of particular shop, including "Aksessuarnaya #1", may consider purchasing in other location.

Brand of accessories. Most people don't remember any brands of accessories, even those which they use now. There may be recognition of brand of accessories, if it was bought by original producer of a smartphone – Samsung, Apple. Or if it is a famous brand of electronic devices – for instance, JBL for headphones. In other cases, no one recognizes or remembers the brand of their protective case, protective glass or band for smart watch. There are several exclusions: protective glass for smartphone, brand "Remax" is very popular among iPhone users, also for cables or headphones some people recognize brand "Hoco".

Quality. Many respondents remember negative experience of purchases, connected with poor quality of different accessories – especially headphones, wireless headphones and protective glass for smartphone. Very important point is the quality of installation of protective glass on the smartphone. There were some mentions of the negative

Prices. Most people consider prices in cell phone salons quite high, especially regarding the service of the installation of protective glass. There are some people who are surprised buy the low prices of "Aksessuarnaya #1" and state this as an important advantage, comparing to competitors. At the same time more than half of respondents stated that small price difference is not very important: 100-200 rubles.

Service. Customers evaluate average service as satisfactory, however some people stated queues as a problem of the "Aksessuarnaya #1".

Changes in preferences. Many respondents partly switched from offline stores to marketplaces due to the choice and prices. However some customers do not see any point of buying online as the price of "Aksessuarnaya #1" is close to AliExpress and other marketplaces. Some respondents stated that during last years they switched their preferences of buying accessories on "dirty street markets" such as "Apraksin dvor" and "Yunona" to purchasing on marketplaces or accessories offline stores, because the price difference became less than it was 1-3 years ago.

Where to buy next time. Most of current customers of "Aksessuarnaya #1" are going to continue install protective glass in the same shop, however lack of some accessories in stock may motivate them to use marketplaces.

2) Loyalty program usage.

Recognition of programs usage. Most of respondents remember 3-7 loyalty programs, which they use. The most popular categories of loyalty programs are supermarkets – "Lenta", "Pyaterochka", "Magnit", "Perekrestok", "Vkusvill". The next category, which customers

remember that they use is non-food shops – "Sportmaster", "Fix Price", "Ulybka radugi" and others. Less popular categories are: online services – "Yandex Plus", "Apteka.Ru"; pharmacies; gas stations; café/restaurants – "Tokyo City", "Eurasia", "Mama Roma", "McDonalds", coffee to go points or card – 6th cup is free, "One price coffee". Also, some respondents mention airlines loyalty and banking cashback, which they also perceive as a loyalty program. There is no recognition of any loyalty programs devoted to accessories. Most of remembered loyalty programs are either used on everyday basis – as supermarkets or have strong marketing pressure, such as "Sportmaster". There were almost no remembered examples of small niche shops, such as accessories. What is important, the fact that they do not remember the usage of such programs does not guarantee that they do not use it. The questions asked could check only recognition, not the real use.

Benefits. Respondents say that supermarkets or gas station loyalty programs usually do not satisfy them with the volume of benefits, which they provide. However, as it is easy and convenient people continue save some small amount of bonuses – on average 0,5-2%. Most of examples of satisfaction are associated with some noticeable economy due to loyalty program – 5-10% and more or a gift reward, which is practiced in some cafes. One more cause of satisfaction is unexpected gifts or bonuses, which has strong positive impact and willingness to come back. Also some people say that discounts are more preferable than bonuses, however, most of respondents reconciled that most of companies prefer giving bonuses to direct discounts. And some respondents find bonuses even more preferable than discounts.

Physical card disappointment. Many people stated extreme negative attitude towards the physical card, which they need to carry for loyalty program usage. Sometimes the lack of physical loyalty program with themselves influenced people to refuse visit the restaurant or shop, which require physical card. Also, there are some examples of physical card with stamps with mechanics "6th coffee (haircut, desert, etc.) is free" – people tend to lose these cards, which also cause negative reaction.

Ease of join. Another problem, why people are not satisfied with loyalty programs is the difficulties with joining: the need to collect receipts, need to fill big registration form at the cashier, when they hurry, difficulties with activation, need to pay big price to buy loyalty card. Such cases cause negative attitude towards the company.

Influence on preferences. Most of respondents state that for supermarkets or gas stations, most of which have almost the same loyalty programs do not influence their preferences as an important factor. However, in some cases there is an influence. Such cases are usually connected with one of these factors: strong benefits/rewards/discounts, high progress/status in loyalty program membership, personal offers, which are relevant and attractive, general attitude towards

brand, which also may influence the wish to participate in company activities.

Influence on switching from one brand to another. There are not many examples, which respondents remember, when loyalty program could influence on switching to different brand. Some respondents remember switching from "Sberbank" to more attractive debit cards with cashback. Also there were single examples of switching when other conditions are same, but one of brands has loyalty program – for example, coffee to go brands – from "Cofix" to "One Price Coffee", as the 2nd has loyalty program. Thus, to influence the switch, loyalty program should either have strong benefits or be close to competitors by other characteristics, with the condition that competitor does not have loyalty program.

Changes in conditions. Some respondents highlight the problem when the company decreases the rate of bonuses, burn bonuses, changes the conditions, switches from discount to bonus, etc. Most of changes are perceived negatively.

Annoying notifications. Another disappointment is caused by the often notifications, which companies send too often. Most of customers prefer not to receive any notifications, however, some say that less than one in 1-2 months is suitable, but it should be relevant and informative, also giving information on the bonus balance.

The interviews of 6 experts from small businesses in Saint Petersburg - another chain of accessories for smartphones shops, computer cybersport club "Colyzeum" franchisee, fast food cafes of doner "VkusnoDoner", studio of printing on clothes, coffee "to go" café and barbershop "History", who are responsible for making decision on loyalty program launch – either managers or owners. The key findings from the results were also grouped into main topics.

Customer acquisition in offline business. Main offline channels for offline business are: promoter near the location, distributing advertising, decorations with balloons, partnerships with neighbor companies, offline visual advertising – in the shopping mall or nearby location. Among the online channels there are: geo-services advertising (2GIS, Yandex.Maps, Google.Maps) – reviews control, paid promotion, update of prices and offers; SMM – posts in VK, Tik Tok, Instagram, Telegram; targeting in social media; search engine context advertising in Yandex and Google; promotion in special catalogues – for example, top fast food restaurants. Among the most efficient channels most of respondents highlight geo services – Yandex.Maps and 2GIS and targeting in social media. All companies track the efficiency of channels using promocodes or call-tracking or special analytics system or system of making reservation.

Customer retention instruments. 3 out of 6 companies have chosen use loyalty program to ensure retention. Also, all companies use social media marketing posts to make a community and influence the retention, post activation posts with offers or other motivation to return.

Loyalty program purpose. The 3 companies, which have loyalty program – coffee shop, studio of printing clothes and barbershop – launched loyalty programs for different reasons: the nearby competitors, who also had loyalty program; the goal to increase loyalty, retention, frequency of purchases. The companies, which finally did not launch the program, had the same motives.

Loyalty program details. All 3 companies have loyalty system implemented into the CRM-system. The activation is done automatically, when customer leaves mobile phone number. Further identification is done by the phone number. If staff knows the name it also adds the person to database. The rewards mechanics are different – coffee and printing studio give bonuses for each purchase – 10% coffee and 20% printing studio (as they have low rate of retention, they give higher bonuses). The barbershop offers every 6th haircut for free, what is equal to 20% discount (if the person uses it). Before they used printed card with stamps, but almost no one collected and used it. Also, the barbershop establishes systematic communications – they predict the period when the customer needs new haircut and send notification that it is time for new haircut. In 2 other firms extra communication is not very systematic – marketing notifications are sent from time to time and do not work systematically on the strategy of communications.

Evaluation of efficiency. All 3 companies representatives consider loyalty program as successful. The loyalty program show digitalized results of sales, which may give analytic insights for service improvement, staff evaluation – as now users are easy to track. The extra communications sometimes give results of extra visits and revenue growth, but not always, the companies are going to make it more systematic. The exact financial results from general program companies find difficult to estimate, however, by general indicators of business and by results of special communication they consider loyalty program as beneficial.

Reasons to refuse from loyalty program. The companies, which refused from launch of loyalty program had different reasons. Cybersport club already has CRM-system, which helps to analyze data and communicate with guests, so it doesn't need any other mechanics for data collection. At the same time, the owner is not sure that reward system will pay-off, as the retention rate even now without loyalty program is evaluated as high. Accessories shops chain owner also thinks that loyalty program will be hard to evaluate and to manage. And the advantages are not clear. What about fast-food owner, the financial model of low-cost food hardly allows noticeable rewards system. However, the owner is sure that if marketer of chain will prepare some interesting and convincing solution, he would consider the launch again.

2.3. The analysis of case "Aksessuarnaya #1" – activities on the Russian market of the accessories for smartphones

The use of case of a company is needed to apply findings from theoretical background and from the interviews on a real project, which could reveal weak points of the findings, examining limitations, which the real company may have, its goals, processes, managerial issues,

The company "Aksessuarnaya #1" was founded in 2020 in Saint Petersburg by 2 cofounders – Ivan Myasnikov and Elizaveta Evdokimova. Main activity of the company is retail chain of shops, selling accessories for smartphones and electronics: cases for phones and headphones, cables, protective glasses (with a free service of installation), selfie lamps and selfie sticks, headphones, powerbanks, popsockets, smart watch straps, adapters, etc.

Nowadays the company has 7 shops in Saint Petersburg and 1 shop in Velikiy Novgorod.

The company incorporation form consists of two "Individual entrepreneur" organizations – IP Myasnikov I.K. and IP Evdokimova E.S. Such form was chosen due to different reasons, but the main reason was that the company had two founders and two investors in equal parts 50/50. That is why 4 shops belong to IP Evdokimova E.S. and 4 shops to IP Myasnikov I.K.

Each shop has its own location, rented by one of two individual entrepreneurs. Each shop has premises lease agreement with the landlord – either individual owner or shopping mall organization. From the assets it has: retail equipment, such as showcases, lighting equipment, furniture, laptop, cashbox and goods which are sold in the shop.

The first shop in Saint Petersburg was opened in 22nd February 2020 in the shopping centre "Zanevskiy Kaskad". It was 10 m2 location in the ground floor near famous shops such as "Perekrestok", "DNS" and "Bookvoed". The traffic near the shop was estimated as 8-10 thousand people per day, also the business model, assortment, merchandising principles and so on were previously approved by founders in one franchising shop in Perm city. That is why it became successful from the first day – its average daily revenue never was lower than the break-even point. And during March 2020 it gained profit 70,000 rubles and at the end of March closed due to Covid-19 lockdown in Russia.

Then after the pandemic lockdown in May 2020 founders found 2 perspective locations for shops – in hypermarket "Lenta" – Spb, Tallinskoe 159 and street retail position near the entrance to the metro station "Ploschad Muzhestva". In June "Ploschad Muzhestva" and first "Zanevskiy Kaskad" shop opened after lockdown and started working. "Ploschad Muzhestva" was working near the break-even point during the whole summer, but "Zanevskiy Kaskad" net profit was growing till 200,000 rubles per month in August. What about "Lenta", it was able to be opened since the 1st of August and it also showed profitability. This brought motivation to further expansion and in September 2020 the 4th shop was opened in the shopping mall "RIO", which also

started working above the break-even point.

The 5th shop was opened in December in the shopping mall "Balkansky", but it was the first experience when the shop generated average monthly losses 70-80 thousand rubles for 2,5 months and on February 2021 it was closed.

On June 2021 3 new shops in Saint Petersburg were opened: 2 of them inside metro stations "Rybatskoe" and "Staraya Derevnya" and one in the shopping mall "Park House". "Rybatskoe" gains losses between 5-30,000 rub every month since that time, but its indicators slowly improved. "Park House" became profitable from the second month. "Staraya Derevnya" showed negative results like "Balkansky" and closed after 1,5 month as there were no sign of growth. In August 2021 the equipment and goods from "Staraya Derevnya" were moved to the new shop in hypermarket "Lenta" in Velikiy Novgorod, which was opened 13th of August, but also since that time works near 30-50 thousand rubles per month.

The company finished year 2021 with total revenue 35,8 million rubles and total profit 6,5 million rubles. However, more than 70% of profit was generated by 3 shops out of 7.

That is why, on January 2022 shop in "Rybatskoe" was closed, as it still didn't become profitable. The equipment and goods were moved to the new shop in other hypermarket "Lenta" on Hasanskaya street, 17. Also, despite the risks on the situation in Russia since 24 February, the company opened 8th shop in the shopping mall "Balkania NOVA".

All in-shop work is done by the seller: she consults customers, accepts payment, installs protective glass, does merchandising – putting new goods in showcases, fills the list of the required quantity of goods to order and does inventory once a month. The only outsourced duties are: cleaning and some maintenance if something is broken.

All managerial and administrative work is done by the employee-manager and 2 managers, who are also the founders and investors of the company:

1) HR – finding new people, count and pay salaries, motivate and consult employees;
2) Supply – order and organize supply chain for goods every month;
3) Marketing – promotion, social media marketing, work with promoters, geo-services
4) Accounting – partly outsourced by the online service "MoeDelo";
5) Partners relations – communication and reporting to shopping malls, payment controls, etc.
6) New shops development – look for new locations in the internet, traffic calculation, agreement negotiation, organization of construction, etc.
7) Supply – assortment range, finding the best supplier, analysis of sales, trends, competitors. Contact with sellers, creation special tables for shop assistants, who fill them to order optimal quantity of goods.

The company has Instagram account, which attracts a lot of customers with target advertising and social media management. Among other means of marketing there are: advertising in geoservices, such as Yandex.Maps, 2GIS, work with physical promoters, who give flyers to passing by people, account in Avito management, which also attracts some people.

To conclude, the structure of organization is almost flat, as it has two managers with one employee manager and sellers. Duties are distributed by sellers and managers, some duties are outsourced.

Typical business model for offline shop in the industry, described in the previous paragraph, is renting a small shop and offer accessories for average price 400-1000 rubles per unit (cable, glass, case, etc.) This pricing strategy guarantees high margin like 500-2000% and profit after 7-10 sales per day. However, such strategy now suffers from competition of online stores, marketplaces, which offer accessories for 100-500 rubles per unit. That is why "Aksessuarnaya #1" has chosen another strategy.

Main competitive advantage and idea of a company is based on the continuous trend in Russia, that net incomes of population are almost not growing. In such situation discounters or "cost leadership" strategy (by M. Porter) becomes the most successful. That is why area of interest of founders was focused on creation a discounter on some market.

Focus of founders was attracted by the sphere of accessories for smartphones in 2019 in Perm, where was launched retail chain "Lumma Store", which offered accessories for many times lower prices than most of competitors. The idea was that the offer of low prices will attract much more customers and the decline of average margin of most competitors like 500-1500% on cases, protective glasses, cables to just 100-200% will be compensated by the number of customers, which will be attracted to offline retailer. This helps to compete with marketplaces like Aliexpress and Wildberries, because the price for consumer becomes almost the same offline-online, however consumer does not need to wait for 1-4 weeks, go to post office and also can check the quality before purchase and get a service of free installation of the protective glass and 1 month guarantee.

Founders of "Aksessuarnaya #1" purchased the right to open franchising shop in Perm in the October of 2019 and saw, that principles – low price, huge choice, well-organized merchandising, attractive showcases on the highest traffic places – work very well on their own example in Perm. The investments per 1 shop estimated as 0,9-1,1 million rubles and expected pay-off was less than 1 year. But still being under franchising company had some disadvantages. That is why they decided to improve principles of "Lumma Store" by even better merchandising, smarter range, another motivation system for employees, higher margin (by lower purchasing prices for company), better software and so on in their own retail chain of shops. And as the Perm

market was totally dominated by "Lumma Store" franchise (32 shops for a city with 1 million population) they decided to launch business in Saint Petersburg.

Now the company offers low prices for accessories in Saint Petersburg. The price range for the cases for smartphones is between 60-290 rubles, protective 3D glass is 190 rubles (with free installation by the seller), cables and headphones with wires are between 60-290 rubles. Wireless headphones start from 690 rubles. Such prices can be met only in online marketplaces or at some "dirty" points of the city like market "Apraksin dvor" or small kiosks in underground passages with awful customer experience. Most of other competitors declined prices since the beginning of 2020, but still offer goods for 400-800 rubles per unit.

However, even if some competitors offer lower prices for separate goods, it is not high risk for the company, because the shift from 500-1500 rubles and even 400-800 rubles to 100-300 rubles is noticeable and can be a motivation to move to cheaper offer, but the shift from 190 rubles per case to 150 rubles per case is not so convincing.

The structure of sales of "Aksessuarnaya #1" by the range of goods looks like this:

21% of total sales is protective glass for iPhone, which have 3 different prices, depending on the quality of the glass;

16% of total sales are silicone cases for iPhone, which look close to original Apple silicone case, but do not have Apple logo or any other signs that it is "fake Apple";

9% are other cases for iPhone;

8% are cables for smartphones + chargers;

8% are headphones – both wired and wireless;

8% of total sales is protective glass for Android smartphones;

8% of total sales is all cases for Android smartphones;

7% are accessories for smart watch – Apple Watch and Mi Band – bands, protective glass, chargers, cases;

5% is expensive electronics – powerbanks, selfie lamps, wireless chargers, portable speakers, original Mi Band, etc;

4% are cases for wireless headphones – AirPods and AirDots;

6% are other different goods – protective glass for cameras, water resistant cases, selfie sticks – monopods, joysticks for gamers, computer mouse, popsockets, iPad cases, etc.

The conclusion here is that main groups of goods are protective cases and protective glass, which contribute more than 60% of the total revenue. These goods have high margin, low wholesale price, which give the opportunity to use protective glass as a gift in loyalty program rewards.

Comparing the company with competitors from the same group – offline stores, focused on the accessories, and limiting the geographical limits by the same city – Saint Petersburg (here we omit the shop in Velikiy Novgorod to simplify the total analysis, as main priority of the company is the market of Saint Petersburg), we can find and analyze main competitors – chains of stores of accessories:

Table 4. Direct competitor analysis of "Aksessuarnaya #1"

	Number of shops	Estimated # of SKU	3D glass price + install	Cable Hoco price	Silicone case iPhone	Wireless headphones Hoco
SmartBox	23	700	300	400	300	-
AksMania	14	800	400	500	400	2500
X-Case	12	700	300	400	500	2900
Aks!	10	500	500	500	400	3000
MaxAccess	5	400	400	500	600	-
average	**13**	**620**	**380**	**460**	**440**	**2800**
Aksessuarnaya	**7**	**900**	**190**	**190**	**240**	**1990**
Difference from average	**4**	**280**	**190**	**270**	**200**	**810**

Source: [own research]

Direct analysis proves that main competitive advantages that "Aksessuarnaya #1" states – low-cost prices and huge variety of goods are real – by different positions of goods the company offers the lowest price, by many positions almost twice lower. Also, the number of SKU – unique goods, evaluated by visit to all the shops from the analysis on March 2022, is the highest, so variety of goods is the biggest.

For further analysis it is required to start from the description of the product – accessories for smartphones and wider – mobile accessories, which includes the group of complementary goods for mobile devices – smartphones, smart watch, headphones:

1) Cases for smartphones – are used for protection of mobile phones and also to upgrade the appearance of the device. Have huge variety – may have difference in color, material, brand. Have unique size for each smartphone model. Most popular material is silicone.

2) Cases for other devices – wireless headphones, smart watch. Such devices as Apple

Watch, Samsung Galaxy watch, Xiaomi Mi band, AirPods, Xiaomi AirDots also require protection and upgrade of style, so customers purchase accessories.

3) Headphones – both classical and wireless – include small and full-size. Now most of smartphone suppliers do not include headphones in smartphone package, so customers have to buy them separately.

4) Cables and chargers – sold separately or together. They are used to charge phones and other devices. Also this category includes wireless chargers for some smartphones, smart watch and cases of wireless headphones and chargers with an opportunity to charge devices in car.

5) Protective glass – used for smartphones and other devices, which have screen, which cannot be covered by case. The process of installation of protective glass is not obvious for unexperienced customers, so in many shops glass is sold with a service of installation.

6) Power banks – portable chargers, which have rechargeable battery.

7) Holders for smartphones, which have different types – for car, for bicycle, for table, popsockets to carry in hands, etc.

8) Selfie accessories – selfie stick monopods, tripods, selfie led lamps.

9) Portable speakers for music.

10) Straps for smart watch – metal, nylon, silicone.

11) Memory cards and USB flash cards for devices.

This list may not be considered as complete, because the list of new accessories is supplemented every year. In general, everything, which has complementary features for smartphones may be considered as accessories.

The estimations of the volume of the market in Russia are different, so different methods will be applied:

From top to bottom. By the article of the Solodovnikov (2015) in 2015 the volume of official sales of accessories is estimated as 38 billion rubles. This includes offline and online legally imported and produced accessories. In 2015-2019 the average growth of the smartphone market is estimated as 20% per year. (Shopolog, 2019) The market of accessories is expected to grow the same as market of smartphones, thus, in 2022 the market of accessories can be evaluated 120-150 billion rubles per year.

The other way to evaluate is from bottom to top. According to Gazeta.Ru (2020) there are 95 million people in Russia, who have smartphones. The average cost of 1 unit of accessories – case, glass, cable is about 300-600 rubles by further analysis, and the average smartphone owner buys at least 2-3 units of accessories per year. By these estimations, the volume of the market is between 90-135 billion rubles per year.

Taking an average number between these two ways, the volume of the market may be considered as 120 billion rubles per year. These estimations may have error +-20%, however the exact number is not necessary to make decisions in a particular firm on the market. Here main conclusion is that the market size is big enough to be attractive for many competitors and that the market is growing every year.

The market structure is various – it includes both online and offline. Also, it is associated with high competition: for instance, according to 2GIS, in Moscow there are more than 300 different brands of offline shops and chains, selling accessories for smartphones. In Saint Petersburg there are more than 200 different brands. (2GIS, 2022)

5 forces analysis by Michael Porter (2008) helps to analyze external environment of the market of accessories for smartphones, as on this market operates the company "Aksessuarnaya #1", which will be considered further. The center of the analysis is **competitors analysis**. The main types of competitors on the market are:

1) Offline + online – chains of cell phone salons. Usually belong to the brand of 1 out of 4 main telecommunication operators – MTS, Beeline, Megafon, Tele2. Also there is chain "Svyaznoy" with the same concept, which does not belong to any operator. And there are small regional stores and chains. This type of stores is focused on selling operators services (mostly SIM cards) and smartphones. As a complementary goods stores offer accessories for smartphones.

The average price is 600-1500 rubles per unit (case, cable, glass, etc.)

The trend for such stores is that now operators decrease their number. (CNews, 2021) In May 2021 the total number of operators salons in Russia was 18900, what is 3,4% less than in 2020. The representatives of operators comment in the article that such salons in general do not pay-off, so their number will decrease, mostly because of competition with online stores.

2) Offline + online – chain of electronic and home appliances stores. The biggest chains in Russia are DNS, MVideo, Citilink, Eldorado. Such chains also offer smartphones among their product range and accessories as complementary goods.

The price is similar to cell phone salons: 600-1500 rubles per unit.

3) Offline – stores, focused on accessories, usually the only or in small chains. Offer range of accessories – may have 500-1000 SKU – cases, protective glass with a service of installation^ cables, car chargers. Usually, such stores are opened by individual entrepreneurs. Typical size of the shop is 6-20 square meters, also it may be an "island" in shopping mall (not full-size shop), which is 3-6 sq.m.

Such type of stores is cheaper than first two types – average price of accessories is between

400 and 1000 rubles per glass/case/cable/headphones. Such stores may use not official import from China, may not pay social tax for employees, so can optimize costs.

4) Online – large marketplaces with many different suppliers, such as Wildberries – 13% of the market, Ozon – 6% of the market, AliExpress Russia – 8% of the market, Yandex.Market – 2%, SberMegaMarket – 1%. These are shares of the whole volume of the online sales, so the total volume of marketplaces sales is 30%. (VC, 2021) Marketplaces offer many small suppliers opportunity to sell goods to millions of users, taking 1-15% commission.

As the average wholesale price per unit lays between 50-200 rubles, final retail price appears between 200-500 rubles and higher, which makes marketplaces the most competitive channel by price. Also, as there are hundreds of suppliers of accessories, this channel tends to offer the biggest variety of goods.

5) Online – stores with websites or in social media. There are many special accessories online stores, which use different sales channels – own website, pages in social media and even classified-websites such as Avito. The search in Yandex, Instagram, VK, Avito shows more than a hundred such stores. Their offers cannot be classified by price, as it varies from 100 to 2000 per unit of accessories and the variety is different.

In the table there is comparison between types, which show the gap – there are offline shops with high price, online shops with both high and low prices, but there is no offline shops with low prices between 100-500 rub per case. This gap was taken by the company "Aksessuarnaya #1", which will be considered further.

Table 3. Comparison of types of competitors

Type of competitors	Average price per unit	Estimated number of points of sales	Estimated range of goods
Offline + online – chains of cell phone salons	600-1500	≈18000	Accessories + smartphones, SIM-cards, other devices
Offline + online – chain of electronic and home appliances stores	600-1500	≈5000	Accessories + electronics and home appliances
Offline – stores, focused on accessories	400-1000	≈20000	Accessories only
Online – large marketplaces with many different suppliers	200-500	>40000 points of receiving orders	Accessories, clothes, electronics, home goods, etc.
Online – stores with websites or in social media	100-2000	>200	Accessories only

Source: [own research]

As the market is not high concentrated – there are different types of competitors and inside each type there are different firms, besides competitors, other forces should be analyzed: suppliers,

consumers, threat of new entry and threat of substitution.

Supplier's force. Accessories, which are sold on Russian market are produced in China. By requests to Alibaba.com such keywords as "silicone case iphone", "3d glass", "case", "cable" appear hundreds of different suppliers, which offer range of accessories. Also there is a lot of wholesale companies in Russia, which import such goods – "Sotovik-M", "Sota", "HocoRus", wholesale center with many suppliers in Moscow, Lyublino metro station – "TYAK Moskva", etc. Such variety gives a conclusion that the power of suppliers is not very high. The only risk for the companies is dependence from the exchange rate of ruble, as goods are sold in rubles and import is paid by foreign currency.

Consumer's analysis. To the consumers on the market can be attributed any owner of the smartphone. As it was mentioned before, by Gazeta.Ru, 2020 there are 95 million people in Russia, who have smartphones.

There are geographical limitations for the shops, which are offline, as the consumers are not able to go to another city to buy accessories. In Saint Petersburg the estimated number of smartphone owners is 3,6-4 million people. As the consumers are close to the whole population, there is not a lot features, by which consumers could be grouped into segments:

1) By the brand of smartphone. Here are two big segments, first is "owners of Apple iPhone smartphone" and second is "owners of other brands". There are several reasons why iPhone owners are separated into special group: the cost of smartphone is higher than the average, that is why people tend to protect it more carefully. Also iPhone smartphones work longer, that is why some accessories need to be renewed. Finally, iPhone owners tend to buy other Apple electronics, which also need accessories: cases for AirPords, wireless charger, glass, bands for Apple Watch, etc. The owner of "Aksessuarnaya #1" claims that more than 50% of accessories are bought buy iPhone owners:

| | Продажи | | |
Наименование	Количество	Цена	Сумма
Чехол для айфона Силикон кейс 240	21 083	189,66	3 998 599,59
Стекло на айфон 190	15 576	189,41	2 950 315,94
Стекло андроид 190	14 055	189,43	2 662 397,31
Стекло на айфон 290	7 857	289,19	2 272 188,53
Стекло на айфон 590	4 432	488,74	2 166 096,02
Чехол Андроид 240	9 224	189,56	1 748 507,23
1-100 из 267	**174 688**		**35 794 482,60**

Figure 6. Top-6 goods by sales in 2021 in "Aksessuarnaya #1"

Source: [internal information].

On the figure it is possible to notice that in 2021 in "Aksessuarnaya #1" total sales of only one type of iPhone cases is more than 2 times higher than all brands on Android. There is also difference is with protective glass sales – for iPhone people buy different types and the total revenue is almost 3 times higher.

2) Other segmentation can be made by the income. There can be two segments, one of which is more sensitive to price and willing to look for cheaper prices and the second segment is people who does not seem the difference between prices near 200-400 rub per unit and prices near 500-1000 rub per unit. This classification is more behavioral than countable – there is no direct correlation between the exact income of the customer and price perception – some people may have not very high income but be in a less sensitive to price segment.

3) There is also geographical segmentation, as consumers will not go to another city to buy goods, and even inside one city people would hardly go to another district to buy almost the same goods. There are some main centers of attraction, where people may go directly. Saint Petersburg's example is "Apraksin Dvor" – old-fashioned market in the city center, where there is illegal market trade, cheap prices. But not many people nowadays are ready to go so far. So there may be many segments by availability.

Threat of new entry. As the market is not monopolized, the entry barriers are low (amount of investments to enter is less than 1 million rubles, the access to suppliers and consumers is available, the goods are standardized), the threat of new entry is an important force, which needs to be considered during market evaluation. On the other hand, the volume of the market, which shows more than 200 brands of stores at least in Saint Petersburg, shows than one more brand, which enters the market, in short term does not affect the market. What is important is to take into account geographical segmentation, because inside one shopping mall or small district, the new entry may affect the performance of the exact shop from the same location.

Threat of substitution. In long term there is a threat that new gadgets will not require any accessories, or that gadgets will work only with accessories, produced and sold by the original producer of the gadget. However, nowadays there is no noticeable trend of the market moving to this direction. The other risks, such as changing in demand are not relevant, as the range of goods it is possible to monitor, change and adapt.

As the conclusion of the 5 forces analysis, the market is attractive and possible to enter and compete. The main force is competitors, so entering the market, the direct competitors should be analyzed deeper, exactly for concrete part of the market – location, segment.

Since the beginning of the special military operation in Russia, the company has noticed

the decrease in sales and the rise of wholesale prices of suppliers due to the exchange rates of ruble. To analyze the perspectives of the company, SWOT-analysis of the current situation will be performed.

Table 5. SWOT analysis of "Aksessuarnaya #1"

Strengths	Weaknesses
High profitability of the whole chain	Low margin – high sensitivity to changes in suppliers' prices
Most of shops are located near food hypermarkets, which will always attract customers	4 shops which have low profitability – more sensitive to the decrease of revenue
Low prices attract people	Inflation will require the growth of salaries of employees – not all shops may afford it
Many regular customers	
Opportunities	**Threats**
Work in discounter segment – with lower incomes of population may grow	With lower income people will refuse to buy new accessories, as it is not priority needs good
People will take more care of current smartphones, as new are much less affordable	Decrease of traffic in shopping malls due to exit western companies
Possibility to take places of closed shops	Exchange rate of ruble may fall even more after decrease of support of the Central Bank of Russia – prices will increase
Development of online promotion	

Source: [own research]

As the conclusion of the SWOT-analysis, the company is stable, works in an attractive low-cost segment, may even grow in such period. However, the risk of lower incomes of population may lead not to switching to low-cost accessories, but to total refuse of renewing cases and protective glass. So, the company may face with the need to close less profitable shops, but may reopen them on some new attractive places, which will be free due to the closure of some businesses.

One of the main goals of the company in such situation is to retain current customers and their average check. One of the main tools of retaining customers or increasing the average check is considered to be loyalty programs. That is why, the company needs to examine the possibility to develop and implement the loyalty program in their shops.

3. RESULTS OF LOYALTY PROGRAM DEVELOPMENT CASE

3.1. Brand loyalty program project for "Aksessuarnaya #1"

As a result of insights, gained from interviews of experts and customers, company and market analysis and the analysis of structure, instruments and trends of loyalty programs, the project of loyalty program for "Aksessuarnaya #1" was developed. Main recommendations of the launch could be suitable for different small business with the understanding of geographical, market, budget, product and other limitations.

1) Reward system – by most of findings of trends – bonus system is more preferable for the company, than direct discount. At the same time, most of customers do not show strong preference towards any of the two reward systems, so bonus is more preferable. As the total amount of spendings on loyalty program is limited by 10% of revenue, basic rate for the "Aksessuarnaya #1" was chosen as **5% bonuses** from each purchase, so it would be possible to use extra 1-4% to use it for other mechanics and gifts.

In addition to the general benefit of 5% bonuses, there will be possibility to get extra 5% of bonuses, buying accessories for the gadget the person has now – for instance, if person during the registration states that he has iPhone 11 and Airpods Pro headphones – with his loyalty account, he will receive 10% for accessories, which are suitable for his devices.

Third way of rewards are gifts – protective glasses and cases as the most marginal and the least expensive for company, however, very valuable for clients (by the amount of sales) could be used as extra gifts – for instance, once or twice a year or connected to special holidays or for those segments, which did not visit shop for a long time or as a reward for feedback, etc. By trend analysis, gifts cause very positive response from the customers. (Baolong, M., 2018)

2) Data usage. Both from the interviews and from the trend analysis, the easiest way of identification of a client is its mobile phone, so to join loyalty program will be collected name, mobile phone and current model of smartphone – for personalized offers (later it will be possible to change in the personal account).

The main way to analyze data on the purchases is the analysis of purchases and segmenting customers by different criteria – by preferences in goods, by gadgets, by RFM analysis: to group customers by the frequency of purchase, average check and the date of last purchase. After such analysis there may be realized communication strategy to improve indicators and other decisions could be made.

3) Communication strategy. The mean of communication is – SMS or messenger platforms, linked to the phone number. Messages are sent automatically from the loyalty management platform. Apart from general notifications of spending and acquiring bonuses during purchase, extra marketing communication should not be very often as it may be annoying.

However, there are three types of communication, which will be used by best practice analysis and interviews:

- Reminder on the repeated purchase. On average, customers change protective once in 3-4 months, so after 3 months there is a reminder that it is time to change the protective glass, may also contain extra discount to motivate.

- Reactivation of those, who did not visit shops for a long time. On regular basis, at least once a month there should be performed the segmentation RFM analysis of database. Those who did not visit shop for 6 months receive special offer – glass as a gift (will be compensated by the upsell of case and other accessories) or extra discount offer, depending on the previous activity segmentation, which evaluates how important for the company the client is.

- News, related to the gadget. If there is noticeable upgrade of the range of new accessories – cases, other devices, which are suitable for the clients' gadget, the client should be informed.

- News, related to the company, other messages, congratulation with holidays, etc.

Each message should contain the current bonus balance to remind the possibility of savings. Also, there should be a restriction of sending more than 1 message in 2 months, not to be too annoying for customers.

4) Loyalty management tool. The main three limitations were – required functionality, budget limitations and the possibility of integration with "MoySklad" – main cashbox program, which the company uses. As the balance between limitation, "GetMeBack" was chosen – its costs are about 1% of total revenue of the company. It includes personalized mobile app with catalogue, bonuses balance, notifications and other features – no need to carry the physical card, as most of respondents on interviews mentioned this problem. It has direct integration to "MoySklad", notifications, reminders, SMS verification, personal accounts of users, analytic tools, etc.

5) Implementation plan. The implementation tasks should be distributed by the staff – the founder, responsible for marketing should prepare the timeline of implementation within 1 month since the decision was made. Also the founder-marketer should find outsource CRM-analyst, who will perform the analysis every month to segment customers, upgrade the notifications, gifts and rewards strategy and check the performance of current activities to analyze the financial results of loyalty program.

The manager should ensure training of staff – how to use the software, scripts of communication to offer customers join loyalty program. Also, she should prepare advertising materials for each shop, instructions.

SMM-outsource manager should ensure the communication strategy in social media to inform about the benefits of join the loyalty program.

As an extra motivation for customers, there is a bonus for join – 50% bonuses for the first

receipt with loyalty program usage.

6) Development plan. After every month the analyst prepares the report of the performance of the loyalty program. Analyzing the revenue, comparing year-to-year sales, % of retentions and other indicators, the manager and the owner can evaluate the efficiency of loyalty program, change something and implement KPIs and goals for further development.

Finally, the loyalty program should bring more increase in revenue than its costs, which were spend on it. After 1st year, if there is no sign of improvement indicators, caused by loyalty program, the graduate soft refuse from loyalty program should be developed.

3.2. Managerial implications

The general managerial implications, based on the theoretical background, the analysis of trends, findings on the loyalty program development, results of interviews assume conclusions, which may be used by small business companies, while developing loyalty programs.

General strategy. Modern loyalty programs, which have the purpose to pay off, increasing loyalty, the average check or the number of purchases, also reducing churn rate, increasing LTV, should have smart system, which includes database of clients with history of sales, reports, advanced data analysis instruments, which make segmentation, big data analysis, also could use machine learning approach for automation of loyalty management, formulation initiatives for company goals. The simple structure of giving 5% discount or every 6th haircut for free without data collection is not working enough to pay off – most of respondents claim that the fact of the existence of loyalty program does not influence the behavior much. Thus, even small business should ensure implementation the loyalty management system, looking for affordable solutions.

Affordable instruments. The analysis showed that there are some it-systems, which could be implemented even by small business. The costs of such system start from 10,000 rubles per one point of sale per year. This is the "JoyS" system, which is the most suitable among least expensive solutions. The most suitable in the "middle class" price for small business is "GetMeBack", which is on average 80,000-100,000 rubles per one point of sale per year. It is required if the company needs personal branded mobile app for loyalty program. Then, for the small business with the biggest revenues in terms of small business, which could afford paying more than 2 million rubles per year for the whole solution, including outsource management and analytics, the "MindBox" is the most suitable solution for loyalty management.

Reward structure. The expected amount of bonuses, which could be both attractive for customers and affordable for companies lays between 5 and 10%. However, the ability to achieve some other unexpected gifts – promocodes, gifts, discounts, which could be used for additional

motivation of special segments, for influence on behavior, should also be included in the calculation of final costs of the rewards structure.

Communication. The expected content of communication is either special offers, which are relevant to the customer or helpful notifications, which would not just advertise, but remind the customer about important tasks (reminder about the grandmothers' birthday from flower shop every year, reminder about the need of haircut from barbershop every month, etc.) The expected number of notifications is evaluated by customers as once in 1-2 months.

Data management. For small business some it-systems of loyalty programs also give the opportunity to collect and analyze data, either inside the system or with additional instruments. The type of data analysis, which could be conducted by small business is RFM (Recency Frequency Monetary) analysis, which divides customers into segments by 3 variables – when the last purchase was made, how often the purchases are made, how much money is spent by average purchase. Using this segmentation, different initiatives can be developed, for example, for those, who used to purchase a lot, but did not purchase for a long time, there could be sent notification of a very attractive offer, such as gift, free goods or bonuses amount. For less attractive but still not recent (lost) segments, there could also be reactivating offer but less expensive to the company. For current customers, who have low average check, there could be offers, which would motivate to try more goods. Such analysis as RFM could be done semi-automatically, using ready software.

Staff requirements. Most of loyalty management processes require two types of competences. First is analytical – the analysis of efficiency, costs, pay-off, data analysis of loyalty program. Second is marketing – formulation of offers, decision making, organizing the development. Most of competences could be found inside even the small business company, however, the competences of CRM-marketer, which include data analysis could be outsourced part-time, which would still be affordable for the small business.

Ease of join. For mass segment, the activation of profile should be very easy. Application form should be less than 3-4 questions and very fast and easy to fill. Also there should be extra starting motivation to join.

Physical card. Companies should avoid the need of physical card, as many people tend to lose and forget the card, which leads to negative experience.

CONCLUSION

As it was found, loyalty programs play very important role in marketing activities of companies nowadays. Many big famous companies, stated in the introduction, which never had loyalty programs, launched them during last 5 years. However, it is still not obvious, how to correctly evaluate the efficiency of loyalty programs. Some researchers claim that due to the effect of zero-sum game, many companies do not achieve benefits from loyalty programs implementation. This could be argued by the fact that in long term companies could use collected data to improve the efficiency of processes and marketing activities.

It was found that loyalty programs development involves the implementation of CRM system, big data analysis, mobile application and the development of different mechanics of the analysis, offers, personalization, which will influence expected KPIs. Also, it was confirmed that SMEs have some difficulties in the implementation of loyalty programs. These three main factor groups – organizational, technical and data quality. They could be connected with specific processes, not enough competencies of staff, not enough budget.

In the first part of this work the analysis of the terms "loyalty" and "loyalty program" was performed, which helped to understand that loyalty implies two dimensions – behavioral (repeated purchase) and attitudinal (positive attitude towards brand). The factors, which drive loyalty are: image of the company, expectations of the client and perceived quality (of core product/service and general impression of service). In general, brand loyalty is very important factor of success for companies, which includes attitude towards brand and repeating purchasing behavior. It comes from brand awareness, perceived quality and value of the brand, brand image and expectations.

To manage loyalty in business systematically, special system was developed – loyalty program. Loyalty program system consists of 4 main parts – membership requirements, program structure, reward structure and program communications. These aspects should be considered while developing a program. There are also 4 steps system, which helps to ensure analytical approach to the development – starting from competitor analysis and customer profiling, then segmenting customers, then developing relationship mechanism and offering individualization and satisfaction.

Also, main trends of loyalty programs were described in the paragraph 1.3. There is a trend of launching mobile app for customer profile, notification, contacts with the brand, catalogue, etc. Building modern app from scratch is not affordable for the small business, but the solution was found – CRM system with ready standardized mobile app. One of the issues – is the choice of CRM system for loyalty program management – saving and keeping data, counting rewards, sending notifications, etc. Main systems, suitable for SMEs in Russia were described in the 2nd paragraph of the 1st chapter. It also helps with efficiency evaluation, using the data analysis, clear

goals and comparative analysis. Also, some of them provide affordable solutions for small business to launch branded mobile app using ready templates. Another trend is big data analysis, which helps with the segmentation of customers database, prediction of purchases, analysis of promotions and their efficiency. And partly this trend may be used by small business companies.

The specifics of small business, which should be taken into account, were covered in the paragraph 1.4. and mostly are devoted to staff training, budget limitations and lack of economy of scale.

In the second chapter, using the structure of stages of loyalty program development, the draft of steps was proposed. As there was a need in deeper understanding customers and the specific of launch of loyalty program in small business, the interviews of customers and experts from the industry were conducted. As a results of the interview, the list of insights was presented in the 2nd paragraph of the 2nd chapter. This list of insights was constructed by finding the repeated opinions among several respondents from both groups. It has tip for loyalty program development, for example, avoid the strict requirement of bringing physical card, make it easy to join, make the reward percentage at least 5-10%, avoid often notifications, use mobile phone as an identification of user, use analytics system to segment customers with RFM-analysis and other types of analysis and develop special initiatives to reach the goals which the company expects to gain from loyalty program – return of "churn" customers, increase average check, increase the frequency of purchases or sales of special category.

For the case study of the real project of loyalty program implementation, the market of accessories for smartphones was analyzed. The market is competitive with low entry barriers and perspective to grow. The volume of the Russian market may be considered as 120 billion rubles in 2021. By the 5 forces analysis, the market is attractive and possible to enter and compete. The main force is competitors, so entering the market, the direct competitors should be analyzed deeper, exactly for concrete part of the market – location, segment.

The company "Aksessuarnaya #1" analysis showed that the company works in low-cost segment of the market, compensating low margin with the high turnover. The structure of sales shows that most of sales are goods, which require repeated purchase – protective glass and cases, so the company needs to grow retention to ensure return of the customers. The direct competitors analysis shows that its prices are the best on the offline market, however, competing with online marketplaces, which have more everyday online points of touch with customers, the company understands also the need to grow loyalty and have additional point of touch. Also, by the SWOT analysis, the expected decrease of economy in Russia together with previous points lead to the need in the growth of loyalty of current customers towards the brand of the company.

As a summary of theoretical analysis, market and company analysis and interviews, the

project of loyalty program was developed. It has general rewards system of 5% bonuses and extra motivating rewards – extra 5% of accessories bought for the model of smartphone, which the customer identified as her own. Extra gifts of protective glass and coupons for a different motivation mechanics. Usage of the market leader for small business systems for loyalty programs management – "GetMeBack", which includes branded mobile app in the tariff and has all necessary tools for the company goals, including notifications, analysis, integration with most popular cashbox systems. Strong communication strategy with the reminders about goods, which are purchased on average every 3-6 months; notifications for return of lost customers (segments may be found after RFM-segmentation; other mechanics depending on the RFM segments; special notifications devoted to updates in assortment of goods for users gadget – but with strict limitation for the whole set of notifications not more often than once in two months. The implementation plan includes responsible staff for each part of launch – marketing, training. Technical integration and further analytics and loyalty management is outsourced by an analyst. The further development strategy implies the review of indicators each months, formulation KPIs and review the total performance and the need of further support of loyalty program after the first year.

Finally, the managerial implications were described. Most of principles, mentioned in the final paragraph with the loyalty program project can be used by different offline small B2C business, with adjustment for the specificity of concrete company/market/customers, but saving main principles – analytical approach, starting from segmentation, competitors analysis, value description, strategy of communications, regular work on the analysis, modern software choice, no physical card – identification by the phone or app, RFM segmentation with initiatives for retention increase and return of customers, extra gifts for return, bonus system of rewards, etc.

For further research it is recommended to perform deeper case studies of particular companies of small business, which implemented loyalty programs to check, are there any changes in factors by specific industry, company or time.

REFERENCES

1. Annex Cloud (2020) 10.03.2022 – Accessed, URL: https://www.annexcloud.com/blog/loyalty-program-statistics-will-make-rethink-marketing/

2. Baolong, M., Xiaofei, L., Lin, Z. (2018), "The effects of loyalty programs in services – a double-edged sword?", Journal of Services Marketing, № 32/3, 300–310.

3. Bloemer, J., and Ko De R. "On the relationship between store image, store satisfaction and store loyalty." European Journal of marketing (1998).

4. Bridson, K., Evans, J., & Hickman, M. (2008). Assessing the relationship between loyalty program attributes, store satisfac- tion and store loyalty. Journal of Retailing and Consumer Services, 15(5), 364–374.

5. Bijmolt, T. H. A., Dorotic, M., & Verhoef, P. C. (2011). "Loyalty programs: generalizations on their adoption, effectiveness and design", Foundations and Trends in Marketing, 5(4), 197–258.

6. Cision (2018) 10.03.2022 – Accessed, URL: https://www.prnewswire.com/news-releases/crowdtwist-consumer-loyalty-study-shows-87-of-gen-z-consumers-want-omnichannel-loyalty-programs-300729728.html

7. CNews (2021) 10.03.2022 – Accessed, URL: https://www.cnews.ru/news/top/2021-07-05_mtstele_2_i_bilajn_srochno

8. Copeland, M. T. (1923). Relation of consumer's buying habits to marketing methods. Harvard Business Review, 1, 282-289.

9. Carluccio J., Eizenman O., Rothschild P. Next in loyalty: Eight levers to turn customers into fans, Article McKinsey, 2021

10. Dolnicar, S., Grabler, K., Grün B., Kulnig, A. Key drivers of airline loyalty, Tourism Management, Volume 32, Issue 5, 2011, Pages 1020-1026

11. Dorotic M., et al. (2015), "Advancing Research on Loyalty Programs: A Future Research Agenda", Marketing Letters, Vol. 26, pp. 127-139.

12. Drèze, X., & Nunes, J. C. (2009). Feeling superior: The impact of loyalty program structure on consumers' perceptions of status. Journal of Consumer Research, 35(6), 890–905.

13. Nunes, J. C., & Drèze, X. (2006). The endowed progress effect: How artificial advancement increases effort. Journal of Consumer Research, 32(4), 504–512.

14. Galvão, M., Corrêa de Carvalho, R., Bezerra de Oliveira, L., Dumke de Medeiros, D. (2018), "Customer loyalty approach based on CRM for SMEs", Journal of Business & Industrial Marketing.

15. Heesup Han, Hong Ngoc Nguyen, Hakjun Song, Bee-Lia Chua, Sanghyeop Lee, Wansoo

Kim, Drivers of brand loyalty in the chain coffee shop industry, International Journal of Hospitality Management, Volume 72, 2018, Pages 86-97

16. Hoffman, J., Lowitt, E. (2008), "A better way to design loyalty programs", Strategy & leadership, Vol. 36 (4), 2008, pp. 44-47.

17. Hutchinson, K., Donnell, L., Gilmore, A., Reid, A. (2015), "Loyalty card adoption in SME retailers: the impact upon marketing management", European Journal of Marketing, Vol. 49 Iss 3/4 pp. 467-490.

18. Kim, J.J., Steinhoff, L. & Palmatier, R.W. An emerging theory of loyalty program dynamics. J. of the Acad. Mark. Sci. 49, 71–95 (2021).

19. Lemon, K. N., & von Wangenheim, F. (2009). The reinforcing effects of loyalty program partnerships and core service usage: A longitudinal analysis. Journal of Service Research, 11(4), 357–370.

20. Liu, Y., & Yang, R. (2009). "Competing loyalty programs: impact of market saturation, market share, and category expandability", Journal of Marketing, 73(1), 93–108.

21. Liu, P. J., Lamberton, C., & Haws, K. L. (2015). Should firms use small financial benefits to express appreciation to consumers? Understanding and avoiding trivialization effects. Journal of Marketing, 79(3), 74–90.

22. Martensen A., Gronholdt L. & Kristensen K. (2000) The drivers of customer satisfaction and loyalty: Cross-industry findings from Denmark, Total Quality Management, 11:4-6, 544-553

23. Meyer-Waarden, L. (2006), "The influence of loyalty programme membership on customer purchase behaviour", European Journal of Marketing, Vol. 42, No. 1/2, pp. 87-114.

24. Merton R. (1987) The Focused Interview and Focus Groups: Continuities and Discontinuities. Public Opinion Quarterly. Vol. 51. No. 4. P. 550—556.

25. RB (2020), 10.03.2022 – Accessed, URL: https://rb.ru/opinion/loyalty-cards/

26. Retailer (2020), 10.03.2022 – Accessed, URL: https://retailer.ru/krupnejshie-chastnye-kompanii-rossijskogo-ritejla-2020-po-versii-forbes/

27. Porter, Michael E. "The five competitive forces that shape strategy." Harvard business review 86.1 (2008): 25-40.

28. Pritchard M., Howard D. & Havitz M. (1992) Loyalty measurement: A critical examination and theoretical extension, Leisure Sciences, 14:2, 155-164

29. Rowley, J. (2005), "The four Cs of customer loyalty", Marketing Intelligence & Planning, Vol. 23 No. 6, pp. 574-581.)

30. Sberbank (2020), 10.03.2022 – Accessed, URL:

https://www.sberbank.ru/ru/s_m_business/pro_business/samye-pribylnye-sfery-biznesa-v-2020-2021-godah/

31. Schumann, J. H., Wünderlich, N. V., & Evanschitzky, H. (2014). Spillover effects of service failures in coalition loyalty programs: The buffering effect of special treatment benefits. Journal of Retailing, 90(1), 111–118

32. Shopolog (2019) 10.03.2022 – Accessed, URL: https://www.shopolog.ru/metodichka/customer-retention/trendy-v-programmah-loyal-nosti-v-2019-godu/

33. Shopolog (2020) 10.03.2022 – Accessed, URL: https://www.shopolog.ru/news/rossiyskiy-rynok-smartfonov-itogi-2019-goda-i-trendy-rynka/

34. Sreejesh, S. and Abhigyan, S. (2015) "Examining the roles played by a store satisfaction-love framework in shaping the influence of store loyalty programs", Management Research Review, Vol. 39, No. 8, 879-898.

35. Steinhoff, L., & Palmatier, R. W. (2016). Understanding loyalty program effectiveness: Managing target and bystander effects. Journal of the Academy of Marketing Science, 44(1), 88–107.

36. Szczepańska, K. and Gawron, P., Changes in Approach to Customer Loyalty (2011). Contemporary Economics, Volume 5 , Issue 1.

37. Thakur, R. (2018), "The role of self-efficacy and customer satisfaction in driving loyalty to the mobile shopping application", International Journal of Retail & Distribution Management, Vol. 46, No. 3, 283-303.

38. VC 2020 10.03.2022 – Accessed, URL: https://vc.ru/trade/275305-marketpleysy-rossii-gde-luchshe-prodavat

39. Jiang, L., Hoegg, J., & Dahl, D. W. (2013). Consumer reaction to un- earned preferential treatment. Journal of Consumer Research, 40(3), 412–427.

40. Youjae Y., Hoseong J. (2003). Effects of loyalty programs on value perception, program loyalty, and brand loyalty. 31(3), 229–240.

41. Wagner, T., Hennig-Thurau, T., & Rudolph, T. (2009). Does customer demotion jeopardize loyalty? Journal of Marketing, 73(3), 69–85.

42. Wei-Ming, O., Chia-Mei, S., Chin-Yuan C., (2011), "Relationships among customer loyalty programs, service quality, relationship quality and loyalty" Chinese Management Studies, Vol. 5 No. 2, 194-206.

43. Газета.РУ (2019) 10.03.2022 – Accessed, URL: https://www.gazeta.ru/tech/news/2019/12/23/n_13848662.shtml

44. Солодовников Д. (2015) 10.03.2022 – Accessed, URL: https://moskva.mts.ru/about/media-centr/soobshheniya-kompanii/novosti-mts-v-rossii-i-mire/2015-10-16/analiticheskiy-otchet-mts-rinok-aksessuarov-dlya-gadzhetov-luchshiy-zarabotok-dlya-riteyla-v-usloviyah-padeniya-dohodov-naseleniya

45. Маркетинговые исследования: учебник для магистров / Галицкий Е.Б., Галицкая Е.Г. — М., 2012. — 540 с.

46. ТАСС (2020) 10.03.2022 – Accessed, URL: https://tass.ru/obschestvo/9508331

47. Ядерная Д. В. Карты лояльности / Ядерная Д. В // Клиентинг и управление клиентским портфелем. – 2014. – 04(12) – с. 62-65.