

Erik Wold

Data-driven decision-making and the current state of loyalty programs within retail in Norway.

An interpretive case study of retailers and providers in the Norwegian retail space.

Master's thesis in Digital Samhandling
Supervisor: Thomas Østerlie
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Abstract

This thesis contains a study of the current state of loyalty programmes within the Norwegian retail sector. As the world has shifted to appreciate the inherent value of data, so has the retail sector shifted. From its early beginnings, with sign-up sheets - and punch cards, to the modern usage of apps, tracking, and personalisation, loyalty programmes have shifted from being about retaining customers, to an being asset in a retailer's digital portfolio.

This study is built around a series of semi-structured interviews with both retailers, as well as with the providers who are providing these solutions to the retailers, by conducting a focused case study with both of these parties, this thesis aims to be able to speak to the dynamic between them and see who the driving force of change is.

Earlier writings on this topic, conclude with the fact that data has a growing value for a business, and that businesses who rely on this data to make choices, can increase their revenue by using this data smartly. On the topic of loyalty programmes specifically, the earlier writings suggest that loyalty programmes are an entry point for retailers into the world of data-driven decision-making. This will be the main focus of this study.

In this thesis, we have found that retailers are starting to focus more than ever on the development of their loyalty programmes and that while it's the providers who have traditionally been pushing for development - retailers are now starting to increase their expertise and investment within the field. It also appears that the field of loyalty programmes and datafication of retail is currently experiencing a growth phase, and that the field is still not as developed as many might believe.

Sammendrag

Denne oppgaven vil undersøke dagens bruk av lojalitetsprogrammer i Norge, innen handel. Ettersom verden har endret seg til å bli opptatt av data, har også handelssektoren endret seg til å fokusere på data. Fra den tidlige begynnelsen, med innmeldingsskjema og klippekort, til den moderne bruken av applikasjoner, sporing, og personalisering, har lojalitetsprogrammer endret seg fra å være om og beholde medlemmer, til å være en digital ressurs for bedriftene.

Denne studien er satt opp rundt en rekke semi-strukturerte intervjuer, med både butikker, og leverandører av tjenestene. Ved å gjennomføre en fokusert studie med begge disse partene, ønskes det å kunne uttale seg om dynamikken mellom disse partene, og å si noe om hvem som er pådriveren.

Tidligere forskning på dette området, konkluderer med at data har en iboende verdi for forretninger, og at forretninger som bruker disse dataene aktivt når de tar valg kan øke omsetningen sin. Når det kommer til tema lojalitetsprogrammer, indikerer den tidligere forskningen at lojalitetsprogrammer kan være inngangsbilletten til en verden av datadrevne beslutninger for handelsnæringen. Dette vil være hovedfokus i denne studien.

Denne oppgaven avdekker at handelsnæringen har et større fokus enn de noen gang har hatt før på utviklingen av lojalitetsprogrammer, og at - selv om det er utviklerne som tradisjonelt har drevet adaptasjonen av disse tjenestene fremover, så har nå handelsnæringen selv begynt å satse på dette feltet. Det vises også at denne type tjenester opplever fortiden en voldsom vekst, og at dette satsningsområdet ikke er kommet så langt som man skulle tro.

*I wish to thank my friends and family for
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Introduction

In this modern and digital world, it is becoming ever more important to cater to consumers requests. As the retail landscape is quickly shifting, retailers must also change to be able to keep up with the competition. More and more retailers are focusing on customer relationship strategies and loyalty programmes to keep their customer base and expand beyond. This is done to secure that their customers will keep on visiting their stores, over the stores of their competitors. Because of high development costs, more stores are using external providers to provide customer loyalty programmes. This raises the question of whether traditional retailers are up to the challenge of reinventing themselves in the digital space.

To be able to compete in an ever faster-growing market, a retailer needs to have an up-to-date customer loyalty programme. This study will focus on the concept of customer retention solutions and loyalty programmes. I will investigate how retailers are using loyalty programmes, and the external providers providing these solutions. Furthermore, this study will focus on the relationship between the providers of these solutions and the retailers that are using them. I will explore how the providers are managing their relationship with the retailers, how the retailers are using this data, and how both parties are benefiting from this symbiosis.

The earlier literature on this topic provides a picture of retailers who are using more data-driven decision-making software, particularly in the US. Earlier research does however not shed light on the particular Norwegian situation. There is a lack of recent studies to shed light both on the situation at large, and in particular the Norwegian situation. This makes it relevant to ask what the current state of the local market is, and how far along the providers actually have come. What kind of information are they gathering, how do they process this information, and what is their own perception of the situation. To shed light upon these issues, I have conducted an interpretivist interview-based case study over how retailers in Norway are operating in this field, how far the retailers have come in the implementation of data-driven decisions, and how they are using their loyalty programmes toward this. The study also investigates how they view their own processes, and what they state that their intentions are.

Given that I intend to study how the retailers and the providers themselves perceive the state of their loyalty programs they either feature or produce - and their actual effectiveness, I have chosen an interview-based methodology, I have interviewed both the providers of loyalty programme solutions, as well as the retailers that are purchasing these solutions. It has been an important methodological strategy to interview both parties, to achieve a better understanding of the actual state of the current market. The aim of the study is to be able to specifically state how Norwegian retailers are currently using their loyalty programmes.

Research Question

As stated in the previous chapter this thesis aims to be able to explain the current state of loyalty programmes in retailers in Norway, and more so explain the current dynamic between retailers and the provider of these loyalty solutions. Therefore, my main research question will be:

What is the current state of loyalty programmes in Norwegian retailers?

And the sub-questions will be:

How can we describe the dynamic between retailers and providers?

Who comes across as the driving force for further development?

These questions also encapsulate all four cornerstones within the thesis, namely; the dynamics between the retailers and the developers, indicate the level of maturity of the retailers in their processing of data, sheds light upon the retailers' maturity in data-driven decision-making, and finally it brings attention to the retailer's understanding of the value of data.

Literature / Background

In this chapter I will present the main studies and existing literature I have found on the subjects relevant to this study, I will start by presenting a few key topics, and then discuss datafication and data-driven decision-making in general, and refine the literature into data as currency, data partnerships, and loyalty programmes. By sorting the published research in this way, I hope to give the reader an introduction to the focus of the case study.

Key topics/terms

The terms “provider” and “retailer” will be the main ways of referring to the two parties in this study. Providers are the companies who deliver solutions for the retailers, and who interact with them directly. The companies who make these solutions (given that they are not made directly by the providers) will either be referred to as third parties or by their company name. The term retailer refer to a company that operates physical or digital storefronts, or both. In this study, the retailers are Norwegian or Scandinavian companies who have both an online as well as a physical presence.

This thesis will focus on four key topics, Data partnerships, Data as currency, Data-driven decision-making, and the State of Loyalty programs. Data partnerships describe the partnerships where two or more actors are sharing data. This is a mutually beneficial symbiosis because both parties gain access to an understanding of the data. In this thesis specifically, I will be looking into the data partnerships between retailers and the providers of loyalty programme solutions, here the area of interest is how the retailers are using the data that is gathered by the partners

Data as currency pertains to the value of data. In this thesis, the value of the data is the customer information, this data is valuable because it gives the retailers information about their customers. Data-driven decision-making is a term that describes the decisions made on the background of data gathered. This can for instance be retailers looking at the customer spending habits and seeing a spike, and therefore planning a sale around this spike to further drive traffic to their stores. This type of planning based on data gathered through loyalty programmes is one of the central aspects of this study - as well as one of the main selling points for the providers that are delivering this data to the retailers. With the term “state of loyalty programmes” we here mean how far developed the loyalty programmes of the retailers are. Here we are specifically referring to the current state of loyalty programmes in Norway.

Datafication and Data-driven decision-making

Datafication is the digitalization of traditional methods and tools used in an industry. The term describes the shift from analogue - to digital. In the context of this thesis, datafication means the trend of relying on computers and automation for gathering information about loyalty programmes and information about the business. This being said, datafication is a difficult term to define. When researching this topic, I found the term used in a variety of different contexts. A possible reason for this is that it is a relatively new term and that its meaning is still being negotiated depending on the context. Zuboff defines datafication as: “*Digitization and Datafication: (the application of software that allows computers and algorithms to process and analyse raw data)*”. Zuboff (2015). This article talks about the dangers and opportunities afforded to us when more data than ever is being used by large corporations to personalise our interactions with them and provide them with large databases that can benefit the companies. In this thesis, we will look at that datafication through the lens of loyalty programmes, where companies are “datafying” their operations to compete in a modern digital market.

From datafication, we can narrow our view to data-driven decision-making. Decision-making is at the core of every business, and in the later years, this decision-making process has become more and more data-driven. Elgendy et al (2021). To quote directly from a white paper by McAfee & Brynjolfsson, “*Data-driven decisions are better decisions—it’s as simple as that. Using big data enables managers to decide on the basis of evidence rather than intuition. For that reason, it has the potential to revolutionize management*” McAfee & Brynjolfsson (2012). In the paper, the authors discuss the importance of having data available to base your decisions upon. By having recent and accurate data you can make more informed decisions that will better help your company. It also discusses a case wherein an American retailer has experienced that their decision-making process was greatly positively affected by being able to take advantage of the data they collected to give faster and more personalised offers.

However, data-driven decision-making is not the silver bullet that many are describing it as, in fact, according to Sharma et al, it should only be considered as a tool in an overall greater toolkit, an example of this is given in the article; “*The manner in which organisations deploy technologies has an important bearing on their ability to create and capture value. In particular, managers need to pay particular attention to transforming their decision-making processes if they are to capture the value that is possible through the use of business analytics.*” Sharma et al (2012).

Additionally, to best make use of the data in the decision-making process, it needs to be part of a multi-step process including human input and analysis, as shown in the picture below. Janssen, et al (2017). In the illustration, the authors show data-driven decision-making as the end of a four-step process. You obviously need to start by collecting data, but then you need to prepare the data before working any further with it. When you have prepared the data, you can start to analyse the data into more actionable results. And finally, you can use these results to inform your decision-making process.

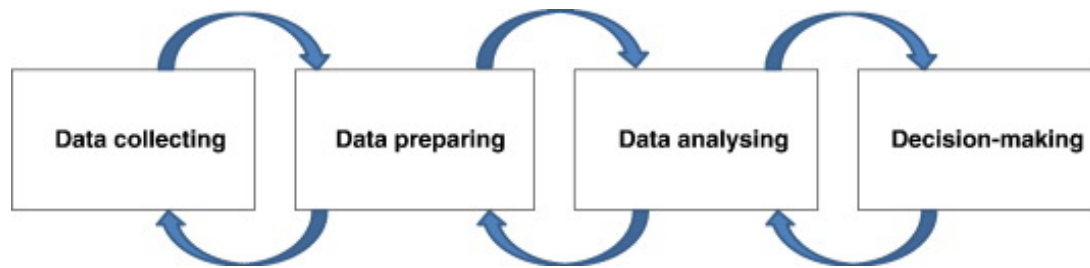


Fig 2: Steps in the data chain, from Janssen et al (2017)

Data as currency and Data partnerships

In the previous chapter, we described how we can take a traditional resource and digitalise it, and how we can make decisions based on this digital information. Now this data is an actionable resource for our company, and it suddenly begins to hold value for us. We might also be interested in using this data to collaborate with external partners. As stated by Tuomi at the turn of the Millennium, “*Data is more than knowledge*” Tuomi (1999). And in the twenty years since, this statement has become truer than ever. Today we look at data as currency, as described by Fan et al (2012). By this we mean that data has become an important asset for corporations, and that modern corporations are gathering all the data they can - and stores it for as long as possible. Sadowski (2019). In fact, we can start to look at companies as not only driven by profits, but also by looking at them as driven by the data they can collect. Sadowski (2019). When we look at data as a currency, we must consider that data - much the same as produce is only good when it's fresh – (in certain situations). Data holds the most value for the company when it's recent and correct. Fan et al (2012). An example of this can be found in the paper by Heinrich & Klier where the researchers looked at address-information in a database and found that after 10 years, they would expect that half of the addresses were no longer valid if not updated. Heinrich & Klier (2011).

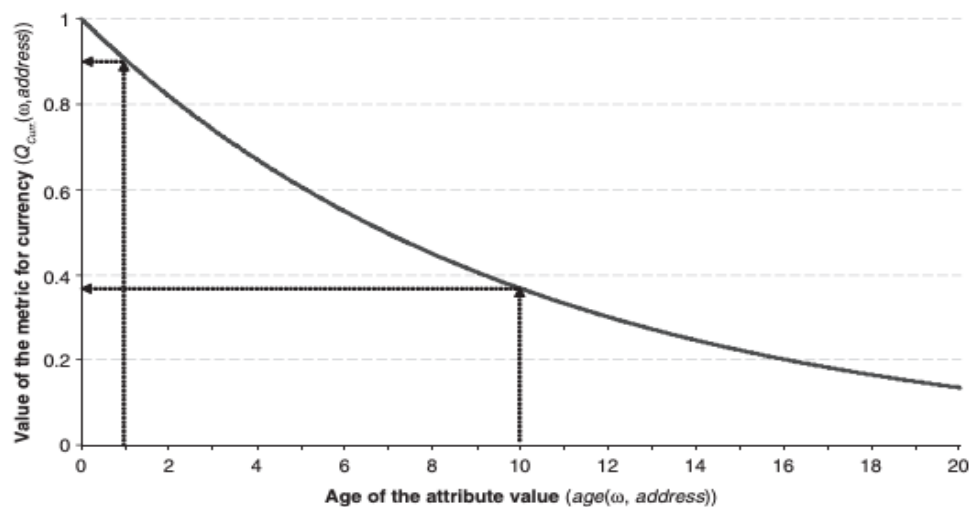


Fig 1: From Heinrich & Klier (2011), decrease in accuracy in addresses over time

When looking at data partnerships, and the benefits they can bring to the companies, we can see from earlier studies, that opening retail data to the supply chain can grant significant savings for a retailer and all other parties in the supply chain. Boone & Ganeshan (2008). This is because when every participant has access to the most up-to-date and accurate data, they can make the most informed choices. Boone & Ganeshan (2008). We can draw a parallel from the supply chain to the relationship between retailers and providers of loyalty programmes and surmise that when both the retailers and the external provider can work together on the data, both parties will benefit.

In the paper by Kamalaldin et al, the authors found that when companies share data between them, both parties benefit. Kamalaldin et al (2020). This lends credibility to the assumption that working with external providers is beneficial for both the retailers and the providers. And, Stefansson underlines how important it is for businesses that they share data free and flowingly, they also talk about the risk of companies not being part of the data flow can fall behind. Stefansson (2002). This is viewed from an early 2000s perspective, but we can also look at it from a more modern perspective, where the task of working with data has become such a large part of the core operations of so many companies, that companies who are not willing - or able, to work with external partners, will fall behind.

State of Loyalty programs

Now, let's try to link these findings to our study. We have described how data can be used to make decisions, how data holds value, and how retailers can benefit from working together with external partners. These three facets essentially encapsulate the cornerstones of a loyalty programme. Loyalty programmes are the customer-facing side of a retailer's customer relationship strategies, and loyalty programmes are a way for a customer to leave their contact information with a retailer, often in exchange for some kind of ongoing reward. This can range from permanent discounts to members-only sales.

When it comes to the current state of loyalty programmes, we can gain some insight by looking into published peer-reviewed articles, Bradlow et al, talk about the current possibilities for exploiting and gathering data through loyalty programmes and other avenues, as well as further possible solutions for expanding this data set. Bradlow et al (2017). In the figure below, the authors of the paper have tried to categorise the data into three separate categories.

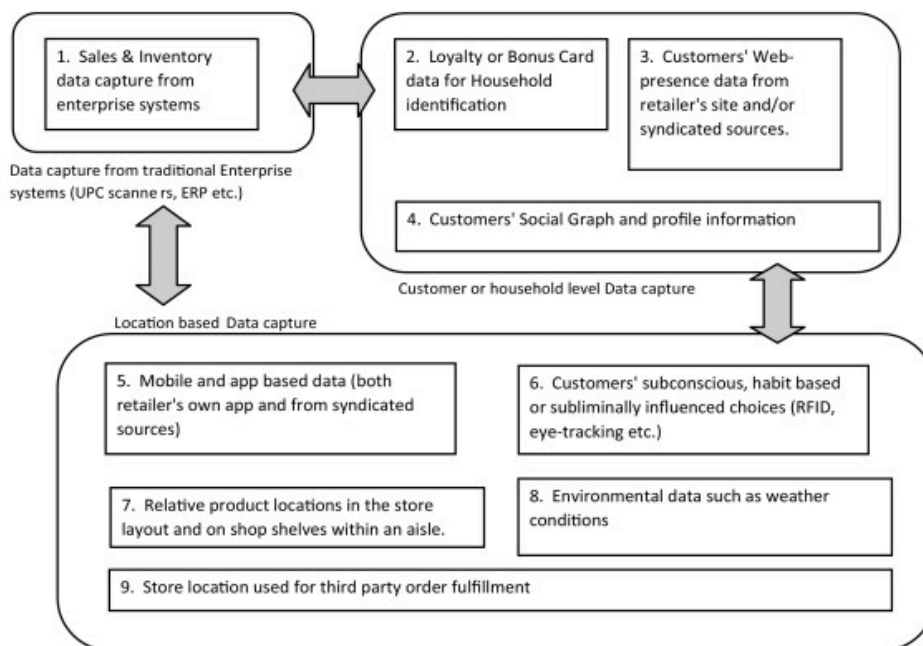


Fig 3: Avenues of information, from Bradlow et al (2017).

Firstly, the data captured in the store through the point of sale, secondly the data captured from customers at a household level - namely through loyalty programmes - and based on the customer profiles, and finally thirdly the emerging sector of data collection - where more exotic technologies are discussed such as eye-tracking and smartphone usage. For us, the most relevant part of this illustration is the second block, containing points 2, 3, and 4.

Here they identify the data captured on a customer or household level, this is the data most often considered when talking about loyalty programmes and personalised information. We can see that they point out loyalty and bonus card data for household identification, web presence data, and social/profile information.

In discussing the future of retailing, Grewal et al, point to how a loyalty programme is a key to expanding a business's reach to consumers. They also point out that companies that can offer targeted information and value, can stand apart, and deepen their customer relationships. Grewal et al (2017). In the white paper by Podreciks et al, the authors discussed the importance of having finely granulated information, they point out that this will make you able to make better decisions about your business, for instance, which branch to close or keep open. They also point out that a company without the internal expertise to manage and analyse data should partner with an external provider who's an expert in the area. Podreciks et al (2018).

Another avenue of information on the current technology available for loyalty programmes has been looking at the tools available to the providers of these solutions. By looking at what services these third parties offer, we will be able to gain an understanding of what kinds of abilities loyalty programmes can have today. One such third party is Drupal, which can provide the real-time tracking of website statistics, automatically send out marketing emails, manage your customer database, and much more. Drupal (2019). Another tool - Liquid barcodes, promotes the ability

to engage your customers with stamps or rewards programmes, having tiers of loyalty, making it convenient for the users to engage with your loyalty programme, and gamifying the loyalty experience for the end-users.

LiquidBarcodes (2022)

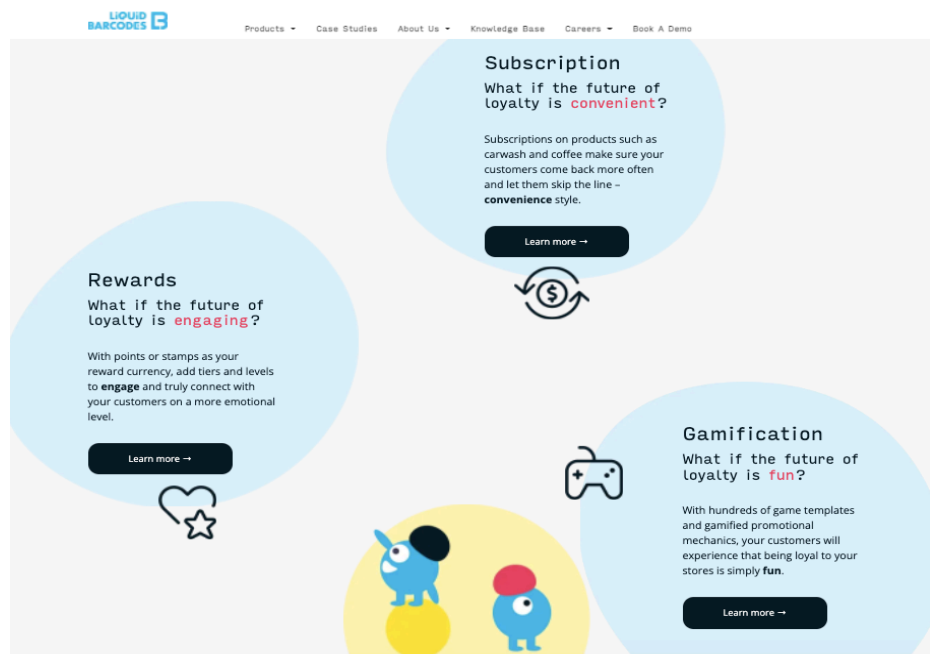


Fig 4: Screen dump of liquid barcodes homepage

Another example of such a service is EG retail, where they boost the ability to help you set up loyalty programmes where you can manage your memberships, deliver prebuilt apps for your members, and send out customized information, as well as create automated sales. EG retail (2022). And finally, Voyado, where they - in their own words, can help you “*Handle everything that has to do with your loyalty program: rewards, gamification, and membership levels, to make sure your customers come back. Again and again.*” Voyado (2022). Another useful resource provided by Voyado, is the white paper “The Voyado index” which comes out every year and describes how the adoption of their tools is progressing in the market. Here we can gain useful insights such as that customers are opening more marketing emails, and that these emails contain more personalised information than ever. It also contains other insights, such as that the customers are spending the most money on online shopping over traditional physical retail. The Voyado index (2022). So, by looking at what all of these third parties have to offer we can create a picture of what kind of features are available in a modern loyalty programme.

Discoveries

Key findings

- **Email open rates have increased – alongside the level of personalized communication for this channel.** Keep creating customized messages, but keep in mind that every bit of content needs to be timely, relevant, and tailored to your customers’ wants, interests, and needs.
- **Men are the driving force behind the increase of average receipts online and the decrease of average receipts in-store.** This indicates they’re more comfortable making bigger, more complex, and more expensive purchases online these days. So, make sure to build customer trust and find ways to reflect the new reality! Always provide relevant product information and replace physical fitting rooms with clever-made videos and detailed product imagery.
- **Since we’re saying goodbye to third-party cookies, put your energy and absolute focus on collecting – and activating – your own customer data.** This database is worth the weight of gold, and exactly what you need to create memorable, seamless shopping experiences and build customer loyalty.




Fig 5: Key findings. The Voyado index (2022)

Methodology

In this chapter, I will be describing the methods used in the study. I will start by describing the choice of topic, then I will talk about the research design of the thesis, then I will describe how I gathered the data for this study, and finally, I will discuss the data analysis of the study.

Choice of topic

The choice of topic for this thesis was an exciting and at times difficult decision. Initially, I had intended to conduct a different case study, where I looked at the internal dynamics of one mall. This, however, proved to be difficult because the type of study I was envisioning, would require more in-depth access to their data, and day-to-day operations. Additionally, it was proving difficult to find a mall that wanted to participate in the study. Therefore, myself and my faculty advisors started looking at other areas where retailers interact with external data partners. I eventually landed on the topic of loyalty programmes.

Research design

This thesis aims to be able to investigate how developed loyalty programmes currently are within Norwegian retail, as well as how retailers interact with their external providers. To limit my scope of research, I choose to do a case study on this topic. A case study allows us to be able to get an in-depth view of a field with a limited scope. Tjora (2021). As well as it affords the opportunity to be able to produce more concrete answers within given time constraints. An interpretivist research approach was chosen over a critical or positivist approach because it's more suited to understanding human thought - and action, in social and organisational contexts, and it has the potential to produce deep insights into information. Klein & Meyers (1999).

As described in above, I chose to go with a case study, and I wanted to focus on the state of loyalty programmes in Norway at present time. To be able to conduct a meaningful case study I chose to do a literature study and conducted interviews both with the providers of loyalty solutions as well as with the retailers that use them.

The reason I chose to go with this topic specifically, is because I suspected that there was a lot to uncover here, based upon personal observations, discussions with my faculty advisors, and the fact that I found very few articles written on the subject when I began exploring the topic. There were also a few restrictions due to the nature of this thesis that informed how the study was conducted, one such restriction was the time available. When it comes to time constraints, the parameters of this master thesis are set as one semester. Therefore, it seemed natural to conduct a focused case study, since this gave me the opportunity to interview several large actors within the field in the time available.

It is of course also important to have an acute awareness toward the strict legal framework regarding privacy and personal information in Norway. A study cannot be conducted if it infringes upon the personal information of the customers in the retailers' databases, therefore, the study was conducted without looking into said databases. Instead, the focus was on how retailers use these databases, as well as work with the providers.

Data collection

In this subchapter I will describe my process for gathering the data for the study, I will describe how I conducted interviews with both relevant parties, and describe sampling strategy, as well as the recruitment process.

Interviews

One of the main methods used in this study was conducting interviews with both the retailers and the providers of the loyalty programme solutions. The interviews were set up as semi-structured interviews, with the interviews with the providers lasting around 45 minutes to 1 hour, and the interviews with the retailers lasting about 20 minutes to half an hour. The reasoning for the time difference is twofold, firstly because the interview guide for the suppliers contained more in-depth questions about the state of the market in general, and secondly because it was easier to achieve participation from the retailers when they didn't have to make such a big time commitment. I chose semi-structured interviews because they are an excellent way to be able to gather information from a subject following the themes you have planned out, without being as constrictive as a fully rigid structured interview. Tjora (2021) / Oates (2006).

Sampling strategy

The aim of using interviews was to gain a first-hand understanding of what each of the parties was experiencing. The interviews were conducted with three participants from companies that are providing loyalty programme solutions to retailers, and with five participants from different retailers that are using loyalty programme solutions. In the modern digital space, it has become more and more common to use external providers for services to be used in-house. Therefore, a choice was made to conduct interviews with both parties to gain a better understanding of the dynamic between them. It also became apparent from the preliminary studies that I would need to talk to both parties because there appeared to be a gap between what the providers were able to offer and what the retailers had adopted of these technologies based on real world observations of implementations of loyalty programmes, and what the providers advertised as potential functionality A table of participating providers and retailers can be seen below.

Overview of Participants in the study	
Providers	
Provider #1	A small development firm focusing on online retail
Provider #2	A small development firm focusing on online retail
Provider #3	A medium sized development firm focusing on online retail and enterprise solutions
Retailers	
Retailer #1	A medium to large Norwegian home and interior retailer with around 130 stores as well as an online store.
Retailer #2	A medium sized Norwegian specialist clothing store. Ca 30 stores as well as the online store.
Retailer #3	A large Scandinavian home and interior store with around 350 locations as well as an online store
Retailer #4	A large Scandinavian parts provider with about 150 stores, a web store, as well as about 1000 partnered workshops
Retailer #5	A large Norwegian Home and interior retailer with around 300 stores, as well as an online store

Table 1: Participants in the study.

Recruitment process

The interviews came about after contacting each of the businesses by phone. I started by calling the providers, and here I had a little luck because all the providers I called were interested in talking with me. When it came to the retailers, I initially started by sending out emails, however, when this didn't branch out, I decided to try calling instead. In most cases, I was forced to call the public support number and ask around for the person that I was trying to get in contact with. Usually, this would be the head of marketing and /or the head of loyalty. This approach worked, however, it proved to be quite a labour intensive. In total, I reached out to right around 100 Norwegian retailers, about 10 % of them were able to get me in contact with the right person, and about half of them were willing to participate in the study. This means that I had a hit rate of about 5% - or five in 100. In total, I had the participation of 5 retailers and 3 providers. On the surface it might seem like the providers are quite overrepresented, and the retailers somewhat underrepresented. However, we must remember that these retailers represent a combined total of over 1000 locations, so for the time available, it does appear to be a sufficient sample size. If a longer study were to be conducted, this sample size could be increased, and this seems a possible avenue for further research.

Interview Process

The interviews were conducted over the phone or via video conferencing depending on the participant's availability, and each participant signed a declaration of participation where they agreed to have a voice recording made during the interview for easier transcription. Per the requirements from NSD (Norwegian centre for research). These recordings were then stored securely on NTNU's servers. A separate locked file contained the keys to which participant responded with which audio recording. I am the only person who has had access to both the recordings, and knowledge about which recording contains which participant. After this study is complete all recordings and all names of the participants will be destroyed and deleted. The participants also signed a participation agreement where they were informed of the intention of the study, how their data would be handled, and that their participation in the study would be anonymized. The participation agreement was also a part of the broader agreement with NSD to be able to make voice recordings of the interviews. After each interview was conducted, they were all individually transcribed. These transcriptions will be discussed below.

Design of interviews and Interview guides

The interviews were conducted with the help of two separate interview guides. Listed at the end of the thesis as appendix A and appendix B. These interview guides were developed in conjunction with my faculty advisors, and the questions aimed to be able to answer my research question. When I conducted the interviews, I tried to follow the interview guides as closely as possible.

I however also designed the questions allowing the interview subjects to answer freely and volunteer additional information. This has been a very fruitful approach that worked quite well, as it both gave me the answers to the questions I was asking, whilst also securing that matters I may not previously have been aware of, were incorporated into and addressed in my study. In this way, my open approach maintained the possibility of getting further relevant information.

As can be seen from the interview guides in appendix A and B, the questions asked to the providers and retailers differ somewhat, however, this was not always the case, as when I started developing the interview guide it was only one interview guide aimed at both parties. Through the process of researching and reaching out to the participants, as well as through discussions with my faculty advisors, it became clear that I needed two different sets of interview guides. The revised questions in these interview guides were influenced by this new knowledge and aimed more specifically at the relevant interview subjects.

Data analysis

In this subchapter, I'll describe the data analysis process for this thesis.

Literature study

The first thing I did was immerse myself in the existing literature about the current state of loyalty programmes and retailers, this included broader terms, such as; datafication, data-driven decision making, data partnerships, and data as currency. By starting my research journey by looking at existing literature, I gave myself a platform of understanding for when it came time to conduct the interviews. The literature study uncovered a great deal of knowledge about datafication and data gathering from a global perspective mainly focused on the US. However, when looking for information on loyalty programmes specifically, I found very few peer-review articles, and those I found were generally a couple of years old. This indicated to me that I had to look elsewhere for up-to-date information.

When it came to researching existing literature for this study, I started by looking up articles on Google Scholar, Scopus, and Oria. I searched for articles containing keywords such as; datafication, data-driven decision making, loyalty programmes, data in retail, and more. After collecting all of my articles, I collated them in a spreadsheet, and mapped out the central themes of each article, and key passages I wanted to include in my thesis. When I conducted my literature study, I found - as previously described, a gap in articles about the current expansion of loyalty programmes. At this point, it became clear to me that I would also have to include white papers in my search. I ended up including a couple of white papers as well as direct information from third parties developing loyalty programme tools in my literature chapter. This helped in expanding scope of the literature, and gave a more accurate description of the current state of the market, a perspective a study such as this cannot do without. However, this information would not be able to provide insight into the actual adoption of these technologies. This pointed me to a gap in knowledge in the specifically chosen area of research, which indicated to me that there was knowledge to be uncovered.

Interview Analysis

In this section, I will provide an analysis of the interviews conducted with both parties.

Interview process for retailers

I started by asking the retailers why they initially decided to have a loyalty programme. This was done because it naturally opened the conversation about why they initially made these investments, and in such set the tone for the whole interview - by starting with an open and accommodating question. My aim was also to disarm any hesitation the retailers might have with participating in the study. I found that it worked well as an opening question, but it also benefited the study by uncovering that my questionnaire neglected to ask *when* they started their loyalty programmes. However, a lot of the retailers chose to volunteer this information. In this, the above-discussed open design of the interview process secured that I in fact gained information that I might not originally have taken into consideration.

Next, I asked what they are using the loyalty programmes for. This was chosen as the next question in order to gauge their level of maturity with the customer loyalty programmes and to inform how I would approach asking the next couple of questions. This proved very productive and provided me with the information I wanted, both for the study and for the actual process of the interview. (With regards to how I should proceed) However, I would also sometimes get respondents who wanted to add in all of their future plans in this answer. This was an interesting quirk that I will examine further in later parts of this thesis.

For the next question, I asked what the retailers stand to gain by having a loyalty programme. This was asked in order for me to see their understanding of what data they are gathering. As we will see from the retailers, some of them answered plainly that they are gaining names and mobile phone numbers, but some of the retailers were more attentive to the fact that they were also gaining data. This seemed like an important distinction, and we can see from the interviews that the retailers that had a greater understanding of the resource they were in possession of also usually had a greater utilisation of this resource.

When I asked if they are taking any business or marketing decisions based on the gathered data from their loyalty programmes, I got a lot of different answers. This was an important element in my study. This for one, uncovered that the retailers had different levels of understanding of the concept of data, and what data can entail, but it also alerted me to my own choice of words and phrases. Again, the open design of the interview process, secured that eventualities I was previously not aware of, were incorporated into my study.

Initially, I assumed that all retailers were in fact gathering data from their loyalty programmes, but my examination in fact demonstrated that for one of the recipients this was not even the case.

Additionally, for this question, I initially tried to gain too much ground with one question, which made it somewhat broad, large, and abstract. In the process of the conversations, it however became clear that such broad and open questions in fact asked a lot of the interview subject. They were however allowed the time to re-phrase, and re-frame it in their own mind, and put it in the context of their situation. Had the design of the questions and the interview process been less open to conversation, such aspects would have been lost, and the questions probably made more specific. On the other hand, by asking broad questions, I was invited into the interviewee's process of thought, and allowed information that I would otherwise not have had access to, or, possible shortcomings in the use of their loyalty programmes, that larger companies might not have been willing to share otherwise.

Next, I asked how the data from the loyalty programme are affecting their decision-making process. Now, some of the participants had already started recounting this information with the previous question, and for those participants, I would ask more of a follow-up - as in; Can you elaborate on the decision-making process? This and the previous question were asked to gauge how actively they are using this data in a daily business scenario. However, again, these questions assumed a minimal level of familiarity with data extracted from loyalty programmes, which was not the case for all participants.

For my penultimate question, I decided to ask if the participants feel like they are utilising these data to their full potential. The intention behind the question was not really to ask if they were utilising it to its full potential, but rather to uncover how the retailers are viewing their position within the market - as they perceive it. If they had in fact answered that were fully utilizing the data and that nothing more could be changed, it would be an answer coming from a place with a lot of confidence and showing little interest in changing or adapting to new developments in the field.

However, if they answered that they had a way to go, they would see it as a growth area and realise that the space is a lot bigger than what they currently are utilising. All of the participants in the study answered that they have barely scratched the surface to some degree, indicating that they are all aware of just how big a field- and also how big a resource, customer loyalty programmes are becoming.

Finally, I asked the participants if there are any areas they want to explore further within customer loyalty. This was asked because it seemed like a nice place to round up the interview, and to allow them to present what they are working on today, as well as what their plans for the future are. This was a question that was positively received by the participants because it allowed them to promote the work that they are doing with loyalty programmes, and put their company in a positive light. To me, it was interesting to hear all the different ways they imagined growing their loyalty programme, from having member-specific activities to paid subscription services. This opens up not only for further research, but it also a development in the market, where companies might need expert advice on how to proceed, and on what they may expect to gain.

Interview process for providers

I started by asking the providers some process questions. by this, I mean questions about the acquisition process of new clients, day-to-day operations, and so on. The first questions were kind of baseline questions. What kind of services do you deliver to retailers? And what kind of retailers are you delivering services to? These questions were a good starting point and gave me an understanding of what the core business was for the provider. Next, I asked them what they believe the retailers stand to gain by using these kinds of services. This was asked to see what they think the value proposition of their services is.

I then asked them to go through the stages of an acquisition process for a new client, and what they do on a day-to-day business for their clients. These questions aimed to answer how the dynamic was between the two parties, as well as to see what kind of ongoing relationship they have with their existing customers. In this way, I could gain insight into who was initiating the future development of the projects for their existing customers. This approach proved fruitful. I found that these questions often lead to quite elaborate answers, which granted me a lot of useful information for the study. I rounded off the process-oriented questions by asking what they believe is the most relevant data for their clients. By asking this I aimed to see their perspective on what the clients valued in a loyalty programme.

Next, I moved on to two more in-depth questions about loyalty programmes and data-driven decision-making in general. I asked them if they observe any effect of data-driven decision-making in their client's operations, and followed up by asking how they view this development. These questions were important because - as the partner of retailers, they were in a unique position to see how far the retailers have come in the use of data in their day-to-day operations.

I then asked them why they think their clients are investing in loyalty solutions, and if they believe that their clients have a good understanding of what they stand to gain by expanding their loyalty programmes. These questions often lead to a discussion of the state of the market, and the intention of the retailers, which was my intention, and addressed issues I was hoping they would be willing to discuss. In hindsight, I could have worded these questions differently, because it took some follow-up explaining to get them onto the right track. On the other hand, it provided me with better insight into how they perceive their own role. I also found that some of the participants were a bit uncomfortable speculating on the intent of the retailers without having specific examples to draw from. This, however, also illustrates that the providers do not necessarily always know exactly what their customers hope to gain, which in turn, might affect to what extent the full potential of the loyalty programmes is exploited.

I rounded up the interviews by asking them about the future of loyalty programmes, and the future of the market as a whole. I started by asking them what they considered to be growth areas, and how they perceive the current competition in the market. This was asked in order to gain an understanding of where the market currently sits on the development curve. Usually, we may assume that when a market is in rapid growth, there is a lot of room for development, and that if the providers have staked out growth-areas, they usually believe that will be an area of focus in the coming years. All the providers answered that there is currently a period of rapid growth, something that might indicate that the market is still early on the development curve.

Finally, I asked them what they believe the future will bring for loyalty programmes, and here I basically wanted them to speculate and share any insights they might have into the field. Initially, I did not believe this to be a very scientifically important question, it was more to satiate my own curiosity, however, it turned out that all of the providers had a lot of interesting insights into where they believe the market would go next and this - in and of itself - proved to be an interesting finding.

Transcription / translation

I started by transcribing all of the interviews verbatim as spoken by the interview subjects. This was done by listening to the audio recordings of the interviews. I then proceeded to remove any identifying remarks or statements made by the interview subjects, as well as cleaned the transcripts by removing clarifications, “umm”s, and other irrelevant distractions. I then translated the interviews into English. This means that both the summaries of the interviews at the end of the thesis in the appendix as well as any direct quotes given in the findings chapter are translations made by me to the best of my ability.

Coding

After I had transcribed the interviews, I coded the interview answers into themes that could later be used when sorting the interviews by findings that were made in the findings section. I chose different themes for the providers and the retailers because we talked about somewhat different topics and from different angles, however, there was also a lot of overlap. Some of the main themes for the providers were; customer connections (how they approached and worked with customers), customer maturity (how mature their customers were in the use of data), and business strategy, (how they aim to exist within the loyalty programme market). For the retailers the main themes were; the reason for operating the programme (why they wanted to have a loyalty programme), maturity (how far developed their customer loyalty strategy was), and future plans (how they wanted to grow their loyalty programmes). Coding is a useful strategy because it gives us a way to categorise answers, whilst also making it easier to see emerging trends within the defined themes. Tjora (2021).

Findings

In this part of the thesis, I will present the results and the findings from the study. I have chosen to separate the findings from the interviews with the retailers from the findings from the interviews with the providers. The reason for doing this is twofold; Firstly, they were asked different questions so the answers will fall into different categories. Secondly, since they provide different perspectives, it made more sense to separate the perspectives of the retailers from the perspectives of the providers.

Retailers

In this section, I will provide an analysis of the answers given by the retailers in my interviews. I have been able to extract a couple of recurring findings that reoccur with most - if not all, of the participants.

Finding R1 - Data gathered

Nearly all of the retailers that I have interviewed gather some form of customer data through their loyalty programmes. This can vary from the “core data” defined as phone number, name, and email address, to more complex data including purchasing histories.

We can see examples of this from the interviews with the retailers, here is an excerpt from the interview with retailer #1: *“We can promote the right items to the right people based on their purchase history.”* As we can see, they can promote items to specific people, this means that they collect at least e-mail addresses, as well as purchase history information from the customers. The interview subject for retailer # 2 stated: *“We started with a loyalty programme all the way back in 2010, the reason for starting was to be able to better reach the customers.”* When they here refer to reaching a customer, they are talking about sending out emails and text messages, which means that they are gathering both e-mail addresses as well as phone numbers.

Moving on to the third interview subject, retailer #3 answered: *“Today we are using our loyalty programme to give exclusive membership offers, and to host competitions, as well as sending out newsletters and text messages.”* This means that they at least are collecting e-mail addresses, names, and phone numbers, as well as when they have competitions, they need your address to send you your price. They also stated that: *“We extract data used to personalise communication.”* meaning that they collect the purchase history information as well, to send out personalised information. Retailer #4 was the retailer that had the lowest utilisation of their loyalty programme, they stated: *“Today all we are using the loyalty programme for is communicating to the customers via email list or text”* Which means that even though they do not get a lot of use out of their loyalty programme, they still collect both at least your e-mail and phone number.

Finally, the interview subject for retailer #5 stated: *“We have a lot of data from the loyalty programme, this is of course email, phone number, and name as well as billing information such as their address and date of birth.”* This means that they are the retailer in the study that collected the most personal information. They collect all of the core information such as name, e-mail, and phone number, as well as address and birthday. Additionally, they are currently expanding into collecting purchasing history: *“We are currently working on a solution to personalise the information that is given to a customer post-sale.”*

To summarise, this means that every retailer I have talked to collects some degree of personal information, every retailer I talked to collects at least your e-mail address, and some have expanded a lot and collected very granular information. Below I have created a table that illustrates the different levels of data collection from each of the participating retailers.

Table of data collected by retailers	
Retailer number	Data collected
1	Email-address, purchasing history
2	Email-address, phone number
3	Email-address, phone number, name, address, purchasing history
4	Email-address, phone number
5	Email-address, phone number, name, address, birthday, (purchasing history)

Table 2: Data collected by retailers

Finding R2 - Utilization of data

The retailers' utilisation of the collected data varies on a spectrum from almost none at all to very complex and intricate use of the data. In order to sort the retailers by their level of utilization, I have made a spectrum where I have categorized this spectrum into 6 different levels.

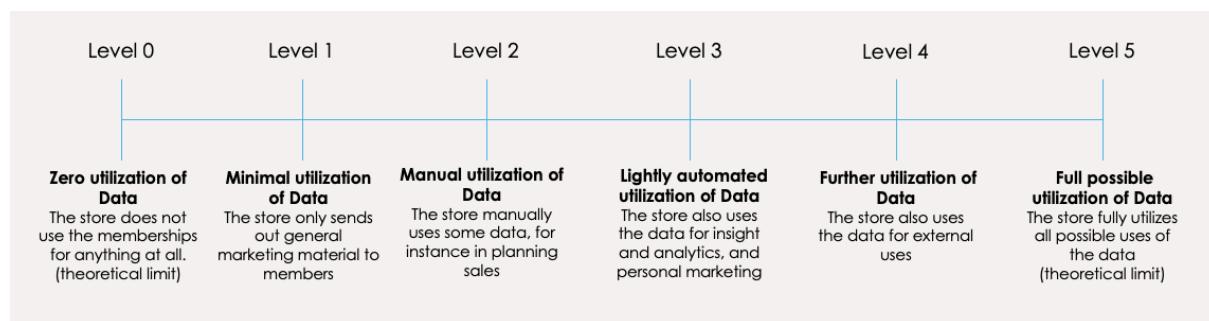


Fig 6: Levels of data-utilization

As we can see above, I have devised six different categories where the two extremes are theoretical limits, at level 0 the retailer doesn't utilize any data whatsoever, and the loyalty programme has zero functionality. At the other end of the theoretical limit, there is the full possible utilisation of data, this would mean something along the lines of full optimization, total customization, etc... basically everything the current software can achieve. Of course, none of the retailers would fall into either theoretical limit. However, I found that they usually landed somewhere in between, so I have tried to categorise this into four levels, level 1 is the minimum utilisation of data a retailer could do. This means only having general marketing material sent out via email or text message, and no data extraction or personalization. For level 2, we have a manual utilisation of the data, so that the data is used internally for planning sales or reviewing how sales have worked. On level 3, the retailer has some lightly automated utilizations of the data, for instance through insight and analytics, or personal marketing. On the 4th and final level, the retailer also utilises this data externally - for instance with suppliers.

When talking to the retailers, I was able to place them along this spectrum using statements made in the interviews, for instance here we can look at the statement given by retailer #1: *“Today we are using the loyalty programme for insight and analysis (...) by having a loyalty programme, we gain insight into whether or not a sale is working.”* This is a statement we can place at Level 3 because they show that they can gather insights from the loyalty programme and act upon them.

They go on: “... we can provide the right items to the right people based on their purchase history.” This is yet another statement, that I would say falls into the Level 3 category since they are utilising the data for personalised marketing, again this means that they have a certain level of automation, that can extract the purchasing history, and give the customer recommendations based upon this extracted information. They also add that: “*The data is used both in the negotiations with suppliers and for internal analysis...*” this would push them up to a level 4 because now they are using the data for collaborating with an external partner.

As for retailer #2, they stated: “*One of our main focuses with our loyalty programme are our mailing lists...*” This points to a level 1 utilisation of the data since all they are focused on at the moment are mailing lists. However, they did discuss in their interview, that they wanted to expand, but since that is not the case yet, they stay at level 1 for now. Moving on, retailer #3 started by saying: “*We're using our loyalty programme to give exclusive membership offers (...) and sending out newsletters and text messages.*” This again points to a level 1, but in their case, they went on to say: “*.... we use the data as an insight in planning new sales campaigns*” Which means that they are using the data internally. This moves them up to a level 2, And they even went on to say: “*We extract some data used to personalise communication*” which finally pushes them to a Level 3.

Next, retailer #4 along with retailer # 2, was one of the ones who had the lowest level of utilization, here retailer # 4 stated: “*We started our loyalty programme in order to be able to communicate directly with our consumers through a mailing list.*” This places them at a level 1. And again, they had plans to improve, but since this is their current utilisation, they remain at a level 1 for now.

Finally, the interview subject for retailer #5 stated: “*We use the loyalty programme for sending out information to customers.*” Which initially places them at a level 1. They went on to add: “*.....we can look at the data from the loyalty programme when we are planning sales*” This means that they have some internal levels of utilisation of the data, which moves them up to a level 2. They then stated: “*.... and when you are a member, you can get every third [item] for free.*” This finally brings them up to a Level 3, because this means that they have optimizations in place for personalization of information based on purchasing history.

To summarise the findings from all of the interviews, we can see that the level of Utilisation of the data, varies from a level 1 on the simplest retailers to a level 4 at the top retailer. This points to a large spread in the overall utilisation within the retail market. We will discuss the possible reasons for this further down in the thesis.

Retailers' utilization of data	
Utilization level	Retailer number
0	
1	2, 4
2	
3	3, 5
4	1
5	

Table 3: Retailers' level of utilization

Finding R3 - Planned utilization

Finally, while most of the retailers are currently sitting at around a Level 3-4, when it comes to the utilisation of data. All of them are planning to update and expand their loyalty programmes and the amount of data they are gathering from them. This was a common denominator for all of the participants in the study, and it points to the fact that even though this hasn't been an area of focus for all of the participants, everybody sees the opportunities in expanding their loyalty programme. For instance, retailer #1 stated: *“We want to look into having a paid subscription to services as well as the opportunity for members to earn bonus points which they can spend on bonus programmes. We also want to start using the data to better our customer experience both within our stores as well as on the website.”* Proving that this will be an area of focus for them moving forward, they are even talking about incorporating aspects such as gamification, as well as proving that they see how this data can be useful internally.

Retailer #2 stated: *“By logging purchasing data we would be able to send more personalized information out to our customers. By doing this we hope to become even more competitive and also increase our customers loyalty”* Proving that they too wanted to expand the scope of what data they are gathering, as well as indicating that they have a goal with the loyalty programme – namely to increase their competitiveness.

Other participants are looking into being able to extract more data from the loyalty programme, for instance, retailer # 3, stated here: *“We want to expand how we are utilising the data, by extracting more concrete information. We also hope to use the loyalty programme in new and exciting ways, for instance by having member-specific digital activities.”* They include thoughts about gamifying the loyalty programme, in the same way as retailer #1, proving that this is an occurring thought with the retailers. Moving on to retailer #4, who was the retailer with the least focus on their loyalty programme, they stated: *“We have some exciting new goals with how we want the loyalty programme to work, but we're not quite ready to discuss those yet.”* This perhaps indicates, that even though they also have plans to expand, they are perhaps not as far along with those plans as others.

Finally, the last participant - retailer #5 stated that: *“We are currently working on a solution to personalise the information that is given to a customer post-sale.”* Which means that they want to increase their usage of the data from the loyalty programme, namely purchasing history, with a focus on personalization. To summarise, all of the participants are either currently working on or have plans to greatly expand their loyalty programmes, this being either with a focus on what the expanded use of data can do to improve their customers' experience, or what they can gain from better utilising the data internally.

Summation of the interviews

Finally, I have chosen to include a summation of the interviews in the appendix to give the reader a more complete recounting of each interview, as well as being able to present a more complete recounting of the interviewee's answers.

Appendix C - G for Retailers 1 - 5

Providers

In this subsection, I will present my findings from the interviews with the providers. From the interviews with the providers, I have been able to extract several findings that we can see is a commonality between each of the participants' answers. These different findings are:

Finding P1 – Loyalty is a part of a process

Providers find that the acquisition of a loyalty programme is usually part of a greater redevelopment effort for the retailers, this can be seen through the statements made by the different providers; provider #1 states: *“We mainly deliver loyalty programmes to our existing customers, but we are looking into selling loyalty as a stand-alone solution. The value proposition for the stores is that it is easier to sell to an existing customer.”* This is in reference to the fact that their normal customers are usually looking to update their web infrastructure. When asked how they approach new clients they answered: *“It's not a lot of cold calling, it's more about having feelers in the market and making connections with potential customers.”* This could be pointing to the fact that the retailers are looking to renew themselves.

The second provider also stated that loyalty programmes are more of a secondary focus for a lot of their existing retailer-clients: *“The loyalty programme usually comes up as an add-on for their online stores.”* Here they are talking about how the clients they have developed new online storefronts for, also might be interested in implementing a loyalty programme. They also pointed to how it's not usually them who approach new clients: *“Clients usually approach us about building a new online presence.”* Finally, the third provider also stated how clients usually approached them, and that loyalty programmes are more of a secondary focus: *“...the acquisition process for a loyalty programme, is usually started by the customers reaching out to us. It is also usually part of a bigger acquisition project.”* However, they went into a bit more detail on how these processes might function: *“The clients may have had simple loyalty solutions already and this can be used as the starting point. We then help the clients with selecting solutions. The acquisition process typically starts as a single project but has a tendency to morph into an ongoing partnership...”* To summarise, the process is typically started by clients reaching out to the providers for larger development projects, and loyalty solutions are usually a secondary sale- or project goal.

Finding P2 – Providers are driving adoption

We can also see that initially in the process it is the providers that are driving the adoption and expansion of loyalty programmes. We can see through the statements made by the providers. Provider #1 gave an example in the form of a story: *“We had just finished setting up a loyalty programme for a client, and called them a couple of weeks later to congratulate them with reaching 20,000 members. Our client then reacted by saying “Oh well that's neat” Showing that they weren't really paying all that much attention. So, this became a situation where we stepped in and helped the client a bit more with the understanding and utilisation of their new loyalty programme.”* This is showing how disengaged some of their customers can be in the daily utilization of their Loyalty programme, as well as lacking in information about what it can do for their company. They also stated that; *“... [Our] main focus is on taking this raw data and trying to generate quality data for our customers. “By this, they mean breaking it down and making it easier for customers to handle. Again, indicating that they carry the main responsibility of making their customer's data actionable.*

We can see the same answers from the other providers as well: provider #2 stated: *“We have access to all of the data relevant for their clients, but maybe the clients are somewhat lagging behind when it comes to the use of this data.”* And; *“...we offer personalisation, but we need to make the clients understand how they are supposed to use those tools.”* These answers point to a situation where the clients might require some extra help to understand how they best can utilise this data. In fact, they actually come out and almost say this themselves: *“...that is why our customers today have access to a lot of data that they don't quite know how to process, and that is where we come in.”*

However, as indicated by some of the providers - the retailers are starting to develop their expertise in the field. Indicating that a change in the traditional dynamic might be on the horizon. As stated by provider #1: *“We work closely with many of our existing customers. A lot of customers want to get continuous updates on how the loyalty programmes are doing and the customers often have a lot of big ambitions that they want to see fulfilled. Daily communication about existing infrastructure is usually ongoing in parallel with the start of new projects for the client.”* This statement indicates a growing interest in the daily operations of their loyalty programmes, and it is further supported by the next statement made by the same provider: *“... in the cases where our clients are more experienced they usually have their own employees working exclusively with the loyalty programmes.”*

Taken together, this points to a shift where retailers are forming a greater understanding of the resource they have available to them, as well as a foundation for better decision making. Provider #3 puts it like this: *“Our customers are usually so big that they already have loyalty programmes, and possibly also external loyalty partners. So, when they approach us they usually already have an OK understanding of what it means for them to have a loyalty programme, and what they stand to gain from it.”* And: *“...so on an ongoing basis we can provide expertise in data processing, but the larger stores usually have their own employees working with this.”*

To summarise, this finding indicates to me that providers have traditionally been the active party when it comes to the development of new loyalty programme solutions, but as the retailers are forming a greater understanding of what they stand to gain by utilising this data, they are starting to push the development further themselves, this can also be seen in the next finding.

Finding P3 – Retailers are building experience in datafication

As the retailers are expanding their use of their loyalty programmes, they are also building out their experience in datafication. In fact, for many retailers, a loyalty programme might be their first entry into the world of datafication and data-driven decision-making. I have chosen to imagine this as a journey in three stages. First, the providers need to convince them of the value of having a loyalty programme. Second, they need to find their footing within the field. Third, they start exploring their options and wishes.

We can look at some examples of the first stage, here from provider #1: *“The value proposition for the stores is that it is easier to sell to an existing a customer.”* And provider # 2: *“The main sales argument for implementing a loyalty programme is that it is easier to sell to existing customers”* And finally provider # 3: *“... and more data for the retailers will lead to a more frictionless retail experience for the customers.”* Here we can see the providers educating the retailers on what they might stand to gain by implementing a loyalty programme. This is usually a part of their initial sales process. The second stage, where the retailers are finding their footing in the field, it's a bit harder to nail down. However, we can look at some examples from the providers. *“A lot of customers want to get continuous updates on how the loyalty programmes are doing and they often have a lot of big ambitions that they want to see fulfilled.”* (Provider 1) Here we can see that the provider is talking about how the clients are starting to take a more active role in the development of the programme, but they are still leaning on the providers.

Provider # 2 puts it: “...*new projects can often grow big and costly, and nobody wants to sink a lot of money into something that they don't quite understand or see the immediate benefit from.*” Indicating that in some cases the fear of failure might be the reason for the retailers holding back a bit.

The third stage, where the retailers are starting to take a more active role can also be seen in some of the clients of the providers. Provider # 1 states: “...*they have begun asking about loyalty programmes (...) we see a growing interest in customer loyalty across the board*” when talking about their clients' engagement and loyalty programmes. When talking about motivation, provider # 2 explained: “...*the motivation for some of them might be to keep up with the market, because at this point consumers have an expectation of finding a loyalty programme with every retailer.*” Here showing that the retailers are starting to see how they might lose out on revenue if they don't keep up. Finally, provider # 3 tells us that retailers are starting to actively use the data from the programmes: “...*data can then be extracted both manually and automatically by generating behaviour reports on customers, a lot of retailers also go in manually looking for behavioural patterns*” So, as we can see the providers have many different clients who falls in to either of these three stages.

Finding P4 – The market is emerging

The current state of the market, as viewed from the providers' perspective, is going through growth and changes. Firstly, on the topic of how data collection is growing, provider #1 said: “*When it comes to what kind of data we have the ability to gather, it expands into purchase history behaviour and these kinds of expanded data. However, at this time there's not a lot of customers that are utilising this option.*” Indicating that they can gather more data than their customers are currently capable of working with. Provider #2 puts it: “*Clients can feel that it is costly to invest in working with the data they are gathering, (...) there is an inherent risk in being a pioneer instead of sticking with the tried-and-true business models of yesterday.*” And: “...*the motivation for some of them might be to keep up with the market, because at this point consumers have an expectation of finding a loyalty programme with every retailer.*” Again, hinting at reluctance in pushing the scope of their programmes forward.

Finally, provider #3 said: “*Lately there has been a focus on connecting the data you have on a customer through the different sales channels, as in connecting an online profile with the person that is shopping in the store.*” And: “...*and this data can then be extracted both manually and*

automatically by generating behaviour reports on customers, a lot of retailers also go in manually looking for behavioural patterns. (...) It is becoming more and more clear that you are missing out on customers if you don't have a loyalty programme (...) and it helps reduce friction between the customer and the retailer” Again showing that they have up-to-date knowledge and expertise in the area, and are on top of the changes that are happening in the market.

When it comes to the changes in the market, several of the providers point out how the market is currently experiencing a growth phase. *“There have never been as many clients available as it is now, nor as many clients that want to rejuvenate their online presence and expand their loyalty programmes. So in that regard, there is a lot of room for growth.”* (Provider 2) *“A lot of customers are beginning to be aware of the benefits of expertise within the field, so we have focused a lot on developing expertise instead of trying to compete on price.”* (Provider 3) This is interesting because, it means that the providers are seeing a lot of retailers suddenly starting to focus on reinvigorating their digital platforms and loyalty programmes, which matches with the finding that the retailers have started focusing more on this area. On this change provider #3 added: *“Online retail has had a massive shift from being a physical stores online catalogue, to a website where you can buy the items, to now shifting more into a personal shopping experience akin to what you would get when you're visiting a store.”*

Finally, when we were talking about what the future might bring for loyalty programmes, the different providers all had interesting thoughts about how the field might develop in the future. Provider #1 speculated that: *“There will be probably a lot of focus on data-driven decision making”* Which I believe to be a fair assumption. Provider #2 thought: *“There will probably be a lot more focus on automatization and AI in order to lighten the workload and make big data sets more accessible...”* Which again seems to line up with the results we have found so far. Provider # 3 also thought that the area of loyalty programmes would be growing in the coming years: *“Personalization will become a much bigger factor as it is already in the process of becoming”* However, since they have a unique vantage point in this study by conducting a lot of business with enterprise customers, they also added that: *“Business-to-consumer retail has been going through a lot of changes and has been a big focus area, however business-to-business has traditionally lagged behind, so perhaps this is going to be growth area over the coming years.”* Which I believe is a very valuable insight. The focus of this thesis has been on loyalty programmes pertaining to business-to-consumer relations, but it follows naturally that this would bleed over into business-to-business relationships as well - when the market matures.

Finding P5 – Larger retailers forge the path

Finally, I found that it is typically the larger retailers who are better equipped to deal with the development of loyalty programme efforts and that the smaller retailers might be limited by their size or are the resources they can allocate to the project. Provider #1 puts it this way: *“The larger and more experienced clients usually also have a lot of their own input on how they want to structure the programme. In contrast to how the smaller and more inexperienced clients lean more on us to provide finished solutions with pre-analysed data”* This points to how the larger clients can afford the expertise in-house to get the most out of their loyalty programmes.

When talking about how their clients are utilising the loyalty programmes, provider #2 states: *“Some of our clients only have a single person responsible for everything regarding loyalty and customer management so there are limitations to how much is realistically achievable.”* Finally, retailer #3 touches on larger stores: *“...so on an ongoing basis we can provide expertise in data processing, but the larger stores usually have their own employees working with this.”* Again, pointing to the fact that the larger stores usually have more resources at their disposal.

Admittedly, it might not be too surprising that larger retailers have more resources available to them, however, this points to something that can develop into a troubling trend where the larger actors within the space leave the smaller ones behind, because they have the resources to get the most out of the data they are gathering - tailor-made, and specifically for their situation, while the smaller actors must rely on third-party solutions that might not be suited for their needs.

Summation of the Interviews

Appendix H - J for Providers 1 - 3

Discussion

In this part of the thesis, I will discuss the validity of the findings, the possible challenges of the sample size of the study, how the interviews could have affected the findings, what my main findings were from each of the parties, and finally, I will try to draw some conclusions based on my findings, and discuss further possible works in this field of study.

Factors of possible influence

Here I present some factors that could have affected the study, and with it the findings that were produced.

Validity of findings

When it came to selecting participants for the study, I had originally intended there to be a couple of providers of loyalty programme solutions and a lot more retailers. This would more accurately reflect the make-up of the market since the actual retailers greatly outnumber the providers. However, as discussed in the methodology chapter, it proved difficult to get a hold of as many retailers as I originally wanted. This being said, I still believe that the final makeup of retailers and providers can provide an accurate estimation of the current state of the market. Should I have conducted the study again, I would probably choose a different strategy for maximising the number of retailers participating in this study.

Sample size

When it comes to the recruitment process, I reached out to the providers by calling their offices and asking them to participate in the study. This worked quite well, and everybody I talked to was interested in participating. When it came to the retailers one of the main difficulties was the fact that there was no “main office” to call. This led me to either contact them by e-mail or by calling their support lines, which were their only public-facing phone number.

If I were to conduct this same study again, I would start by having a better way of contacting the higher-ups in the company. Because my experience was that when I was able to reach the correct person, they were much more likely to agree to participate in the study. One method of accomplishing this could have been to visit the retailers in person and talk with somebody who is working in the store. By pleading my case to them I maybe would be able to get some direct contact information to the person responsible for marketing at their headquarters.

Possible restrictions of Interviews

As the main source of information in this study is the interviews that have been conducted with both the suppliers and the retailers, there is always the possibility that I was limited by the information that each of the participants was willing to share, as well as the fact that they might have omitted information that would put them in a bad light. This is a fact that I am aware of and will be brought into consideration when I analyse the results. Furthermore, another possible weakness of structuring the study in this way is that I am only able to reflect the views of the retailers and suppliers that were willing to participate in the study. There might be other retailers that have a drastically different approach and that is something I would not be able to uncover with this methodology.

Findings

One of the main findings from the study was that while the retailers are expanding their use of their loyalty programmes, they are also building out their experience in datafication. I have chosen to categorise this into three stages as described in Finding P3, and I want to elaborate on these stages. As described above, the three stages are; 1) Relying on providers, 2) Starting to take an active role, and 3) Taking charge of the process. By making a model that visualizes and categorizes the journey a retailer takes on the path to proficiency in loyalty the field, we have an easier time gauging the spectrum of experience.

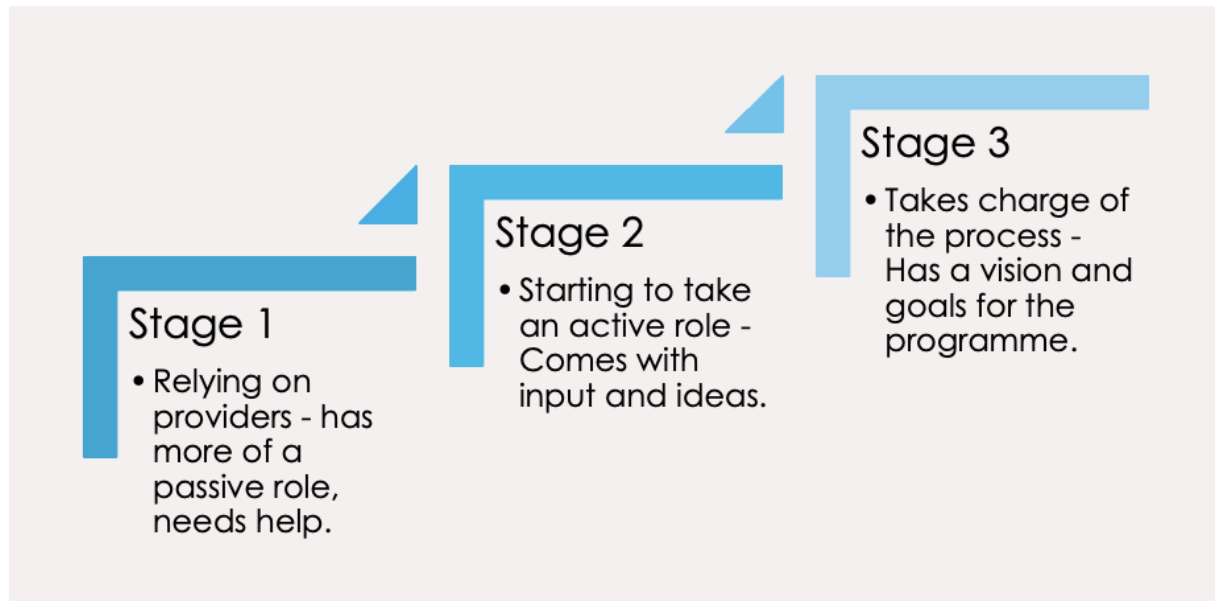


Fig 7: The three stages of ownership

As we can see from the illustration, the three stages are building on one and another, so a retailer typically starts at the bottom, and works their way up the ladder as they are building experience. What I found from my interviews with the providers, was that they had clients who could be placed on any rung of the ladder. We can extrapolate this to form a conclusion saying that the level of experience in the field varies wildly.

Another key finding is the composite finding of Finding R1 and Finding R2. When it comes to the retailer's utilisation of the data they are gathering, we observed a correlation between the amount of data they are gathering and the level of utilisation they have of this data. As we can see from the table, retailers 3 and 5 both collect a lot of information and place highly degree of utilisation of this data.

This correlation can be a product of two different causes, either retailers who are gathering a lot of information gets a better understanding of how they can utilize this data, or retailers who have a high degree of utilization needs more data to feed their work and decision-making. However, there is one factor we haven't yet considered, and that is size. As we also can see from the table below, it is the largest retailers who both gather the most data and gets the most out of this data. (Retailer #1 is an outlier here) I will discuss this more later on, but it appears the size of a retailer is a factor for how well they can succeed in this market.

Combined Table of data collected, utilization, and size			
Retailer number	Data collected	Utilization Level	Size of retailer
1	Email-address, purchasing history	4	Ca 130 stores
2	Email-address, phone number	1	Ca 30 Stores
3	Email-address, phone number, name, address, purchasing history	3	Ca 350 stores
4	Email-address, phone number	1	Ca 150 stores
5	Email-address, phone number, name, address, birthday, (purchasing history)	3	Ca 350 stores

Table 4: Combined Table of data collected, utilization and size

Findings from retailers

It may perhaps not come as a surprise that the retailers are gathering personal information for the use in marketing and loyalty programmes. But after conducting my initial research, what did surprise me was how limited the actual data gathering was. The current tools and white papers painted a picture of retailers who are able to collect finely granulated data and act up on it. However, what I found out during the study, was that while many are able to collect this information, and that they had plans to do so in the future, currently they are not as far along as it may seem from the outside. This being said, we can plainly see from the loyalty programmes of other actors in the retail space that they have come much further along in their use of personalized information. For instance, the Coop-group, or Komplet which has advanced and highly developed loyalty programmes. There are a couple of possible reasons why this finding did not uncover results like these retailers. One possibility is the sample size, and another is that they operate in different retail segments from the retailers I have talked with. These limitations could be addressed by conducting a larger study at a later date.

Another thing that did become clear during the interviews, is that the data utilisation through loyalty programmes are the retailers’ first entries into data-driven decision making and the datafication of retail. I believe that - as they stated themselves, their journeys are only now beginning. The consensus of all of the participants in the study was that there is much untapped potential in the field of data-driven retail. And, moreover, that the participants who had started seriously looking into further exploring this topic, indicated to me that this would be an area of great importance to them moving forward.

Findings from providers

One of the perhaps more surprising findings, was that all of the providers I talked to said that loyalty was a secondary focus for retailers. The new clients that approached them were mainly focused on redevelopment of their digital platforms. This is surprising, not at least because one of the main sales arguments the providers were using on their websites were new and exciting loyalty solutions. This also somewhat contradicts Grewal (2017) who suggests that the future of retailing is that retailers must embrace these new and emerging technologies. What may be the case, is that we just have not come as far in the adoption of new technology here, as they have elsewhere.

Another unexpected discovery was the fact that it was the providers who were pushing the development of loyalty programmes. My expectation was that it would be the retailers who were wanting to expand their programmes, because they wanted to capitalise on the potential. Through the interviews with both the retailers and the providers, it however became clear to me that the retailers are much more risk-averse than I initially had assumed. It is however feasible that this is common knowledge and that this is the reason why industry white papers such as The Voyado index (2022) exist – namely to give providers sales arguments.

This being said, I was pleased to learn that the retailers are starting to build experience in the field. This indicates to me that they are serious when talking about increasing their investment in loyalty programmes. We can also link this with the fact that many of the providers said that they are currently experiencing growth in the market, which would corroborate that more retailers are starting to increase their focus on loyalty solutions.

It is on the other hand alarming that there is a possibility for smaller retailers to fall behind when the larger ones increase their investment in the area. This is, of course, just a natural result of market forces, but it is my hope, that the smaller retailers can rely on ready-made solutions, and automation to prevent them from being pushed out of the market, such as the technologies described by Bradlow et al (2017). An awareness of these particular challenges may therefore be important to the smaller retailers.

Conclusion

After having conducted the interviews with all my participating retailers, representing a combined total of over 1000 physical locations, I believe I can draw some conclusions based on the findings from my study. One of my initial assumptions, was that all modern retailers are gathering data and utilizing this data internally, and/or externally. This proved to be false, as some retailers barely collect any data, and they don't use the data they collect at all.

Another common trend I observed was how the retailers consistently said that they had plans to expand their loyalty programmes, it is possible that this was used as an excuse for why they haven't invested more in the programme yet, but most of the retailers could point to specific goals, even though they did not have a timeline. This suggests to me that this is an area of investment that the retailers are only now beginning to fully explore.

When they talked about the further expansion of their programmes, it was interesting to hear how their plans differed from each other, some wanted to have member-specific activities, and others wanted paid subscription services. This indicates to me that there still is room for exploration of what the best loyalty-strategies are. If this was a more mature field, everybody would know (or at least their providers would know) what the definitively best strategy would be. But since everybody is still exploring different options, I think it is safe to say that this is a field which is very much still in the early stages.

Some other conclusions we can draw from the discussions with the providers are, that the online retail space is still developing, as one provider said, the online presence of a retailer has morphed from a simple web catalogue, to a web store, to now developing into a complete online personalized shopping-experience. As we move forward, I believe we will see more and more focus from retailers on their digital platforms, and an increased investment in how they approach their customers.

A discovery I made in the dialogue with the provider who was focusing on enterprise clients – which was something that seemed more like a tangent in the interview, was how this current development can shape future business-to-business relationships. I believe this was a wise insight, that may become prophetic in the coming years. After considering this statement for a while, It makes a lot of sense that businesses will want to utilize these kinds of tools to tie tighter bonds with their partners in the same way as retailers have done with consumers, perhaps a study in a couple of years on this topic could prove to be insightful.

My research question was: *What is the current state of loyalty programmes in Norwegian retailers?* And based on the findings from the study, I would conclude by saying that the current state of loyalty in Norway, is a state of development. Retailers have more tools available to them than ever before, and customers expect a retailer to have a well-developed loyalty programme. As we've uncovered, the retailers have generally had a loyalty programme for many years, but they are only just now starting to focus on the further development of the programmes, and what they can accomplish with the data they are in possession of.

My sub-questions were: *How can we describe the dynamic between retailers and providers?* And; *Who comes across as the driving force for further development?* For the first question, I would say that the dynamic between the retailers and providers, can be characterised by retailers starting to reach out to providers, in an attempt to start their redevelopment efforts. Interestingly, when retailers are reaching out it is usually in the context of a broader redevelopment effort, where the main focus is on the redevelopment of their online infrastructure. That being said, a lot more emphasis in this space is being placed on including a capable loyalty programme.

Finally, for the question of who is pushing the development forward, I believe we are starting to see a shift happening in the market. It appears that traditionally it has been the providers who are pushing the expertise and requirements for the loyalty programmes, but the retailers are starting to take more charge themselves. We can especially see this with the larger retailers, who have begun investing more actively in their loyalty programmes and have had their eyes opened to what a great additional resource the data they are gathering can be. Therefore, the final conclusion of this thesis will be that this is a market who are experiencing great growth and changes, and it will be exciting to see what the future brings for customer loyalty programmes.

Further work

In addition to the other areas of potential further study that have been mentioned earlier in the thesis, I want to single out a few different possible avenues for further case studies on this subject.

This thesis was a limited case study often data-driven decision making and the current state of loyalty within Norway. It can serve as the basis for further studies in the field by providing a platform and a framework for further studies to be conducted upon. One such possible study, is an expanded look at the current state of the field. By including a high number of participants - Hundreds of retailers - broad analytical data might be acquired, and it would be possible to definitively state what the current situation is in the entire market.

Another possible continuation of this work is to revisit the study in five years' time. By repeating the same study, we will be able to chart the development over time and see if any of the predictions made by the current participants holds true. it would also be interesting to see if the retailers' attitude towards loyalty programmes really has shifted, as they currently are claiming to be expanding their investment in the area.

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Appendix

In this chapter I have included all relevant extra information with the thesis, below follows a key for each entry.

Appendix A – Interview guide for retailers

Appendix B – Interview guide for providers

Appendix C – Summation of interview with retailer #1

Appendix D – Summation of interview with retailer #2

Appendix E – Summation of interview with retailer #3

Appendix F – Summation of interview with retailer #4

Appendix G – Summation of interview with retailer #5

Appendix H – Summation of interview with provider #1

Appendix I – Summation of interview with provider #2

Appendix J – Summation of interview with provider #3

Appx A

Spørsmål til butikker:

Innledende

Hvorfor bestemte dere dere for å begynne med kundeklubb?

Hva bruker dere kundeklubben til?

Refleksjon

Hva får dere igjen for å ha en kundeklubb?

Tar dere noen markedsmessige / bedriftsrelaterte valg basert på innhentede data fra kundeklubben?

Hvor mye påvirker dataene fra kundeklubben beslutningsprosessen deres?

Føler dere at dere utnytter disse dataene til sitt fulle potensiale?

Framtid

Er det noe andre områder dere ser på å utforske videre (innen kundeklubb utvikling)?

Appx B

Spørsmål til leverandører:

Prosess

Hvilke tjenester leverer dere til bedrifter?

Hvilke bedrifter leverer dere tjenester til?

Hvordan tjener bedriftene på bruk av disse tjenestene?

Kan dere gå igjennom fasene i en kundeklubb-anskaffelsesprosess?

Hva gjør dere dag-til-dag for eksisterende kunder?

Hvilke data er mest relevante for kundene?

Dybdespørsmål

(Hvordan) påvirker den data-drevne-informasjons-innhenting-beslutningsprosessene til bedriftene?

Hvordan ser dere på denne utviklingen? Hvorfor?

Hvorfor tror dere selskaper kjøper denne typen tjeneste?

Tror dere de har en god forståelse av hva de vil tjene på en slik løsning?

Fremtid / annet

Hva ser dere på som vekstområder i dag?

Hvordan er konkurransen i markedet?

Hvordan kan deres løsninger tilpasse seg det endrende markedet?

Hva tror dere de videre utviklingene i markedet vil være?

Appx C

Interview 1

They have had a loyalty programme for many years, but decided to re-energise the programme after 2018 because of the new GDPR rules. The reason they decided to re-energise the loyalty programme was that they thought they had a lot of potential in increasing revenue with the customers that were already members. Today they are using the loyalty programme for insight and analysis as well as to try to extract ideas for marketing. By having a loyalty programme, they feel like they are gaining insight into whether their sales are working or not, and they can promote the right items to the right people based on their purchase history. However, the sales are not specific to the people just yet.

How they are using this data in their marketing or business decisions; they are used both in the negotiations with their suppliers and for internal analysis, here they wanted to stress that they are considering both the data from customers who are members as well as from customers who aren't members. As for how much the data from the loyalty programme is affecting the decision-making process, they couldn't provide a concrete answer because it varies from case to case but as a general rule, they tried to include the data in their decision-making process.

They don't yet feel that they are extracting all the potential from the loyalty programme data, they feel like this is a growth area that they have barely started scratching the surface of. In the future, they want to look into having paid subscriptions to services, as well as the opportunity for members to earn bonus points - which they can spend on bonus programmes. They also want to start using the data to better their customer experience, both within their stores as well as on the website.

Appx D

Interview 2

The second interview subject started with a loyalty programme all the way back in 2010. The reason for starting was to be able to better reach their customers and tie tighter bonds to their customers. This retailer has a special customer base where they have a large portion of the market share, but where their customers are only interested in their products for a specific portion of their lives. They use their loyalty programme to communicate offers, news and all the relevant information for their specific customer base. One of the main aspects of return for them with their loyalty programme is their mailing lists. They use these mailing lists both to advertise items, as well as to send out a lot of information. Feedback from their customers indicated that they appreciate getting this information.

Regarding whether they make any business decisions based on their data from their loyalty programmes, they responded that they just started to adapt their systems to accommodate this type of data flow. Regarding how much the data affects the decision-making process, they responded that it does not really affect it that much. They have a set seasonal calendar as well as a customer journey that doesn't change that much. This being said, they were looking forward to being able to see whether the new data they have access to might change this point of view. So, when they were asked if they felt that they exploited these data to their full potential today, they of course said no, not yet. However, by starting to log more data and looking more closely at that data, they were hopeful that they would be able to exploit it to a better degree.

Finally, when I asked what areas they wanted to pursue further, they restated how their current development efforts were only just beginning, and by logging purchasing data they would be able to send more personalized information out to their customers. By doing this they hope to become even more relevant, and also increase their customers loyalty.

Appx E

Interview 3

When asked when they started with the loyalty programme, the interview subject stated that neither they nor anybody else in the marketing department knew when they started their loyalty programme. It was started before anybody who works there now worked there, so they could assume it was at least five years old. Today they are using their loyalty programme to give exclusive membership offers, host competitions, as well as sending out newsletters and text messages.

When asked what they gained by having a loyalty programme, they said that they extract data used to personalise communication. They can also see that members shop more often, as well as shopping more per trip. They stated that the data from their loyalty programme make some impact on their decision-making, but they have a long way to go. An example was that they use the data as an insight in planning sales campaigns, as well as when they are developing new concepts.

Their future plans for their loyalty programme are to expand how they are utilising the data, by extracting more concrete information. They also want to use the loyalty programme in other new ways, for instance by having member-specific digital activities.

Appx F

Interview 4

They started their loyalty programme to get basic contact information from their customers including names, email, and telephone numbers. This was to be able to communicate directly with their customers through a mailing list. As it stands today all they are using the loyalty programme for is communicating to the customers via email list or text, as well as the occasional members-only offer. They feel like having a loyalty programme is granting them more loyal customers, and they also hope this will drive up sales. Currently, they are not taking any marketing or business decisions based on gathered data from the loyalty programme, and they don't gather data to use in their decision-making processes.

As can be seen, they don't feel like they are utilising nearly the full potential of a loyalty programme, they admit to having internal challenges that make it difficult to use data from the loyalty programme, but they're working on fixing these problems, to move forward and be able to start extracting more useful data from the loyalty programme. Looking to the future, they want to expand what they are doing with the loyalty programme, they say that they have exciting new goals and want to really get the most out of the data they are gathering. However, they didn't feel comfortable discussing what these goals were quite yet.

Appx G

Interview 5

When asked why they decided to start with a loyalty programme, they answered that they have had a loyalty programme for many, many years, but that it hasn't exactly been a focus until recently. A couple of years ago they decided to revitalise and focused more on their loyalty programme. Today they use the loyalty programme for sending out information to customers, offering special member-only sales, and having loyalty cards for customers where they get -for instance every third item three in a specific category.

They feel like by having a loyalty programme, they get a lot of useful data about customer behaviours as well as the fact that it helps them connect more with customers and generate loyalty so that customers keep shopping in their stores. They collect a lot of different data from their loyalty programme, core data such as email, name, and phone number, as well as expanded data such as addresses, birthday, and shopping history.

They said that they make some marketing and business decisions based on the data from the loyalty programme, although this is still a somewhat manual process. This can for instance be in the planning of sales, or to see what kind of merchandise are popular at the moment. The data from the loyalty programme have some effect on their decision-making process, for example, if they run a sale where you get 200 off for every 600 spent, and they see that this sale is quite successful, they might use this data to plan another similar sale when they need to boost traffic to the stores.

When asked if they feel that they are fully utilising the value of this data, they said that they feel like they have come a long way, but they see that there is still a lot of untapped potential. This led to the final question about areas they wanted to develop further, where they said that they are currently working on a solution to personalise the information that is given to a customer post-sale. An example they gave was that they were working on a system where if a customer bought a specific product, they would get marketing materials focusing on the use and maintaining products in this category and that ongoing marketing to this customer would be biased against items that are in the same category. (For instance, other items in the same series).

Appx H

Interview 1

We started the interview by talking about what kind of services they are delivering to retailers, in this case, they have a focus on e-commerce, the public sector, and linking e-commerce with physical stores. They mainly deliver loyalty programmes to their existing customers, but they are looking into selling loyalty as a stand-alone solution. The value proposition for the stores is that it is easier to sell to an existing customer.

When asked how the acquisition process for a new client works, they remarked that it works a lot like matchmaking. You need to be in a situation where you have something to offer them at the same time as they have a need for redevelopment. So, it's not a lot of cold calling, it's more about having feelers in the market and making connections with potential clients. On a daily basis, they have close relationships with many of their existing clients. A lot of customers want to get continuous updates on how the loyalty programmes are doing, and the clients often have a lot of big ambitions that they want to see fulfilled. Daily communication about existing infrastructure is usually ongoing in parallel with the start of new projects for the client.

When it comes to what data is most relevant for the client, they pointed out the core data, like email phone number and name, but mainly focused on email. When it comes to what kind of data they can gather, it expands into purchase history behaviour and these kinds of expanded data. However, at this time there are not a lot of customers that are utilising this option. They perceive it to be a varying level of maturity with the customers, as some of their customers have enough trouble getting their email lists up and running. When it comes to software being used they used some open source solutions like Drupal and Google Analytics, but their main focus is on taking this raw data and trying to generate quality data for their customers. By that, they mean breaking it down and making it easier for customers to handle. One example of this is by sending out weekly email reports on how the loyalty programmes are doing or setting up email notifications for notifying the clients of unusual activity.

When asked how the data is affecting the decision-making processes of the clients, they answered that on a general level, it is quite basic. They extract some analysis but it's not very advanced yet, an example of this can be their mailing lists - where they can see the percentages of customers who have opened and read the emails that were sent out. They feel like by helping their clients by offering simple solutions, and showing them how easy they are to use, and what results can begin from it, they can convince their clients that this is useful and actionable information. Furthermore, they emphasise how they can sell the expanded solutions by showing the retailers how much more efficient it is to sell to existing customers.

I then asked them why they believe their clients are buying these types of services, and they answered that a lot of their existing customers have begun asking about loyalty programmes, and they see a growing interest in customer loyalty across the board. Regarding how great an understanding they believe their clients have of these kinds of solutions, they answered by giving an example where they had just finished setting up a loyalty programme for a client and called them a couple of weeks later to congratulate them with reaching 20,000 members. The client then reacted by saying “Oh well that's neat” Showing that they weren't really paying all that much attention. So, this became a situation where they naturally stepped in and helped the client a bit more with the understanding and utilisation of their new loyalty programme. In certain cases, the clients don't have that great of an understanding, but in the cases where their clients are more experienced, they usually have their own employees working exclusively with the loyalty programmes. They also have goals and metrics that are to be met each month for the loyalty programme. The larger and more experienced clients usually also have a lot of their own input on how they want to structure the programme, in contrast to how the smaller and more inexperienced clients lean more on them to provide finished solutions with pre analysed data. So, it would seem that the maturity can be linked somewhat with the size of the client and that the larger clients usually have more resources in-house. Knowing this they try to offer automatization to lighten the workload for the smaller companies.

I then asked them how they perceive the current competition in the market, and they answered that they believe that the market is in a growth phase, themselves have doubled in the last couple of years, but they admit that they still have a way to go with visibility in the market. There are a lot of actors within the space and so far, their main focus has been on developing solutions for existing clients. One of their goals is to become more visible in the market, this can be through informing prospective clients about the services they are offering, as well as educating prospective clients about what they stand to gain by focusing more intently on loyalty and revitalising their web sales platforms.

Lastly, I asked them about what they believed the next couple of years would bring. And they said that they believe there will be a lot of focus on data-driven decision-making, as well as a lot more interactivity in online retail, this could be through video shopping, personalised information, or some other avenue. They did state that there is a danger that the smaller retailers might drop off because they don't have the resources to compete and rebuild themselves in the same way that the larger retailers have. However, another side of this could be that larger retailers are paving the way so they were excited to see what changes the next couple of years would bring.

Appx I

Interview 2

We started by talking about what kind of clients they have, and their main focus is on online shopping, but also online shopping that has a physical retail location. They also build a lot from scratch, tailor-made to the specific client. Their main focus is on online shopping, but they also make loyalty programmes as an add-on sales element. They also try to see ways in which the online store can benefit their clients' physical stores. Again, the main sales argument for implementing a loyalty programme is that it is easier to sell to existing customers.

When asked how they approach clients, they answered that the clients usually approached them about building a new online presence. And that the loyalty programme usually comes up as an add-on for their online stores. On a day-to-day basis, their involvement with their existing clients varies from client to client, some clients prefer to have continual cooperation where they are working closely together, and some clients like the "set it and forget it" model of working, where they have a meeting every so often, to update the clients on the state of their website and loyalty programme.

The core data for their clients were described as names, phone numbers, and emails. With the possibility to expand the data collection with birthday and gender, as well as other metrics. So, when it comes to data collection, they feel like they have access to all of the data relevant to their clients, but that the clients are somewhat lagging behind when it comes to the use of this data. They can offer personalisation, but they feel that the clients need a bit of help in understanding how they are supposed to use those tools. When it comes to the programmes being used, they of course have some third-party modules, but the bulk of the programmes are being built tailor-made for the customers, to gather and crunch the data for their customers to prevent there being too much noise in the data, and make it easier to read. They also tried to link it up with their clients' web-stores so that makes more sense for their clients.

When asked how the gathered data is affecting their clients' decision-making process, they answered that for now, it's to a very small degree, they believed that their clients feel that it's costly to invest in working with the data they are gathering and that there is an inherent risk in being a pioneer instead of sticking with the tried-and-true business models of yesterday. As it is with every field, new projects can often grow big and costly, and nobody wants to sink a lot of money into something that they don't quite understand or see the immediate benefit from. So, that is why their customers today have access to a lot of data that they don't quite know how

to process, and that is where they come in. One of the main focuses today is working on projects with their clients where they assume the responsibility and the task of crunching the data and making it actionable.

They believe that the motivation for some of their clients to acquire a loyalty programme is to keep up with the market, because at this point consumers have an expectation of finding a loyalty programme with every retailer. When asked if they believe that their clients have a good understanding of what they stand to gain by implementing a loyalty programme, they answered that they have experienced a wide variety of maturity levels. Some clients come into the process with a very low level of understanding, and then it becomes our job to help them understand what they *actually* want to achieve. However, some clients have been working for many years with loyalty programmes, and have a lot of internal expertise, so in those cases, we might actually be able to learn some things and strategies that we can take with us to newer, more inexperienced clients. Another commonality they have observed, especially with more inexperienced clients, is that they want a tailor-made solution that works for them, without actually quite knowing what that means. They have also observed that there is a big difference in the corporate culture of each client, which can determine how easy it is to implement new solutions. Some of their clients only have a single person responsible for everything regarding loyalty and customer management so there are limitations to how much is realistically achievable.

Moving on, we discussed how the current competition is in the market, and they stated that they are still a relatively small company, but they see that there is room to grow and establish a more permanent foothold in the market. There have never been as many clients available as it is now, and as many clients who want to rejuvenate their online presence - and expand their loyalty programmes. So, they feel that there is a lot of room for growth. When they talked about how they can adapt to a changing market, they felt that one of their strengths was being able to listen to the clients and catch their changing needs as they're happening - and being able to look to the competition and react to what they are doing.

Finally, we talked about what they believed the next couple of years would bring. They stated that they believe there will be a lot more focus on automatization and AI, in order to lighten the workload and make big data sets more accessible. They also believed that if there were to be introduced new regulations about personalised data, the same way GDPR was introduced a couple of years ago, that this would kick-start and accelerate changes in the customer loyalty programmes.

Appx J

Interview 3

I started by asking the participant what kind of services they are delivering to the retailers. In this case, they are delivering both front-end, and back-end for the online retail, as well as point of sale in physical stores, and loyalty programmes, and their main focus is building in 3rd party solutions into the retailers' systems. They mainly focus on retailers with a digital presence, as in a web store, but they also deliver business-to-business solutions, for instance for restaurants and hotels.

When I asked how the retailers are profiting from the loyalty services that they provide, they answered that the services help build relations with customers, create loyalty, and give the retailers the options of running discounts or incentives (for instance get each x free), Ranking members in different levels (for instance gold or platinum level memberships), free shipping and more.

For them, the acquisition process for a loyalty programme, is usually started by the customers reaching out to them. It is also usually part of a bigger acquisition project. (i.e. they want to build a whole new web portal) The clients may have had simple loyalty solutions already, and this can be used as the starting point. They then help the clients with selecting solutions. The acquisition process typically starts as a single project but has a tendency to morph into an ongoing partnership, so on an ongoing basis we can provide expertise in data processing, but the larger stores usually have their own employees working with this.

The core data for the retailers are; contact information and personal information - here meaning name, email address, and phone number. When data is being gathered, they're usually gathering core data, and they also provide the opportunity for this to be tied into behavioural data. Lately, there has been a focus on connecting the data you have on a customer through the different sales channels - as in connecting an online profile with the person that is shopping in the store.

Since they mainly focus on implementing third-party solutions, a lot of different programmes are being used for instance Optimizely, Voyado, liquid barcodes, EG Norge, and Power BI. The data is usually gathered in one place in a customer data database, and this data can then be extracted both manually and automatically by generating behaviour reports on customers. A lot of retailers also go in manually looking for behavioural patterns.

When asked how the data-driven information gathering is affecting the decision-making process of the retailers, they responded that they really couldn't say because it wasn't that visible to them since their focus is more on optimization, communication, and promotion for the stores. Moving on, they said that they neither regard this change as either positive or negative, but moreover a development in the market that you must work with. However, for the customers this can be viewed as a positive change - more data for the retailers will lead to a more frictionless retail experience for the customers.

I then asked why they think the retailers are purchasing these solutions, they answered that of course it varies from retailer to retailer, but it is becoming more and more clear that you are missing out on customers if you don't have a loyalty programme. It is also a good financial decision because it is easier to sell to an existing customer than to create new customers. And it helps reduce friction between the customer and the retailer (less need to enter credentials and shipping address and so forth.).

When I asked if they believe that the retailers have a good understanding of what they stand to gain by implementing this type of solution, they stated that their customers are usually so big that I already have loyalty programmes, and possibly also external loyalty partners. So, when they approach us, they usually already have an OK understanding what it means for them to have a loyalty programme, and what they stand to gain with it.

When asked what they view as growth areas within the field, they answered that a lot of customers today are starting to update their solutions. There are a lot of legacy systems out and about that need to be updated or scrapped. And online retail has had a massive shift from being a physical store's online catalogue to a website where you can buy the items - to now shifting more into a personal shopping experience akin to what you would get when you're visiting a store. As the focus on loyalty is growing, a lot of retailers are realising that it is easier to tear down their old systems and start anew with an MVP (minimum viable product) in order to build a more modernised storefront for the customers. This can be viewed the same as closing down and re-decorating the physical store.

I then asked them how they view the current competition in the market, and they stated that the market is currently experiencing a growth phase, so that means a lot of customers, but also a lot of new actors within the space. In their specific case, they have noted that a lot of customers are beginning to be aware of the benefits of expertise within the field, so they have focused a lot on developing expertise instead of trying to compete on price.

A lot of customers are also beginning to be conscious of the benefits of building lasting solutions, so this company is focusing on module-based solutions that can be easily changed and maintained over the years.

Lastly, we talked about how they expect the field to change over the years. They stated that personalization will become a much bigger factor as it is already becoming. And also, a greater focus on removing friction from the retail experience. The customers are expecting better and better retail experiences, and it is up to the retailers to meet it, if you don't you fall behind. Finally, business-to-consumer retail has been going through a lot of changes and has been a big focus area. However, business to business has traditionally lagged behind, so they expected this to be a large growth area over the coming years. Because it is the same people that are doing the business-to-business shopping that is the consumers when they are shopping for themselves off-work. Therefore, they will expect more from the business-to-business portals, since they are used to so much more frictionless retail experience when shopping for themselves.

