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E-commerce Loyalty Program for Delta Q in Brazil

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Master in Marketing

Supervisor:

Prof. Susana Henriques Marques, Assistant Professor of the Marketing, Operations and General Management Department, Instituto Universitário de Lisboa – ISCTE-IUL

October, 2020

Marketing and Operations management

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Acknowledgments

First and foremost, I would like to thank to ISCTE Business School for giving me the opportunity to learn from extraordinary professors, who provided me the best tools to become a marketing professional.

Also, I would like to express my sincere gratitude to my family, friends, boyfriend and colleagues for the unconditional support, motivation, enriching discussions and outstanding fellowship throughout this rewarding journey.

Furthermore, I would like to thank to Grupo Nabeiro – Delta Cafés, especially to Jorge Pinheiro who gave me the inspiration to deepen the subject of this Master Thesis.

Finally, yet importantly, I would like to thank to Professor Susana Henriques Marques, whose availability, insights, guidance and valuable remarks made possible the conclusion of my MSc in Marketing Thesis.

Resumo

A presente Tese de Mestrado representa um projeto empresarial desenvolvido juntamente com o Grupo Nabeiro – Delta Cafés que visa melhorar a retenção de clientes da Delta Q no mercado brasileiro através do canal de e-commerce. Dados os baixos níveis de frequência de compras e elevadas taxas de rotatividade de clientes na localização em estudo, o objetivo desta tese consiste em elaborar uma eficiente estratégia de retenção de clientes para a marca acima referida. De forma a assegurar um melhor entendimento do mercado em análise, das suas inerentes estratégias de retenção de clientes implementadas pelos maiores concorrentes e das características do público-alvo da Delta Q, foi desenvolvido um estudo de mercado e uma análise da respetiva envolvente. As análises internas e externas, com uma amostra composta por 415 inquiridos, bem como outras análises colocadas em prática, contribuíram com um conhecimento aprofundado que facilita a criação do programa de fidelização. Esta análise acrescenta valor não só à atividade do Grupo Nabeiro – Delta Cafés, como também às outras empresas que pertencem ao sector dos bens de consumo.

Palavras-Chave:

Retenção de clientes, programas de fidelização, café, e-commerce, Delta Cafés

Abstract

This Master Thesis is a company-project developed alongside Grupo Nabeiro – Delta Cafés that aims to improve Delta Q's customer retention through its e-commerce channel within the Brazilian market. Once in this location there is a clear evidence of low purchase frequencies and high customer churn rates, the purpose of this Thesis consists in the elaboration of an efficient customer retention strategy. To assure a better understanding of the underlying coffee market, its inherent customer retention strategies from the main competitors and the characteristics of Delta Q's target, a benchmark and background analysis was established. The internal and external analyses, with a sample of 415 respondents, as well as other experiments taken into practice, brought paramount knowledge that ease the creation of the loyalty program. This analysis brings valuable insights not only to Grupo Nabeiro – Delta Cafés, but also to other firms in the consumer goods sector.

Keywords:
Customer retention, loyalty programs, coffee, e-commerce, Delta Cafés

Table of Contents

List of Figures

List of Tables

List of Abbreviations

B2B – Business to Business

BTL – Below the Line

CLV – Customer Lifetime Value

COGS – Cost of Goods Sold

CPG – Consumer-Packaged Goods

CRM – Customer Relationship Management

CTA – Call to Action

FMCG – Fast Moving Consumer Goods

IBLP – Item-Based Loyalty Program

PR – Public Relations

RFM – Recency, Frequency and Monetary

RM – Relationship Marketing

SPSS – Statistical Package for Social Sciences

WOM – Word of Mouth

1. Introduction

Nowadays, in order to succeed, companies need to draw up growth strategies designed toward progress. The rapid e-commerce growth rate represents a vast opportunity for companies to sell their products through this distribution channel and boost their revenues.

Over the last few years, e-commerce has become crucial for the global retail framework and the quantity of digital buyers keeps rising every year (Statista, 2020). During these last months, due to the coronavirus crisis, the e-commerce channel's activity increased significantly worldwide, mainly in lockdown conditions, being one of the very few channels benefited from the pandemic (The Economist Intelligence Unit, 2020).

In the e-commerce framework, Brazil is the most important market in Latin America (Statista, 2020). In this country, e-commerce was expanding rapidly, even before the Covid-19 lockdown (The Economist Intelligence Unit, 2020).

Yet, in an increasingly competitive market, consumers can easily compare products and services of players from the same sector. Therefore, whether a better option appears, these individuals are likely to change their tastes and underlying decisions in a matter of seconds through a simple internet research (Gordini & Veglio, 2017). Thus, companies should maintain a long-term relationship with their customers through customer retention, assuring, likewise, lower customer churn rates (Ansari, Mela, & Neslin, 2008).

Currently, there is a huge number of corporations investing in Customer Relationship Management (CRM) to maintain a long relationship with specific customers – the ones with a high Customer Lifetime Value (CLV). Hence, it is clear that customer loyalty plays an important role within this topic because it leads to a repeat buying behaviour, showing a favourable attitude towards the brand – usually verifiable when customers keep a long relationship with a company.

Grupo Nabeiro – Delta Cafés is a Portuguese coffee brand with an outstanding reputation. One of the most important brands from Grupo Nabeiro – Delta Cafés is Delta Q. The brand under investigation is facing an increase of its e-commerce activities. Nonetheless, Delta Q has inferred that it is necessary to improve customer retention in the e-commerce channel, specifically in the Brazilian market, since there is a high number of inactive customers and low purchase frequency. Thus, it is crucial to understand the motives behind this problem and find a customer retention strategy with the ability of solving it or reducing its damage.

Accordingly, this project is divided into eight sections: section 1 identifies the research topic and its relevance; section 2 explores the prevailing academic literature on consumer behaviour, customer retention, customer relationship management, customer loyalty and electronic commerce; section 3 describes the background analysis, including an analysis of the market, competitors, company under investigation and target; section 4 explores the conceptual framework; section 5 introduces the methodology; section 6 presents the data analysis; section 7 introduces the loyalty program and its communication strategy; section 8 presents marketing conclusions to Delta Q.

1.1. Problem Definition

Firms perceive that a strong presence in e-commerce influences their sales growth. Therefore, companies need to create solid strategic advantages during the customer journey to study touchpoints and underlying experiences – scaling, at the same time, sales growth (Nielsen, 2018). Through the e-commerce channel, brands have the possibility to design and offer a distinctive customer journey to their customers.

E-commerce is the biggest bet for the future of Delta Q, since customers are becoming more digitally well informed and the importance of this channel has increased, especially in Brazil. Nevertheless, Delta Q Brazil's e-commerce is facing a high rate of customer churn. Thereby, this project aims to create a loyalty program that improves customer retention and consequently increases customer purchase frequency, as well as reduces customer churn's rates to lower levels. Delta Q wants to ensure that all customers, for whom it has worked so hard to acquire, keep a long relationship with the brand.

This project relies upon a real organisational problem and therefore, taking into account its purpose, it will bring value not only to Grupo Nabeiro – Delta Cafés, but also to other companies in the Fast-Moving-Consumer-Goods (FMCG) area.

2. Literature Review

This Thesis presents a literature review divided towards five different sections, namely: consumer behaviour, customer retention, customer relationship management, customer loyalty and e-commerce.

2.1. Consumer Behaviour

Marketers have studied the concept of consumer behaviour before marketing became an academic subject (Blythe & Sethna, 2019). Blackwell, Miniard and Engel (2001) define that consumer behaviour represents the study of all the activities that consumers undertake when obtaining[1], consuming and disposing of products and services. To create an efficient marketing plan, it is fundamental to comprehend the reasons behind customer purchasing decisions (Blythe & Sethna, 2019).

Tyagi and Kumar (2004) affirm that several models of consumer buying processes have already been developed. The most traditional view of the consumer buying process is the rational one, which consists of five different stages: problem recognition, information research, evaluation of alternatives, purchase decision and post-purchase behaviour, as presented in Figure 2.1 (Tyagi & Kumar, 2004; Noel, 2017).

Figure 2.1 – Five-stage model of the buying process

(Source: Adapted from Tyagi & Kumar, 2004; Noel, 2017)

Nevertheless, there are some exceptions, like the low-involvement purchases, the ones in which consumers do not need to collect a lot of information or evaluate alternatives and do not follow all stages of the buying process (Noel, 2017).

[1] The obtaining phase includes the activities that lead to the final purchase, for instance, product benchmark and evaluation of other potential alternatives, in other words, opportunity costs, are two examples of those activities (Blythe & Sethna, 2019).

In regards to the buying process, the goal of many psychology, marketing and consumer behaviour theories has been to understand consumers' decision-making processes in order to predict their future intentions and behaviour (Han & Kim, 2010).

According to Bruner (1987), there are two types of problem recognition: actual state and the desired state. The former has to do with the degree to which a perceived need is being met and it can appear when the product fails to perform satisfactorily, and the latter occurs when consumers desire something new.

As it is possible to see in the consumer buying process, every consumer decision is a response to a problem. However, the scope of these problems varies according to the needs of each consumer, and therefore, Solomon (2019) distinguishes three consumer decision-making categories: cognitive, habitual and affective.

The cognitive decision-making approach is the outcome of the consumer buying process that results in the selection of one product over competing options, an analysis in which the decision was made from an information-processing perspective (Solomon, 2019). However, as mentioned by Noel (2017), not all purchase decisions are rational. The second category covers, as the name suggests, habitual purchases, meaning, the ones which consumers make with little or no conscious effort, as part of a specific routine. The last one, the affective decision-making category, involves emotions and shows that consumer decisions are driven by emotional reactions (Solomon, 2019). Those decisions are impacted by variables such as Word of Mouth (WOM), advertising, television or internet reviews (East, Wright, & Vanhuele, 2008). Moreover, in line with Tyagi and Kumar (2004), society, family, culture, social class, reference groups and status symbols are some examples of consumer behaviour key drivers.

The last stage of the buying process, the post-purchase behaviour, is of extreme importance for marketers because, once the customer has already purchased the product, the post-purchase behaviour can fall into repurchases, complaints and WOM recommendations (Blythe & Sethna, 2019).

Schiffman and Wisenblit (2018) argue that when one finds a brand to be more pleasing than others do, it is likely to see repeat purchase actions. In addition, in the moment of repurchasing a product without any sort of commitment, the repeat purchase process reveals that the product matches with the consumer's approval and therefore, the consumer is eager to buy it again. Additionally, when a customer repurchases a product, there is an implied indication of customer satisfaction with the product and its brand (Blythe & Sethna, 2019). According to Schiffman and Wisenblit (2018), repeat purchases behaviour characterises brand loyalty. Hence, if there is a constant repeat purchase and a continuous trading relationship with the firm, the company is facing customer retention (Buttle & Maklan, 2015).

2.2. Customer Retention

In light of Coviello, Brodie, Danaher and Johnston (2002) research, companies focused upon enhancing Relationship Marketing (RM) consider customer retention a paramount goal. Additionally, Ahmad and Buttle (2001) emphasise that customer retention should be taken into account for strategic marketing planning purposes, being one of RM's main goals.

The relevance of customer retention is evident because the cost of acquiring a new customer can be 10 times higher than the cost of retaining an existing customer (Lindgreen, Davis, Brodie, & Buchanan-Oliver, 2000). Its importance is reflected by the cost of getting a new customer to the same level of profitability than the current customer, once the cost of the former is, at most, 16 times higher than the cost of the latter (Lindgreen *et al.*, 2000). In the aftermath of this reasoning, Khalifa and Liu (2007) also argue that the customer retention process has a lower cost than the customer acquisition one. In accordance with Pfeifer and Farris (2004), examples of positive benefits of customer retention are the fact that new customers are more sensitive to price changes and the fact that companies do not need to carry out initial investments in order to attract new buyers. Whilst Ang and Buttle (2006) reinforce that engaged customers may be willing to pay higher prices than new customers might, Rauyruen and Miller (2007) declare that, in the e-commerce environment, customer retention lead to larger, and more regular, purchases.

Prior researches identified that, in a long-term basis, there are factors that influence customer retention (Kim, 2019), being customer satisfaction an essential driver when it comes to retaining customers (Bolton, 1998; Rust & Zahorik, 1993). In this sense, and as demonstrated by Bolton (1998), an implicit relationship between satisfaction and customer retention rates may be observed.

Besides satisfaction, the quality of the service is an additional factor that affects customer retention (Bolton, Lemon, & Bramlett, 2006; Rust, Zahorik, & Keiningham, 1995).

One other marketing-mix variable that influences customer retention is the underlying price of a product or service (Kim, 2019). In line with this, whereas Blattberg, Malthouse and Neslin (2009) postulate that price activities are critical in terms of retention, Anderson and Simester (2004) refer that price promotions are one of the most valuable marketing tools to retain and acquire customers. Nevertheless, the aforementioned promotions' impact depends on the type of customer (Kim, 2019). For instance, substantial price discounts increase new customers' purchases, since first-time customers usually do not have much information about the company and a low initial price could lead to favourable expectations about future prices and quality levels (Anderson & Simester, 2004).

Other topics regarding customer retention have been studied, such as loyalty programs, advertising, sales promotions and channel factors. Lewis (2004) shows empirical evidence of a long-term effect of loyalty programs on customer retention. In fact, the author suggest that loyalty programs ease customer retention and rise annual purchases of a significant amount of customers. Lim and Lee (2015) also state that loyalty programs promote customer retention effectively. In general, the goal of these programs is based on establishing a higher level of customer retention in profitable segments (Bolton, Kannan, & Bramlett, 2000).

Customer retention denotes the amount of long-term customers on continuous trading relationships with the firm (Buttle, 2009). Further, taking into account Ahmad and Buttle (2001) empirical research, customer retention represents the reflexion of customer churn, or in other words, defection, meaning that a high retention rate implies a low customer churn rate.

2.2.1. Customer Churn or Defection

The widespread loss of existing customers diminishes the companies' revenues in several ways (Tamaddoni, Stakhovych, & Ewing, 2017). For instance, when a customer defects, the company loses either the sales from this customer (Rust & Zahorik, 1993) or the potential revenues from the customer's referrals (Verbeke, Dejaeger, Martens, Hur, & Baesens, 2012). Additionally, the relevance of customer defection is even more evident than it might otherwise appear, since the cost of customer retention is typically lower than the cost of acquiring a new customer (Colgate & Danaher, 2000; Lindgreen *et al*., 2000; East, Hammond, & Gendall, 2006).

Neslin, Gupta, Kamakura, Lu and Mason (2006) cite that customer churn is a concept that relates to the time a customer stays with a company, therefore, this term is inevitably associated with the CLV towards that company. Glady, Baesens and Croux (2009) define churner, for marketing purposes, as someone whose CLV, related marginal profit, is decreasing over time. Within the e-commerce industry, one should ensure a low customer churn rate, mainly because the number of new players, with huge capital investments and diverse penetration strategies, is increasing – a factor that subsequently leads to higher customer acquisition costs (Renjith, 2017). Additionally, Risselada, Verhoef and Bijmolt (2010) mention that this turnover affects a firm negatively, once it leads to an immediate decrease in revenues and, consequently, the firm is forced to invest in customer acquisition.

According to Bogomolova and Grudinina (2011), customer churn is a common phenomenon among most industries, and it can be generated by factors either under or out a company's control. Van Doorn, Lemon, Mittal, Nass, Pick, Pirner and Verhoef (2010) express that companies need to support and nurture their customers in order to maintain a sustainable position in the market in which they operate – being relevant to detect the customers who are likely to defect. In order to minimise the churn damage, prior literature have developed frameworks to manage customer churn properly (Tamaddoni *et al*., 2017).

The most common approach to manage customer churn identifies the customers who are closer to defect – terminate their relationship with a company – and then, companies can target them with marketing incentives, such as proactive campaigns, to persuade them towards remaining with the company (Coussement & Van Den Poel, 2008; Hadden, Tiwari, Roy, & Ruta, 2007). To create a customer churn management campaign, one needs to develop a model that allows to predict customer's future behaviour based on past behaviour (Tamaddoni *et al*., 2017). Nevertheless, not only is it important to predict churners but also to create post-churn strategies to retain the potential churners (Tamaddoni *et al*., 2017). Accordingly, Gordini and Veglio (2017) built a prediction model that ranks the customers from the most likely to the least likely to leave the company, predicting customer churn with greater exactitude. However, the methodolgies which have been more used by academics and practitioners are logistic regression models, as well as, classification trees (Neslin *et al*., 2006), two reliable methods with a valuable predictive performance (Risselada *et al*., 2010). This rationale allows one to grasp that an accurate and effective churn prediction model assigns its projections based on past customers' behaviour (Coussement & Bock, 2013). Hence, corporations should take advantage of these sort of models in order to identify customer defection beforehand (Gordini & Veglio, 2017).

2.2.2. Customer Lifetime Value

Focusing on identifying the most profitable customers and nourishing long-term relations with them are two main goals for numerous companies. Thus, CLV is a crucial concept that pervades many CRM approaches, such as customer loyalty and database marketing (Blattberg *et al.*, 2009).

According to Dwyer (1997), the CLV consists in the present value of future expected benefits, less burdens such as direct costs of communication or services.

CLV is rapidly gaining acceptance as a metric to acquire, grow and retain the correct customers in terms of CRM (Venkatesan & Kumar, 2004). Firms should be concerned about maintaining customers with the highest CLV, or avoiding churn (Lewis, 2006). Additionally, Rust, Zeithnaml and Lemon (2004) recommend using CLV as a metric for planning marketing programs and strategies, as well as to select customers. In parallel, Malthouse and Blattberg (2005) state that if companies identify and invest more marketing resources, in the most profitable customers, the underlying profitability might increase. Since it is common to have a small percentage of customers representing a large percentage of revenues, marketing resources should be allocated to retain the best customers (Mulhern, 1999).

2.3. Customer Relationship Management

From a competitive market perspective, there are huge amounts of companies that invest considerably in CRM implementation (Bohling, Douglas, LaValle, Mittal, Narayandas, Ramani, & Varadarajan, 2006). This happens due to its positive impact disclosed in many research articles (Becker, Greve, & Albers, 2009).

Nowadays, marketing managers have many tools for CRM purposes and establishing a customer loyalty program is one common tactic typically adopted by the majority of the firms currently operating (Uncles, Dowling, & Hammond, 2003).

As such, CRM is a process that spotlights customer acquisition, maintenance and retention, promoting a long-term customer relationship (Reinartz, Krafft, & Hoyer, 2004). Thereby, performance indicators shall account for diverse aspects of the whole process (Becker *et al.*, 2009).

First, in the customer relationship process, the primary goal relates to acquiring new customers (Becker *et al.*, 2009). Thomas, Blattberg and Fox (2004) reveal that it is important to consider win-back customers as significant contributors in this first process, since they possess a potential that matches newly acquired customers. The second goal, which corresponds to customer maintenance, enables one to create an in-depth customer relationship – generating customer satisfaction, expanding relationship via cross-selling and upselling and increasing customer revenues. Nonetheless, in some point, customer relationship shows decreasing returns and firms must start considering the third goal, customer retention (Becker *et al.*, 2009). Within the scope of this objective, and to reactivate inactive customers, who were consistent before, corporations are pushed to cultivate proper CRM activities to the aforesaid customers (Becker *et al.*, 2009).

According to Buttle (2009), companies need to focus CRM on customer retention in order to maintain relationship with customers who present a high CLV. Often, trying to keep a relationship with all customers is particularly costly. The CRM software allows companies to identify the point in which customers are and, therefore, allocate resources to reach appropriate customers throughout the value path.

2.4. Customer Loyalty

Customer loyalty is one of the most successful marketing measures for companies in general (Nyadzayo & Khajehzadeh, 2016). Hence, companies focus on development and maintenance of customer loyalty as marketing activities (Dick & Basu, 1994).

Early views claim that customer loyalty represents the process of constantly repeat a purchase behaviour (Kuehn, 1962). Nonetheless, there are authors who argue that an attitudinal dimension shall be added to the main concept, since the latter does not consider the inherent lack of existing alternatives (Srinivasan, Anderson, & Ponnavolu, 2002; Srinivasan, Anderson, & Song, 2018). Then, when measuring loyalty, one should incorporate both attitudinal and behavioural dimensions (Srinivasan *et al.,* 2018). On this basis, Keller (1993), as well as Chaudhuri and Holbrook (2001) stated that brand loyalty is a procedure that postulates a favourable attitude towards a brand, measured by intentions to rebuy and recommend, when exists a repeat buying behaviour – capturing actual retention.

Thus, in the e-commerce area, the same approach is taken into account, meaning that, one can feasibly state that, from an e-retailer standpoint, brand loyalty is a concept that suggests a favourable attitude that leads to a repeated buying behaviour (Srinivasan *et al.,* 2002; Anderson & Srinivasan, 2003).

Several authors examined antecedents that affect brand loyalty and customer retention, for instance, Srinivasan *et al.* (2002) identified eight factors that may influence e-loyalty, notably: customisation, contact interactivity, cultivation, care, community, choice, convenience and character. Further, Bolton *et al.* (2000) show empirical evidence that loyalty reward programs provide higher satisfaction and create value to certain classes of customers, promoting, in this sense, higher levels of customer retention. Moreover, whereas Verhoef (2003) refers that customer retention is positively impacted by loyalty programs that encompass economic incentives, Lewis (2004) states that loyalty programs and short-term promotions encourage repeat buying – being two stimulus that boost frequent purchases – and, consequently, increase customer retention. Furthermore, when loyalty reward programs depend on the relationship's length, customers are less likely to switch to another supplier (Verhoef, 2003).

In addition, according to Nyadzayo and Khajehzadeh (2016), commitment and trust are two issues that influence customer loyalty, for instance, customers' trust increases when they receive a competent service, and consequently, the relationship with the firm becomes better

(Balaji, 2015). Another antecedent, which is a key determinant of customer loyalty, is customer satisfaction (Krystallis & Chrusochou, 2014). Oliver (1999) discloses that customer satisfaction leads to customer loyalty. Yet, satisfied customers are not necessarily loyal customers (Oliver, 1999). For many years, companies have been investing in customer satisfaction in order to increase customer loyalty, but the link between customer satisfaction and customer loyalty is not as robust as was presumed to be (Kumar, Pozza, & Ganesh, 2013).

2.4.1. Loyalty Programs

The implementation and use of loyalty programs resemble best practices (Henderson, Beck, & Palmatier, 2011) and have become popular in business practice – being a focus of marketing research (Steinhoff & Palmatier, 2014). Multiple companies operating within various industries adopt customer loyalty programs as a CRM tool (Kang, Alejandro, & Groza, 2015; Zhang & Breugelmans, 2012). Retailing, travel and financial services are three examples of industries in which loyalty programs play an important role (Leenheer & Bijmolt, 2008).

According to Chaudhuri, Voorhees and Beck (2019), loyalty programs are marketing investments that promote brand loyalty among a firm's best customers and consequently, increase firm's performance. In the aftermath of this reasoning, Henderson *et al.* (2011) define loyalty programs as institutionalised incentive systems with the intention to enhance consumers' consumption behaviour over time. Additionally, Lim and Lee (2015) mention that loyalty programs incentivise repeat purchases. Yet, some inherent secondary goals of these models comprehend expanding cross-selling, generating databases, establishing partnerships and bearing trade relations as well as brand Public Relations (PR) (Uncles *et al.,* 2003). The most common loyalty programs embrace different marketing activities to engage customers, like reward cards, gifts and multi-level services (Steinhoff & Palmatier, 2014). Further, loyalty programs prompt customer loyalty to the company, either directly or indirectly (Yi & Jeon, 2003). Thus, the intrinsic main goal of these powerful tools relates to creating or enhancing customer loyalty (Melnyk & Bijmolt, 2015).

According to Chaudhury *et al*. (2019), loyalty programs might change consumers' spending habits in order to turn them into frequent buyers of a certain product or service. In the aftermath of this statement, Zhang and Breugelmans (2012) affirm that, aside from the habits, consumers' purchase behaviour may also suffer a few changes. In this sense, loyalty programs could affect metrics like store visit frequency or shopping trip spending (Zhang & Breugelmans, 2012). Moreover, Chaudhuri *et al*. (2019) demonstrate that, through the introduction of a loyalty program, it is possible to increase sales and, subsequently, gross profits in both short and long term, during at least the first three years after the program's execution. However, the effects on gross profits only start to become significant in the second quarter after the loyalty program introduction, being likely to take a faster effect on sales than on overall performance (Chaudhuri *et al*., 2019). Likewise, one should take into consideration that loyalty programs entail large direct investment costs, which, in turn, translates into potential increases in the Cost of Goods Sold (COGS) and often leads to greater liability expenses – reflected on companies' balance sheets (Chaudhuri *et al.,* 2019). Once directors and executives remain sceptical about the fluctuation they should expect in sales and gross profits, accurate strategic decisions need to be designed in order to increase returns as early as possible (Chaudhuri *et al*., 2019).

Previous empirical research denotes that companies manage several types of loyalty programs, namely, multi-level or multi-tier loyalty programs (Chaudhury *et al*., 2019; Colliander, Soderlund, & Szugalski, 2016; Kopalle, Sun, Neslin, Sun, & Swaminathan, 2012), earning mechanisms (Chaudhury *et al*., 2019), Item-Based Loyalty Programs (IBLO) (Zhang & Breugelmans, 2012) and fee-based loyalty programs (Ashley, Gillespie, & Noble, 2015), as expressed in the following table.

Table 2.1 – Overview of the studies on loyalty programs

Authors	Firms	Industries	Dependent variable	Duration	Program charachteristics
Chaudhury et al. (2019)	322	35	- Total sales - Total profits	- ST (first year) - LT (first 3 years)	- Tiers - Earning mechanisms - Annual fee
Colliander, Söderlund and Szugaslky (2016)	n.a.	1	n.a.	n.a.	- Multi-level loyalty program
Kopalle et al. (2012)	1	1	- Spendig	- 2 years	- Multi-level loyalty program
Zhang and Breugelmans (2012)	1	1	- Total sales	- 33 weeks	- Item-based loyalty program
Ashley, Gillespie and Noble (2015)	n.a.	n.a.	- Spendig	n.a.	- Fee-based loyalty program

(Source: Author's elaboration)

According to Chaudhuri *et al*. (2019), loyalty programs with tiers or earning mechanisms might provide organisations with substantial increases in sales and gross profits. Overall, the authors show that introducing strategically designed loyalty programs can radically increase performance in both short and long term. Lim and Lee (2015) argue that loyalty programs, which provide rewards that can be used in future purchases, represent promotion strategies with the ultimate purpose of increasing profits via customer retention.

Colliander *et al.* (2016) studied the effects of a multi-level loyalty program, in which a set of levels, with specific rewards assigned, is established according to the amount of money spent by each customer. Members who belong to the same level receive identical rewards, meaning that when customers belong to a different level, the reward is, inevitably, different. This sort of loyalty program is particularly interesting when customers have the opportunity to compare rewards over different loyalty program levels, a scenario that usually allows customers to understand that is fair to provide preferential treatment to more frequent customers than less frequent ones (Colliander *et al.,* 2016).

Kopalle *et al.* (2012) differentiate two loyalty program components: customer tier and frequency reward. Both components rely on the amount of underlying sales, whereby companies define the rewards that customers will receive. However, the rewards are different depending on the loyalty program component. Customer-tier loyalty programs offer a sequence of benefits to customers that belong to a certain tier. After generating the rewards, which shall be distributed automatically, the customer tier status expires and one needs to start the process from scratch in order to re-earn the rank once again. In contrast, regarding frequency rewards, customers receive a quantity of points for each purchase and then, they proactively convert their points into free services, such as a free night stays at hotels, free flights or even coupons (Kopalle *et al*., 2012).

On the one hand, the points collected under frequency reward programs do not have any expiration date implied (Kopalle *et al*., 2012). On the other hand, the customer tier component provides continuous utility once the customer achieves higher tiers, a phenomenon that increases loyalty (Shugan, 2005). Yet, the frequency reward component produces, at least, a temporary impact on loyalty via rewarded behaviour effect (Kopalle *et al*., 2012). According to Kivetz, Urminsky and Zheng (2006) research, when customers are very close to get the frequency reward, a pressure effect starts to be notable and, thereby, they increase their purchase frequency. In fact, multi-level loyalty programs produce the same result, meaning that customers propel their purchase rate when they get close to have a higher customer tier (Kopalle *et al*., 2012).

The online retail loyalty program, also known as an Item-Based Loyalty Program (IBLP), represents a combination between an innovative loyalty program design and a promotion strategy, which consists in rewarding points based on customer total spending. These points need to be accumulated first and then redeemed for rewards (Zhang & Breugelmans, 2012).

Nonetheless, previous research suggests that customers are more attracted for immediate rewards than delayed rewards (Leenheer, van Heerde, Bijmolt, & Smidts, 2007).

According to Zhang and Breugelmans (2012), consumers prefer item-based-reward-point promotions than ordinary price discounts of the same value in their store visit decisions. One justification might relate to the fact that IBLPs allow customers to spend the rewards according to their desires in the moment of exchanging the points for a larger lump-sum merchandise credit, instead of several small price discounts. Furthermore, in the point of view of retailers, it is critical to offer enough promotions based on loyalty programs in order to avoid potential customers losses.

Ashley *et al.* (2015) defend that the aforementioned loyalty programs should charge an enrollment fee. An upside effect of this argument is associated with the positive behaviour of the customers who pay to join these loyalty programs – mainly due to special and exclusive benefits that non-paying members are not able to take advantage of. In addition, the sunk cost psychology and the establishment of this commitment postulate that consumers who pay an enrollment fee have higher value to the underlying corporations and, subsequently, illustrate behavioural loyalty, whereas the zero-price effect shows the opposite outcome (Ashley *et al.,* 2015).

Melnyk and Bijmolt (2015) investigate empirically the effect of terminating a loyalty program. Hence, the authors clarify that companies should advance with this process gradually, especially in the situations where it is unavoidable to terminate the loyalty program and if it is an old loyalty program based on points. Furthermore, companies should assure that customers have the chance to redeem saved points in order to avoid negative effects of the termination process (Melnyk & Bijmolt, 2015).

The importance of online retail markets has increased during the recent years, and online retailers have replicated promotion strategies, like loyalty programs, that customers can find on offline retailers without knowing whether these approaches will show identical or similar results. However, Lim and Lee (2015) refer that the likelihood of having successful outcomes in online markets is higher than in offline markets[2].

[2] The authors Zhang and Wedel (2009) support this statement because they show empirical evidence that loyalty programs have a higher effectiveness in online markets than in offline markets.

2.5. E-commerce

In a scenario of competitive and mature markets, retaining the current customer base is crucial to ensure companies' value creation. Accordingly, firms have gained the interest of understanding the factors that influence and drive customer retention (Boehm, 2008). The continuous rapid growth of internet and social media platforms promotes the empirical study of a fundamental research issue, the consumer behaviour in e-commerce (Liang & Turban, 2011). It highlights the importance of the internet as a distribution channel (Neslin *et al*., 2006). Critical research questions regarding the magnitudes of loyalty and churn management in the web environment arise from the abovementioned ongoing expansion (Gordini & Veglio, 2017).

E-commerce has transformed the global retail market (Nielsen, 2018). The climb of electronic commerce brings novel opportunities for companies across countless industries and consumers take advantages of this type of assortment, or value opportunities, as the demand for convenience increases. According to Statista (2020), global online sales in 2019 accounted for 14.1% of total retail sales. Companies recognise that online tools, like websites, advertising or social media, influenced their sales growth positively and generated the origins of e-commerce retailing, as the development in retailing has quickly become greater in this scope than in physical stores.

Researchers confirm that due to the intensification of internet-enabled devices, through which consumers use to search information and purchase products, the e-commerce channel has expanded (Grewal, Roggeveen, & Nordfält, 2017; Maity, Duss, & Kumar, 2018). Nowadays, it is quite simple for online consumers to compare products and services from different competitors (Shankar, Smith, & Rangaswamy, 2003; Gordini & Veglio, 2017). Subsequently, according to Gordini and Veglio (2017), consumers can easily move from one company to another through e-commerce, affecting customer turnover. The ease of comparing distinct offers with minimal cost differences provokes an increase in competition based on price, which consequently leads to a reduction in customer retention (Ansari *et al.,* 2008). Hence, one verifies that customer retention is a more challenging process in the context of electronic commerce (Anderson & Srinivasan, 2003). Academic researchers and business managers are progressively recognising the need to build customer loyalty in order to combat competitive pressures in e-commerce (Srinivasan *et al.,* 2018). However, according to Boehm (2008) results, the ongoing use of the internet channel has a strong positive impact on customer retention and, thereby, customers who buy via e-commerce exhibit a longer average CLV. Yet, the online channel, compared to the offline channel, allows companies to interact with customers easily and to personalise marketing effectively (Srinivasan *et al.,* 2002).

Additionally, aside from the mentioned advantages, other latent e-commerce benefits are higher flexibility, more convenience, quicker transactions and greater variety of product lines (Srinivasan *et al.*, 2002; Wind & Rangaswamy, 2001).

According to Shankar *et al.* (2003), firms can manage customer satisfaction and customer loyalty through their own online channel. One business factor that drives e-loyalty is, for instance, credibility. This quality represents a major decision factor because customers perceive a higher risk when purchasing via internet than in the conventional marketplace, and therefore, customers must rely upon the perceived integrity of the website (Srinivasan *et al.,* 2018).

Furthermore, e-commerce does not allow customers to touch, taste or smell the products unlike shoppers at a physical store (Srinivasan *et al.,* 2018). Other drawback relates to the fact that customers feel vulnerable when their data is treated and used by companies (Martin, Borah, & Palmatier, 2017). Hence, if a customer is not sure whether a company will meet its commitment, companies cannot expect the customer to be loyal to its e-business (Flavián, Guinalíu, & Gurrea, 2006).

Finally, one paramount customer factor that impacts e-loyalty is inertia, which consists of making repeated purchases in the same store as a result of creating a habit – revealing a strong partner commitment (Srinivasan *et al.,* 2018).

3. Background Analysis

3.1. Market Analysis

Aligned with the Global Industry Classification Standard (2020), Delta Q belongs to the consumer staples sector. Within this sector, it is possible to identify three key industry groups, namely, food & staples retailing, food, beverage & tobacco and household & personal products. Then, the beverages industry could be deducted from the food, beverages & tobacco industry group. Furthermore, beverages, such as bottled water, juices or coffee, are part of the FMCG market – products that sell quickly at a relatively low cost.

The FMCG market has been impacted globally by the coronavirus pandemic. In many countries, the government, entrepreneurs and business owners have closed, temporarily, stores, bars, restaurants and shopping centers. In parallel, people have been encouraged to work from home. Consequently, the FMCG market has faced some changes recently, which include the increase of demand for Consumer-Packaged Goods (CPG) and the growth in household goods spending. Additionally, since people tried to reduce the frequency of going to physical stores, the e-commerce channel's activity has increased (Statista, 2020).

The increment of global coffee consumption is likely to be affected by the coronavirus outbreak. Apart from the quarantines and the decreasing of travelling, the out-of-home sector will be crippled due to the high quantity of shops, bars and restaurants closures. Nevertheless, the at-home coffee consumption will increase. Once there are many people remaining at home, the sales of coffee machines and capsules have picked up in recent months (The Economist Intelligence Unit, 2020).

As it is possible to see in Table 3.1, according to the World Industry Outlook report from The Economist Intelligence Unit in June 2020, Brazil is the second-largest coffee consumer in the world. However, Brazil is a country that has been very affected by the current pandemic, being one of the countries with more coronavirus cases and deaths. For this reason, according to The Economist Intelligence Unit (2020), the coronavirus outbreak will translate into a reduction of 1.6 thousands of 60kg of coffee bags, in terms of coffee consumption within Brazil in 2019/20, but if the health conditions improve, the coffee consumption could show a partial recovery in 2020/21. Moreover, as it was mentioned before, it beneficiates the at-home consumption. A fall in out-of-home consumption reflected an increase in new occasions of coffee consumption within home in Brazil of 32% (Kantar Worldpanel, 2020).

Table 3.1 — Coffee consumption in the world

Countries	2016/17	2017/18	2018/19	2019/20	2020/21
United States	25.9	26.1	27.0	25.6	26.7
Brazil	21.2	22.0	22.2	20.6	21.5
Japan	7.9	7.8	7.7	7.2	7.4
Indonesia	4.7	4.8	4.8	4.6	4.7
Russia	4.4	4.5	4.4	4.2	4.4
Canada	4.1	4.2	4.3	4.1	4.3
Ethiopia	3.6	3.6	3.7	3.6	3.7
China	2.4	2.4	2.5	2.4	2.5
Mexico	2.4	2.4	2.5	2.3	2.4
South Korea	2.2	2.3	2.4	2.3	2.3
Algeria	2.0	2.1	2.1	1.9	2.0
Australia	1.8	1.9	1.9	1.9	1.9
Vietnam	1.7	1.6	1.6	2.6	2.7
Colombia	1.7	1.8	1.8	1.7	1.8
India	1.4	1.5	1.5	1.4	1.5
Thailand	1.4	1.4	1.4	1.3	1.4
Ukraine	1.3	1.3	1.3	1.3	1.3
Switzerland	1.1	1.1	1.0	1.0	1.0

(In thousand 60kg bags; Oct-Sep crop year)

(Source: Adapted from The Economist Intelligence Unit, 2020)

Additionally, the per-head consumption levels in Brazil are not only high compared to the emerging-market standards (grey-blue in Figure 3.1), but also compared to the world coffee consumption per head (blue in Figure 3.1).

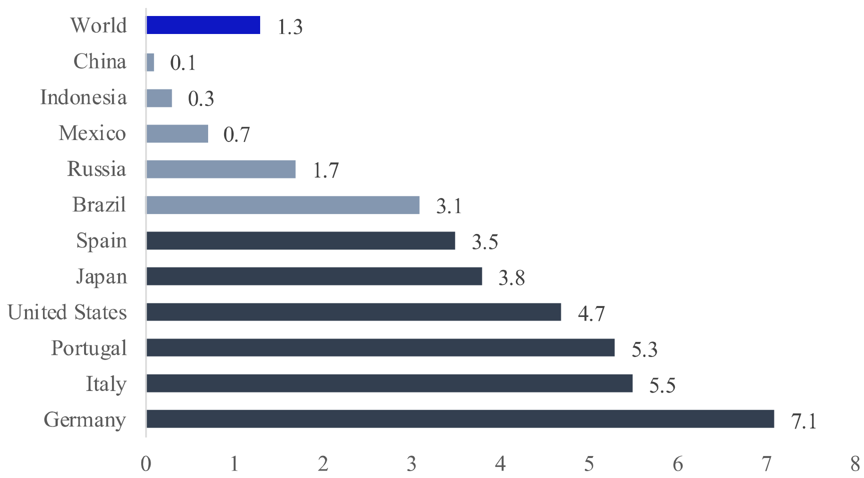

Figure 3.1 – Coffee consumption per head (kg)

(Source: Adapted from The Economist Intelligence Unit, 2020)

Brazil is a country that consumes a high amount of coffee, but it is also known for its high levels of exports when coffee is concerned. The food and beverage segment is the largest manufacturing sector in Brazil, being one of the driving elements of the national economy. This industry processes 58% of the amount produced in the countryside, gathers more than 37 thousand companies, generates 1.6 million direct jobs and represents 9.6% of the country's GDP (Brazilian Association of Food Industries, 2019).

3.2. Benchmarking Analysis

According to Delta Q's internal report of Brazil, the underlying main competitors are Nespresso, Nescafé Dolce Gusto, TRES® and L'Or Expresso (Table 3.2). In order to identify the best customer retention practices for Delta Q, it was produced a benchmarking analysis to Delta Q's key competitors in Brazil.

Table 3.1 – Main competitors of Delta Q

Brand	Company	Country of origin
Nespresso	Nestlé Group	Switzerland
Nescafé Dolce Gusto	Nestlé Group	Switzerland
TRES®	Grupo 3corações	Brazil
L'Or Espresso	Jacobs Douwe Egberts	Netherlands

(Source: Author's elaboration)

3.2.1. Customer Retention Best Practices

This section includes two customer retention best practices, based upon loyalty programs, from two coffee capsules' brands in Brazil, one from Nespresso and another one from TRES®.

3.2.1.1. Nespresso: Nespresso & You

Nespresso was founded in 1986 with the idea of enable anyone to create the perfect cup of espresso coffee. Nespresso is an autonomous globally managed business of the Nestlé Group and its headquarters are based in Lausanne, Switzerland (Nespresso, 2016). Nowadays, Nespresso operates in more than 76 countries and counts with roughly 13500 employees worldwide (Nestlé Nespresso SA, 2020).

In 2006, the company started to sell the first capsules in Brazil – currently, it is possible to find 34 boutiques in Brazil. Then, in 2019, the brand implemented a loyalty program called *Nespresso & You* on Nespresso's website in Brazil (Nestlé Nespresso SA, 2020).

The loyalty program was designed to reward customers throughout their relationship with the brand. This multi-tiered reward program offers diverse experiences and rewards based on the time as a Nespresso customer and purchases made (Nestlé Nespresso SA, 2020).

Customers can move through three tiers: *Connoisseur*, *Expert* and *Ambassador*. The different stages are related to the number of capsules purchased and the time within the loyalty program.

When the customer makes a purchase for the first time on Nespresso's website, the first tier, *Connoisseur*, is unlocked. Thus, free delivery on orders of over 100 capsules, coffee masterclasses and coffee tasting at Nespresso boutiques, are some of the rewards that a customer can benefit from. The coffee subscription is the last benefit of the first tier and it represents a sales plan totally in line with the underlying capsules consumption, in which each customer receives a fix quantity of capsules monthly with a 10% extra credit on the price of the customer plan.

After that, when the member reaches between 400-790 capsules purchased during the last 12 months, or belongs to the *Nespresso & You* club from 4 to 8 years and buys at least once per year during that time, the *Expert* level is unlocked. In this tier, the customer not only receives the benefits from the first level but also the new ones. These new awards correspond to private sales – exclusive access to limited editions and special offers of Nespresso's products – as well as a gift of 10 capsules and a free accessory for each 400 capsules bought within a period of 12 months.

The final tier, called *Ambassador,* is reached whenever purchasing at least over 800 capsules during the prior year, or when members, with more than 8 years at Nespresso's club, buy, at least, once each year during these last 8 years. In this stage, there are five more benefits unlocked. The members receive a gift when they complete one year as *Ambassador* and they have early access to Nespresso's launches. Further, taking into account its numerous partnerships, Nespresso allows customers to have priority towards events promoted by the brand.

Customers can consult their purchase consumption in their account and whether they become inactive as a member, meaning 12 months without any valid purchase of capsules, their level will return to zero. Table 3.3 sums up the whole range of benefits throughout each stage of the loyalty program.

Table 3.3 – Nespresso's loyalty program

	Connoisseur	***Expert***	***Ambassador***
Free Delivery	✓ (Min. 100 capsules)	✓ (Min. 50 capsules)	✓ (Min. 50 capsules)
Masterclasses	✓	✓	✓
Coffee Tasting	✓	✓	✓
Subscription with Extra Credit	✓	✓	✓
Private Sales		✓	✓
Free Coffee Capsules Holder (Sleeve)		✓	✓
Membership Anniversary			✓
Avant-Première			✓
Nespresso Partnership			✓
Event Access			✓
Nespresso Care and Support			✓

(Source: Author's elaboration)

With regard to the loyalty program communication, Nespresso has a set of information on its website homepage in order to capture possible interested parties and a specific page communicating how the loyalty program works and what are the benefits from the customers' point of view (Annex A.1).

3.2.1.2. TRES®: Clube Três

TRES® belongs to Grupo 3corações, which was founded in 1959 by João Alves de Lima in São Miguel, Brazil. In 2012, the Grupo 3corações becomes leader of roasted and ground coffee in Brazil. The following year, in 2013, Grupo 3corações teamed up with an Italian brand, a specialist in machines of coffee capsules, called Caffitaly, creating the TRES® solution. Hence, TRES® entered into the coffee capsules market in 2013 (Grupo 3corações, 2020).

The brand launched a multi-tiered reward program, in 2015, named *Clube Três.* Its loyalty program encompasses four levels: *Aprendiz*, *Expert*, *Mestre* and *Embaixador*. Some of the benefits included are first-hand news, product discounts and exclusive contents.

When customers sign up into the loyalty program, they are allocated to the first tier, titled *Aprendiz*. In this level, members receive capsule promotions and exclusive discounts. Then, in order to reach the second tier, the *Expert* level, members need to register at least eight codes, each one found at the bottom of the box of capsules, within 3 months. These members receive a 5% discount on the purchase price of the capsules. If the members register at least 20 boxes of capsules during a period of 3 months, they reach the *Mestre* level and receive a 10% discount. Furthermore, they will also receive a special promotion on their birthday. Lastly, members can reach the last level, called *Embaixador,* if they register 40 coffee boxes of capsules within a period of 3 months – which leads to a 15% discount on the price of all capsules. Customers also receive an exclusive promotion for their birthday.

In all levels, members receive first-hand capsules promotions and exclusive discounts.

Table 3.4 – TRES®' loyalty program

	Aprendiz	***Expert***	***Mestre***	***Embaixador***
Capsules promotions and exclusive discounts	✓	✓	✓	✓
Coffee capsules discounts		✓ (5% discount)	✓ (10% discount)	✓ (15% discount)
Birthday promotion			✓	✓

(Source: Author's elaboration)

The brand has a specific website for the *Clube Três* program, which customers can access through a Call to Action (CTA) on the top of the firm's official website. The *Clube Três* website comprises the information regarding how to be part of the loyalty program and the inherent benefits, registration/log-in process and regulation (Annex A.2).

3.3. Grupo Nabeiro – Delta Cafés' Internal Analysis

The origins of Grupo Nabeiro – Delta Cafés, under the name Delta Cafés, date back to the 20th century. The company emerged in 1961, founded by Rui Nabeiro, in a small 50 square meters warehouse located in Portugal, specifically in a village from Alentejo, called Campo Maior. Nowadays, Campo Maior's economy is mainly based on the coffee industry (Grupo Nabeiro – Delta Cafés, 2020).

Rui Nabeiro started his business towards roasting 30 kilos of coffee a day, and 20 years later, Delta Cafés was the largest roasting plant in the Iberian Peninsula. Nowadays, the company produces more than 100 tonnes of roasted coffee per day.

Throughout the second half of the 1970s, the rise of new business typologies, the need to develop new products, the growing demand for the supply of a global service, comprising complementary areas of the coffee business, promoted the redesigning process of the firm, which resulted in the reengineering of Grupo Nabeiro – Delta Cafés, in 1998.

From the very beginning, the founder was concerned with developing a brand with worldwide projection, prepared to acquire new consumers, with a clear vision – to be in the top 10 of the best world coffee brands. Its internationalisation strategy began when the company entered into the Spanish market in 1986. As of 1998, the company continued to focus on internationalisation and received an invitation to entry into the Angolan market, in which it started to operate in 2000 – *Angonabeiro*. Later, in 2012, Grupo Nabeiro – Delta Cafés entered the Brazilian market as *Delta Foods Brasil*. Nowadays, the company has a worldwide presence and operates in four continents, and, more specifically, in 40 countries, 32 through distributors and 8 via direct operations – Portugal, Spain, France, Switzerland, Luxemburg, Brazil, China and Angola.

The diversification need led to the creation of 39 companies in the most varied sectors: manufacturing, services, distribution, agriculture, agro-industry and real estate.

With the sustained growth of the business, the Grupo Nabeiro – Delta Cafés exhibits a portfolio of 26 brands. The most important one is Delta Cafés, which in 2011 celebrated its 50th anniversary. Yet, in 2007, the firm launched two brands that would become two main cornerstones of the Group – Adega Mayor and Delta Q.

In terms of financial performance of Grupo Nabeiro – Delta Cafés, the company, in 2019, reported, on average, revenues of about 400 million euros and had more than 3800 employees.

3.3.1. Corporate Strategy: Mission and Values

Grupo Nabeiro – Delta Cafés has been based on sound values and principles since its foundation, which were reflected in the creation of a brand with a strong human component, based on the authenticity of the relations with customers, partners and employees.

Its activity is based on nine key values: integrity, transparency, truth, quality, solidarity, sustainability, humility, innovation and loyalty.

The company's primary mission meets the customers' expectations, ensuring total satisfaction through a business model based on the creation and sharing of sustainable value. A management with a human face is a fundamental commitment. In order to fulfil it, the group faces the future with responsibility and respect for the next generations.

Grupo Nabeiro – Delta Cafés has an ongoing commitment to sustainability, which is one of the founder's values. Continuing to ensure economic profitability by reducing environmental impact and maximising positive social impact is its utmost determination. This will be Grupo Nabeiro – Delta Cafés' future, materialised by its global sustainability strategy, designed around its contribution to the sustainable development goals.

3.3.2. Delta Q

In November 2007, Grupo Nabeiro – Delta Cafés entered in the segment of coffee capsules with its newly created brand Delta Q. Four years later, in 2011, Delta Q achieved the leadership in the Portuguese market – nowadays, Delta Q is present in 14 countries.

Delta Q's core values reflect the essence of the brand and include features like quality, simplicity, sharing and innovation. As a close, accessible and emotional brand, Delta Q's mission is to provide unique sensory experiences to each consumer. The brand has a permanent desire to listen and surprise their consumers and additionally, to add value to the different moments of consumption and sharing through coffee.

In 2020, the leading Portuguese brand in the coffee capsules' segment was recognised and distinguished for three prestigious awards: *Superbrand*, *Consumer's Choice award* and *Product of the Year*.

Delta Q received the *Superbrand* award, from the Superbrands entity, due to its values, its commitment to innovation and its response to the Portuguese market. In addition, the brand received the *Consumer's Choice award*, from Consumer Choice, in the coffee capsules category, being evaluated for its performance in the previous year – it was assessed the higher levels of purchase intention, as well as recommendations and recognition of the quality of its products. Finally, a product called Delta Q Qids, the first capsule for kids that does not contain caffeine, received the award of *Product of the Year,* organised by Product of the Year Portugal. This award was intended to value products that stand out for their innovation, attractiveness and satisfaction.

These awards are the outcomes of Delta Q's ability to offer products of excellence and a reinforcement of its innovation strategy. Its constant focus on innovation and the vocation of its teams in thinking and developing value-added products for the consumer are factors that explain Delta Q's presence in the daily routine of its consumers.

3.3.2.1. Delta Q Products

Delta Q presents a portfolio that consists of capsules, coffee machines and accessories. With regard to coffee capsules, the brand divides them into intensities, specialties, cereals and teas ranges.

In terms of intensities, there are ten blends of coffee with distinct levels of intensity: mythiQ (15), epiQ (14), Qharisma (12), Qalidus (10), Qharacter (9), aQtivus (8), Qonvictus (5), Qonvivium (4), deliQatus (3) and deQafeitanus (1).

Within the specialties, Delta Q presents the following blends: Bio, Qanela, Double, breaQfast, to which are added the limited editions Chef's Collection and the origins Malay and Colombia. Delta Q Bio is the first dual-certified Delta Q blend, P-BIO-02 Agriculture and UTZ, produced from organically grown coffee, whereas Delta Q Qanela results from the perfect combination of coffee and cinnamon. Then, the Double is the ideal blend for those who want an extra dose of energy. Finally, Delta Q breaQfast is the perfect blend to combine with the acidity and creaminess of milk.

The range of teas covers five unique blends, namely: Purify, Refresh, Delight, Relax and Redespresso. From the cereal range, it is possible to highlight the following: Pure, Soft and Qids. Delta Q was the first brand to offer barley in capsules with the launch of Delta Q Pure. Then, the Delta Q Qids blend is the first capsule designed especially for the youngest, since it is a caffeine-free drink.

Delta Q's coffee machines combine innovation and design with simplicity and convenience. The brand offers four different exclusive coffee machines – Quick, Qlip, MilkQool Evolution and Qool Evolution.

Delta Q Quick was developed to simplify consumers' daily lives. With just two buttons, both programmable, it is possible to set the volume of the coffee espressos or long drinks. Then, Delta Q Qlip is the smallest machine and the most silent of the range. The Delta Q MilkQool Evolution is the only coffee machine that incorporates a milk tank, allowing the preparation of coffees with any type of fresh milk. Lastly, the Delta Q Qool Evolution stands out for its modern design and its easy and intuitive use.

3.3.2.2. Delta Q Brazil

In January 2012, Delta Q started to operate in the Brazilian market through direct operations in São Paulo – *Delta Foods Brasil*. Afterwards, in 2015, the brand was expanded to Rio de Janeiro. Since entering the market in 2012, the sales have been growing constantly, for instance, in 2019 sales grew 13% compared to the homologous period.

The distribution channels of Delta Q are mainly restaurants, bars, retailers, distributors and online channels – Delta Q's products are sold on their own website since 2014 and on Amazon Brazil since 2017. Further, the e-commerce channel is still small when compared to the rest of the distribution channels. In fact, in 2019, the e-commerce channel only represented 8% of total distribution, despite of its recurrent growth. The total sales' growth, through the online channel among the second trimester of 2020, compared to the last year, corresponded to 84%.

3.4. Target Analysis

The Brazilian consumer actively purchases on internet. According to Statista (2020), Brazil is the most important e-commerce market in Latin America.

In 2019, people with ages between 36 and 50 years old were ones who purchased the most through e-commerce in Brazil (33.6%). Yet, people under 25 years old represented only 19.5% of all online checkouts in the Brazilian market throughout that year. Moreover, according to this study, in 2019, men in Brazil spent more on e-commerce than women did (Statista, 2020).

After analysing the conversion rate of Delta Q's online store in 2019 through the Google Analytics tool, the age group with the lowest conversion rate corresponds to people under 25 years old, a scenario aligned with Statista (2020). Furthermore, people aged over 55 years old are the ones who spent the most, as it is possible to notice from Table 3.5.

Table 3.5 – Conversion rates by ages in 2019

18-24	25-34	35-44	45-54	55-64	+65
2.05%	2.08%	2.32%	3.07%	3.62%	4.41%

(Source: Author's elaboration)

Considering conversion rates by gender in Delta Q's e-commerce store during 2019, the percentage for men corresponds to 3.13%, whereas for women is 2.31%. Therefore, the conversion rate in 2019 is higher for men than for women, as stated by Statista (2020). In addition, the same analysis for the first semester of 2020 reflected the same behaviour.

3.4.1. Customer Retention

Delta Q wants to ensure that customers, which it worked so hard to acquire, stay with the brand. In order to study customer retention, it was analysed Delta Q's data from 2014 to 2019. Considering the year in which customers did their first purchase and their purchase activity during the following years, it is possible to state that Delta Q Brazil needs to work on customer retention strategies. It is considered as active customers, the individuals who purchased at least once during a year.

As depicted in Figure 3.2, and taking into account data from 2014 to 2019, the quantity of active customers in 2019, whose first purchase was made in prior years, encompasses customers whose first purchase was done in 2014 (15.10%), 2015 (18.59%), 2016 (16.93%), 2017 (19.47%) and 2018 (28.35%). This means that, for instance, 15.10% of the customers who made their first purchase in 2014, via Delta Q's online store, are still active in 2019. Therefore, one can state that Delta Q Brazil, in 2019, retained less than 30% of the customers who bought for the first time in 2018.

The year with the greatest level of retention was 2015, because 39.68% of the customers, who made their first purchase in 2014, also bought in 2015.

Active customers

Customers' first purchase	2014	2015	2016	2017	2018	2019
2014	100%	39.68%	27.76%	20.09%	16.84%	15.10%
2015		100%	38.57%	25.33%	20.06%	18.59%
2016			100%	29.08%	20.14%	16.93%
2017				100%	26.28%	19.47%
2018					100%	28.35%
2019						100%

Figure 3.2 – Customer retention

(Source: Author's elaboration)

3.4.2. Purchase Frequency

After analysing the purchase frequency of Delta Q's customers in Brazil, it was concluded that it is the smallest one when compared to other markets in which Delta Q's e-commerce is implemented – France, Spain, Switzerland and Portugal. It was divided the number of active customers, the ones who made at least one purchase throughout the year, by the number of purchases during the respective year. As it is possible to see, the purchase frequency fluctuates from 1.57 to 1.84. Thereby, once the results are lower than 2.00 across all years, this means that the active customers made less than 2 purchases per year.

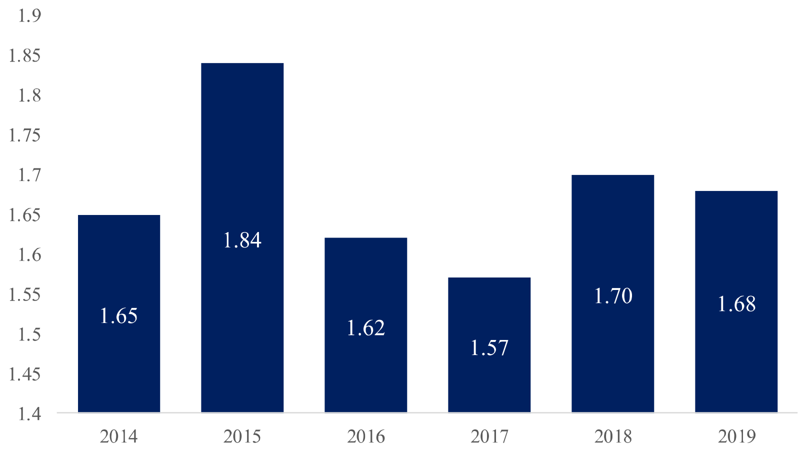

Figure 3.3 – Purchase frequency in Brazil

(Source: Author's elaboration)

Since the purchase frequency is very low, it was calculated the annual average number of coffee capsules purchased per customer, which varies from 210 to 300. Besides the volatile growth pattern, the average purchase tends to increase – Table 3.6.

Table 3.6 – Average coffee capsules purchased per customer

2014	**2015**	**2016**	**2017**	**2018**	**2019**
210	272	242	244	300	300
% growth	*+29.52%*	*-11.03%*	*+0.83%*	*+22.95%*	*0%*

(Source: Author's elaboration)

Another interesting analysis relates to the average number of coffee capsules purchased per order. In Table 3.7, it is possible to ascertain that the average number of capsules increases between 2014, with the lowest average, and 2019, with the highest average.

Table 3.7 – Average coffee capsules purchased per order

2014	**2015**	**2016**	**2017**	**2018**	**2019**
128	148	149	155	174	179
% growth	*+15.63%*	*+0.68%*	*+4.03%*	*+12.26%*	*+2.87%*

(Source: Author's elaboration)

4. Conceptual Framework

With the aid of the previous theoretical analysis, one concludes that the post-purchase behaviour stage of the buying process can fall into repurchases (Blythe & Sethna, 2019). This point is relevant because continuous repeat purchases and ongoing trading relationships with firms translate into customer retention (Buttle & Maklan, 2015). Therefore, customer retention is a pivotal topic not only because it leads to more regular purchases and sustained relationships with the brand, but also because engaged customers might be willing to pay higher prices than new customers (Ang & Buttle, 2006). Additionally, a high customer retention rate represents a reflexion of a low customer churn (Ahmad & Buttle, 2001).

Furthermore, customer retention, within the e-commerce channel, is struggling due to the ease of comparing products and services from different competitors online – once it is costless (Shankar *et al.,* 2003; Gordini & Veglio, 2017). Hence, customers can move from one company to another and affect customer turnover as well as customer retention rates (Gordini & Veglio, 2017; Ansari *et al.,* 2008).

The main goal of this Thesis is to improve customer retention through the creation of a loyalty program for Delta Q in the e-commerce channel and, consequently, increment purchase frequencies and decrease customer churn rates. Loyalty programs are a common strategy that shows empirical evidence of a long-term effect on customer retention (Lewis, 2004).

In Table 4.1, it is possible to find a conceptual framework, divided into two distinct phases, which works as a useful guide to meet this Thesis' objective.

The two stages of the conceptual framework are the formulation phase, which will incorporate the main guidelines of the customer retention strategy and the implementation phase, which will include some concrete actions, the communication strategy and the budget as well as the timings, towards the loyalty program.

Table 4.1 – The conceptual framework

Phase 1: Formulation	
Objectives	- What are the main objectives?
Target	- Who is the target?
Consumer behaviour	- How do they behave? - How is their purchase frequency? - What are the clients' benefits and inconveniences of buying online?
Loyalty program	- What type of loyalty program will be chosen? - What benefits will be offered? - How will it be done? - Which metrics should be used?
Phase 2: Implementation	
Actions	- How will the loyalty program be implemented for new customers? - How will the loyalty program be implemented for current customers?
Communication strategy	- What communication strategy should be created? - How will Delta Q communicate the loyalty program?
Budget and timings	- How much will the loyalty program implementation cost? - When will it be?

(Source: Author's elaboration)

5. Methodology

The main goal of this Thesis is to generate a customer retention strategy, meaning, loyalty program, in order to improve customer retention and consequently to rise the purchase frequency and avoid inactive customers. The novel loyalty program is intended to have real applicability. Thus, to maximise the quality of the outputs, both qualitative and quantitative research techniques were developed, as described in the conceptual framework. Accordingly, the methodology is divided in two phases, described in the following table, Table 5.1.

Table 5.1 – Methodology phases

Phase	Analysis	Approach	Technique applied
1st	Internal Analysis	Qualitative approach	Internal Interview
2nd	External Analysis	Quantitative approach	Questionnaire

(Source: Author's elaboration)

5.1. Internal Interview

The first phase consists of an internal analysis of Delta Q's customer retention, as well as its electronic commerce strategy. According to Hanson and Grimmer (2007), the use of qualitative methods provides a deeper appreciation of the phenomena under analysis.

An interview to Delta Q's E-commerce Manager, Jorge Pinheiro, was proceeded. This interview enabled one to better comprehend the problem under investigation and provided greater insights of Delta Q's activity in terms of e-commerce (Annex B). To match the interview with the market under analysis, the interview was focused on the Brazilian market.

The aforementioned interview comprises eight questions and it was conducted on the 2nd of August 2020.

5.2. Questionnaire

The second phase is associated with the elaboration of a questionnaire, sent by e-mail marketing to a specific segment towards collecting primary data.

This online questionnaire aims to identify and evaluate the consumer habits inherent in Delta Q's customers who buy through the e-commerce channel. This approach relies on understanding the factors that promote more purchases in order to identify gaps that need to be readdressed. Therefore, one ascertains the features that might lead to higher purchase frequencies and larger relationships with the brand.

In order to retrieve this information, the questionnaire was divided into four main phases: identification of customers' personal information; evaluation of the consumer habits in Brazil; analysis of the advantages and drawbacks of online purchase from customers' view; evaluation of the benefits that customers value the most and the least.

The online survey had, in total, 21 questions, of which 19 corresponded to closed questions (Annex C). This decision allows avoiding qualitative open answers, which would create difficulties in terms of statistical analysis. Additionally, some questions were measured with a 5-point Likert scale – based upon the questionnaire from the study of the authors Melnyk and Bijmolt (2015).

The questionnaire was revised by the Regional Manager of Africa and South America of Delta Cafés – Grupo Nabeiro, the International Markets Category Manager for the Coffee Category and the Commercial and Trade Marketing team from Brazil.

Once it was designed to study the Brazilian market, the survey was, first, conducted in Portuguese and, afterwards, translated to English for the purpose of this Master Thesis.

5.2.1. Communication

It was designed a newsletter with the aim of communicating the online survey to Delta Q's customers in Brazil. The aforementioned newsletter, alongside the online questionnaire, was sent, via e-mail, between September 1st and September 4th (Figure 5.1).

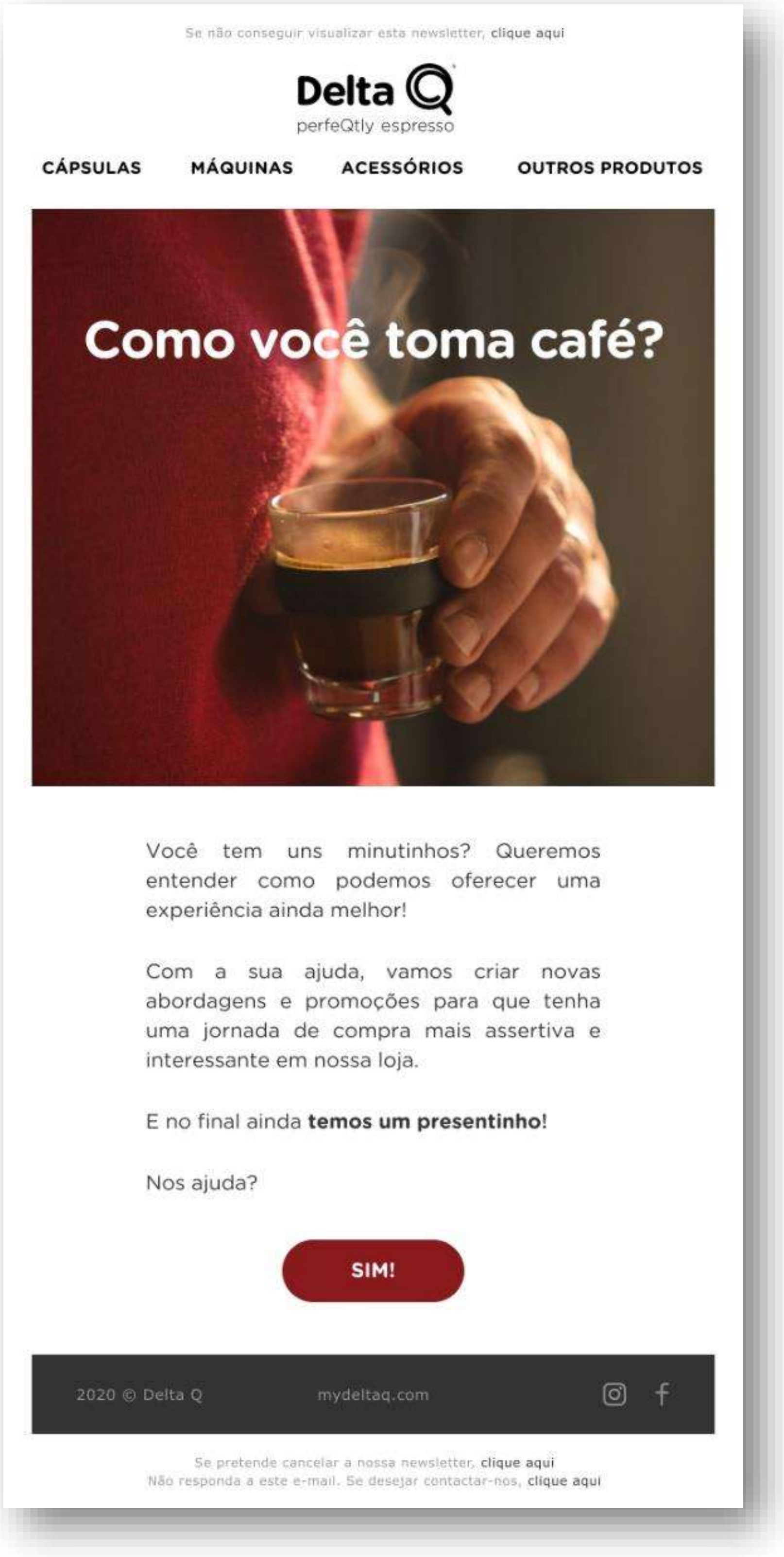

Figure 5.1 – Online survey newsletter

(Source: Author's elaboration)

The questionnaire was addressed towards Delta Q's Brazilian customers with, at least, 18 years old. The newsletter was sent to 2183 customers and led to a delivery rate of 100%. The unique open rate was of 50.66% (1106 openings), whereas the unique clicks amounted to 457 (41.32%). In addition, the newsletter was sent to a segmentation of active customers – more specifically, to the ones who opened the last campaign newsletter at least once.

The newsletter's copy, created by the Portuguese e-commerce team along with the marketing team from Brazil, was designed to incentivise customers to answer it, since each answer would be awarded with 10 capsules in the aftermath of the following purchase. This strategy was not only designed to get more answers, but also to motivate customers to make a new purchase. In addition, it was communicated that all customers' answers would contribute to create new approaches and future promotions.

The subject of the newsletter was *Conta para gente! E no fim ganha um presentinho*, which means tell us what you think and, in the end, win a reward. Additionally, it was created a header for the online survey that displays an image of a Delta Q coffee with the logotype of the brand, also designed by the e-commerce team from Portugal together with the Brazilian marketing team (Figure 5.2).

Figure 5.2 – Online survey header

(Source: Author's elaboration)

6. Data Analysis

The purpose of this chapter is to proceed with a comprehensive analysis of the implied relevance of Delta Q's e-commerce. In this sense, one needs to establish a baseline of the current needs in order to recognise the priorities and develop strategies to overcome the problems.

6.1. Internal Interview Analysis

The interview led to some conclusions about the e-commerce's relevance for Delta Q, as well as streamlined the present, and future, customer retention strategies (Annex B).

Nowadays, e-commerce does not assume a prominent role for Delta Q, but according to the E-commerce Manager of Delta Q, this channel is the biggest bet for the future. Besides its presence in some strategic retailers' locations, the new strategy of the brand towards the international markets is associated with converting as many physical customers into online customers, as well as acquiring new customers only through digital efforts.

More than ever, e-commerce has a significant role for Delta Q. Basically, consumers are becoming more digitally perceptive and the Covid-19 pandemic is scaling the importance of this channel. Additionally, through e-commerce, the brand has the chance to offer a distinctive customer journey and an extensive portfolio of products.

As mentioned, due to the Covid-19 pandemic, the importance of e-commerce has increased, especially in Brazil. The sales of Delta Q's products through the e-commerce channel have grown during the second trimester of 2020, registering a substantial growth of 174% against the previous year. More precisely, in Brazil, the sales' growth during the second trimester of 2020, compared to the homologous period, amounted to 84%.

Nowadays, Delta Q Brazil is facing a main problem: customer retention. According to the E-commerce Manager of Delta Q, it is difficult to retain customers because Brazilian individuals are very price sensitive and prone to change. For this reason, Delta Q Brazil has a big number of inactive customers, which is the same than a high customer churn. An inactive customer is considered to be the one who does not purchase anything over one year. Besides that, many customers buy Delta Q's products on retailer's stores, such as supermarkets, instead of Delta Q's online store. Indeed, the brand prefers to send its products without any intermediary between itself and the final customer. Otherwise, the brand starts to face a decrease in terms of purchase frequency within the electronic commerce channel.

Considering Delta Q's activity through its online stores, one can easily announce that Brazil is the location with the lowest standards of purchase frequency. According to its E-commerce

Manager, the Brazilian customer is opportunistic, price driven and he is not brand loyal. Therefore, it is common to see that individuals switch between different brands.

Delta Q's business model implicitly stresses that customer retention is a pivotal requirement. Since Delta Q's machines are sold at low prices in order to acquire new customers and profit from the sale of the capsules in the long term, it means that if the brand loses the customer before breakeven, it will certainly lose money with that customer. Delta Q is not the only brand who presents this kind of business model. Most of the coffee capsules' brands create campaigns in order to acquire new customers – in which the machine is often gifted, when buying a certain quantity of capsules. Therefore, this leads to a consumption pattern where clients purchase the products from these promotions, consume all coffee capsules and when the capsules end, they try to find another similar opportunity through other brands. This behaviour leaves Delta Q with a very low purchase frequency and promotes client inactivity.

For all these aforementioned reasons, it is necessary to create an effective customer retention strategy that allows having a continuous trading relationship, between the firm and customers, and a constant repeat purchase.

According to Delta Q's E-commerce Manager, a loyalty program could be the solution to solve the described problems. Through a well-designed program, it would be possible to increase the CLV and loyalty, leading to higher retention levels and incentivising repeat purchases. In addition, the program will also increase the Recency, Frequency and Monetary (RFM) value. The recency would be higher because customers will have a reason to visit the online store, avoiding being away from it for long periods. Thus, the frequency will also increase, as the customers will buy more regularly during each year. Finally, the monetary value should grow because more purchases should be equal to more money spent overall.

Additionally, through the creation of a loyalty program, the brand would have a differentiated value proposition in its relationship with the customer. During the customer journey, essentially in the first year of the relationship between the customer and the brand, one can define effective strategies to ensure, or at least try to ensure, customer engagement, keeping him away from becoming an inactive customer.

Some of the benefits that the brand could offer in order to have a strong loyalty program are: priority access to campaigns and product launches; exclusive products; free deliveries; special promotions, exclusive to the loyalty program members; rewards; special content to teach how to make the most of its machines and capsules; or exclusive content, such as recipes in text and video format.

Moreover, some milestones, such as registering the machine on the website, creating an online account, assuring that the customer places his second order in Delta Q's online store, making him purchase an accessory or explore a machine upgrade, could be part of the customer's journey.

6.2. Online Questionnaire Analysis

The size of the universe implied the establishment of a non-probabilistic sample collected by convenience – which was considered the most adequate method to achieve the projected objectives of extrapolation of valid conclusions. The sample obtained was composed of 415 respondents.

After applying the questionnaire and collecting the data, one used a statistical program, named Statistical Package for Social Sciences (SPSS) version 27, in order to perform the analysis.

6.2.1. Socio-demographic Characterisation

1. Gender (Question 1)

The sample shows that 71.08% are male, whereas only 28.92% are female (Figure 6.1). Therefore, this sample does not illustrate an equal gender distribution.

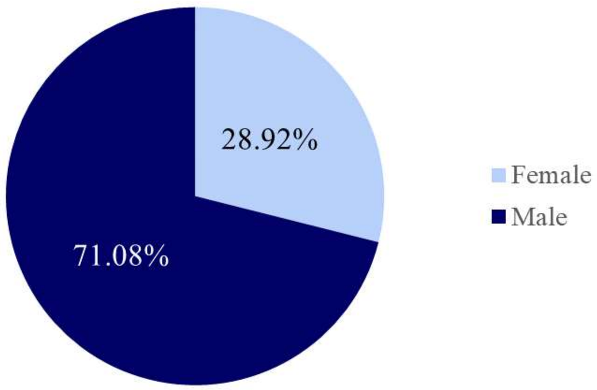

Figure 6.1 – Gender distribution

(Source: Author's elaboration)

2. Age (Question 2)

According to the age distribution (Figure 6.2), it is possible to conclude that the bulk of the respondents has more than 35 years old (91.57%). Indeed, more than half of the sample involves people with ages between 35 and 54 years old (53.01%). Once no answers were collected from individuals with ages between 18 and 24 years old, it was created a larger group of individuals with ages between 18-34 years old – being grouped the ones with 18-24 years old and the ones with 25-34 years old. This phenomenon could be associated with the fact that younger people do not typically shop for the underlying households.

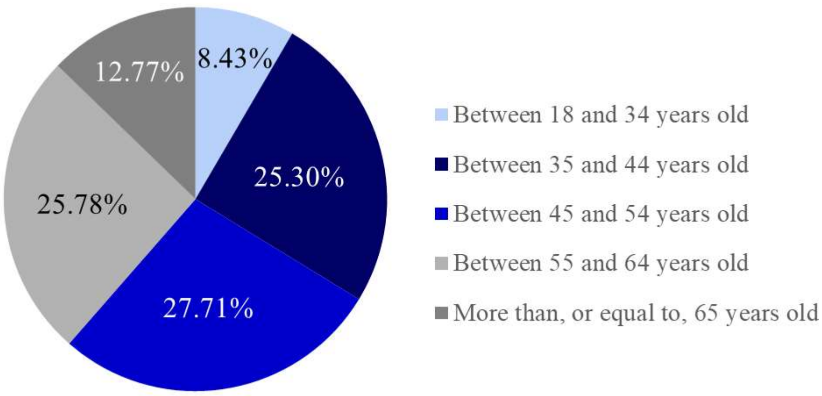

Figure 6.2 – Age structure

(Source: Author's elaboration)

3. Location (Question 3)

Analysing the location determinant, it is possible to refer that most of the respondents are from São Paulo (68.67%), followed by Rio de Janeiro (8.92%) and Minas Gerais (5.06%). The reason behind this distribution relates to the fact that most of Delta Q's customers in Brazil are from São Paulo – the first Brazilian city with a Delta Q retailer, whose operations started in 2012.

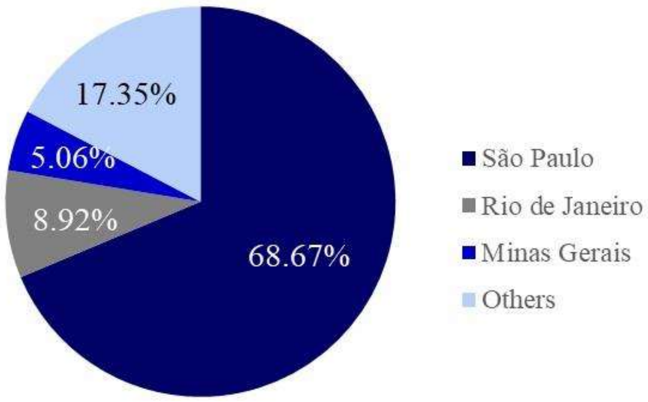

Figure 6.3 – Location distribution

(Source: Author's elaboration)

4. Primary occupation (Question 4)

As verifiable in Figure 6.4, the primary occupation of the respondents is variable. The three categories with greater emphasis are employee (34.46%), freelancer (26.75%) and entrepreneur (20.48%) – pensioners only represent 17.11% of the sample.

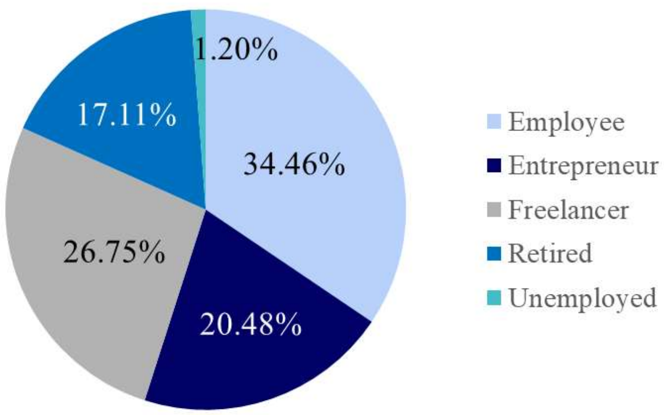

Figure 6.4 – Primary occupation

(Source: Author's elaboration)

6.2.2. Behavioural Variables

1. Daily coffee consumption (Question 5)

According to the daily coffee consumption figure (Figure 6.5), more than half of the sample ingests between 2 and 3 coffees a day (57.59%). In addition, 39.04% of the sample drink, at least, 4 coffees a day, whereas 3.37% of the respondents only consume 1 coffee per day.

When analysing this information, one might infer that the respondents who drink 3 coffees a day (34.70%), the largest group of the sample, should consume around 90 capsules per month, meaning, 9 tubes of 10 capsules.

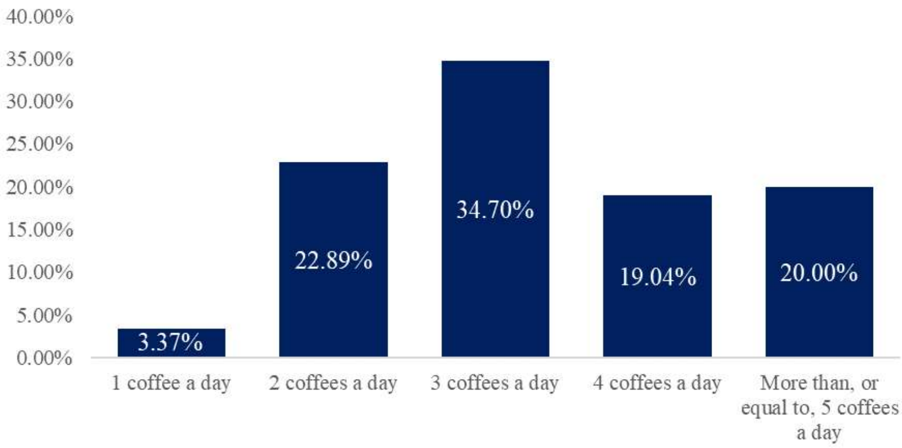

Figure 6.5 – Daily coffee consumption

(Source: Author's elaboration)

2. Location of coffee consumption (Question 6)

In this question, the findings indicate the place where the respondents usually drink coffee. It is relevant to underline that the respondents could select more than one option. The analysis postulates that almost the entire sample consumes coffee at home (97.10%). The second location where the respondents drink more coffee is at the office (89.90%), followed by restaurants (49.40%), universities (47.20%) and bars (30.40%) – as a remark, 87.22% of the respondents who drink coffee at home also consume coffee at the office.

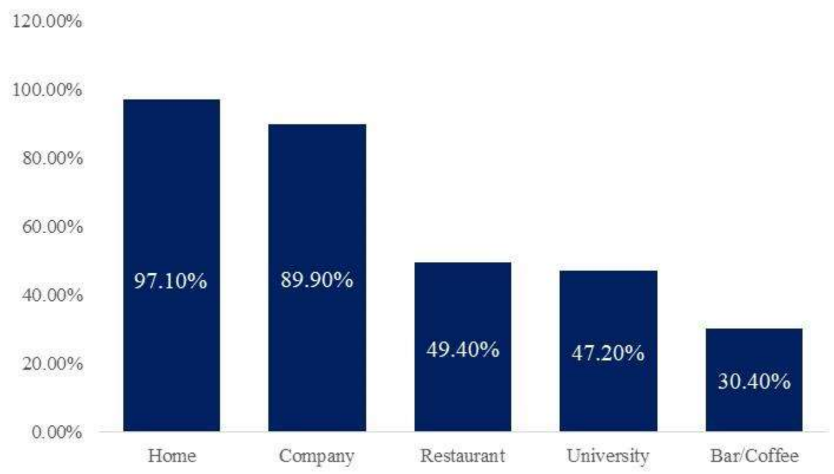

Figure 6.6 – Location of coffee consumption

(Source: Author's elaboration)

3. Place in which customers have their coffee machine (Question 7)

The majority of the respondents declare that their coffee machines are located at home (80.48%), whilst only 13.01% keep them at the office. A small portion of the sample affirms that their coffee machines are both located at home and at the office (6.51%).

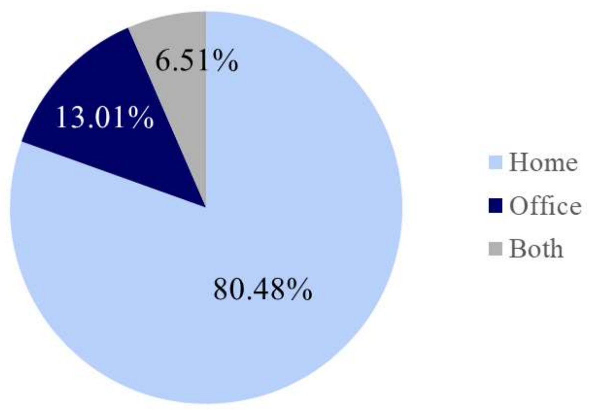

Figure 6.7 – Place in which customers have their coffee machine

(Source: Author's elaboration)

4. Number of coffees extracted daily by the machine (Question 8)

The following graph (Figure 6.8) illustrates that more than half of the sample uses the coffee machine to extract between 2 and 4 coffees per day (61.45%), whereas 25.78% of the respondents extract between 5 and 9 coffees through their pod coffee machine.

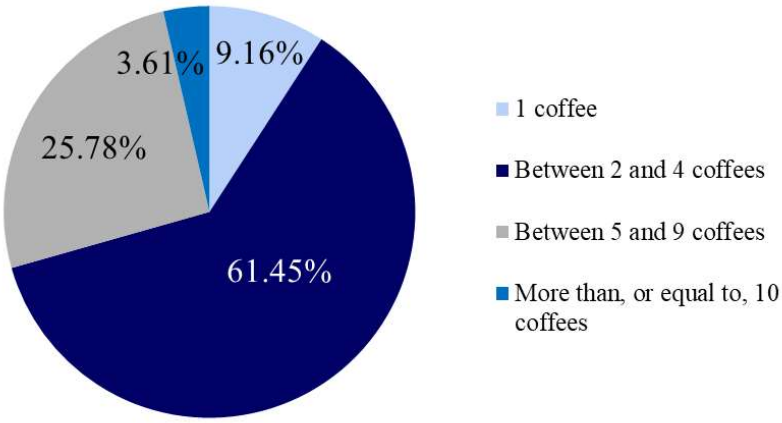

Figure 6.8 – Number of coffees extracted daily by the machine

(Source: Author's elaboration)

4.1. Relationship between daily coffee consumption and number of coffees extracted daily by the machine

In order to observe whether there is a relationship between the daily coffee consumption and the quantity of coffee extracted daily by the machine, it was performed a statistical test named Chi-Square test (Annex D). The variable Y was defined as being daily coffee consumption. As it is possible to see in Table 10.3 from Annex D, the two conditions[3] were verified and, therefore, a Chi-square test of independence was applied.

Hypotheses:

H_0: the variables *daily coffee consumption* and *number of coffees extracted daily by machine* are independent (there is no relationship between them).

H_a: the variables *daily coffee consumption* and *number of coffees extracted daily by the machine* are related.

Since Sig < $\alpha = 0.05$, the null hypothesis is rejected, and it is possible to conclude that there is a significant relationship between the two variables.

Thus, from the results of the following graph (Figure 6.9), one perceives that 43.37% of those who drink, at least, 5 coffees a day, also have a coffee machine that extracts between 5 and 9 coffees per day. Additionally, 93.58% of those who drink 1 or 2 coffees a day, within their household, also have a machine that extract less than 5 coffees a day.

[3] The two conditions include: a maximum of 20% of the cells can have expected counts < 5 and the no expected count should be < 1.

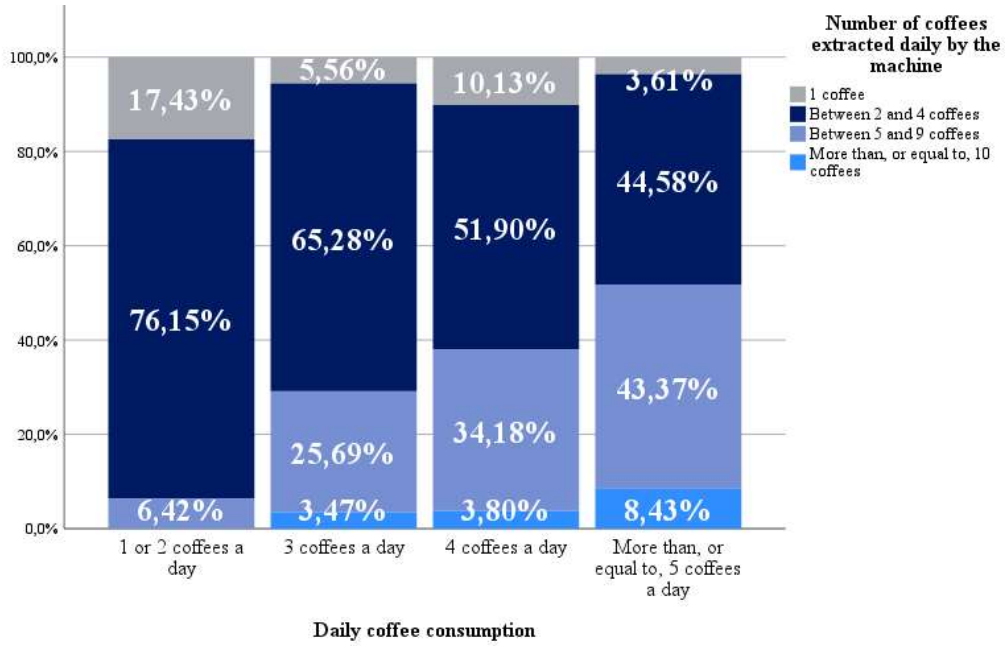

Figure 6.9 – Relationship between daily coffee consumption and number of coffees extracted daily by the machine

(Source: Author's elaboration)

5. Number of coffee machines (Question 9)

This question assists in understanding the level of diversity of each respondent in terms of coffee machines. Hence, it is possible to determine if the respondents from the sample have more coffee machines, besides their Delta Q coffee machine (Figure 6.10). As it is possible to confirm, almost a half of the respondents owns another coffee capsules machine (48.43%).

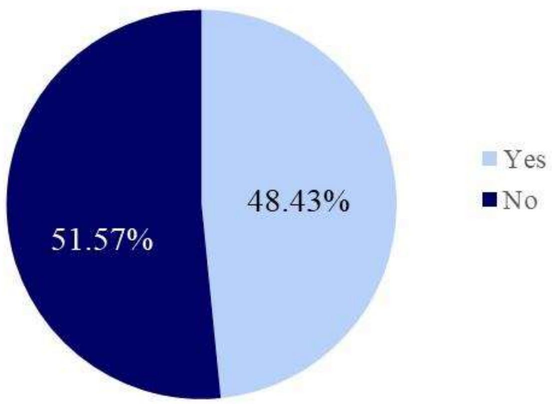

Figure 6.10 – Ownership of a coffee machine that do not belong to Delta Q

(Source: Author's elaboration)

6. Name of the brand(s) other than Delta Q (Question 9.1)

Through this qualitative approach, one develops an in-depth analysis of the prior question. Accordingly, it examines which other coffee capsules machines the respondents have, apart from the ones that belong to Delta Q's portfolio.

Most of the respondents state that they have a Nespresso machine (118 respondents). The second most mentioned brand was Dolce Gusto (50 respondents), followed by TRES® (23 respondents). Another relevant fact to be drawn from this question is that 29 respondents have more than two coffee machines at home.

7. Most used purchase channel (Question 10)

With regard to the place in which the respondents buy their coffee capsules, it is possible to observe that 85.10% of the sample usually buy their capsules on Delta Q's website. Moreover, the second most used channel is the supermarket (50.60%). In addition, only 10.10% of the respondents buy capsules on marketplaces and 1% through Delta Q Shopping Vitoria, a physical store in Brazil.

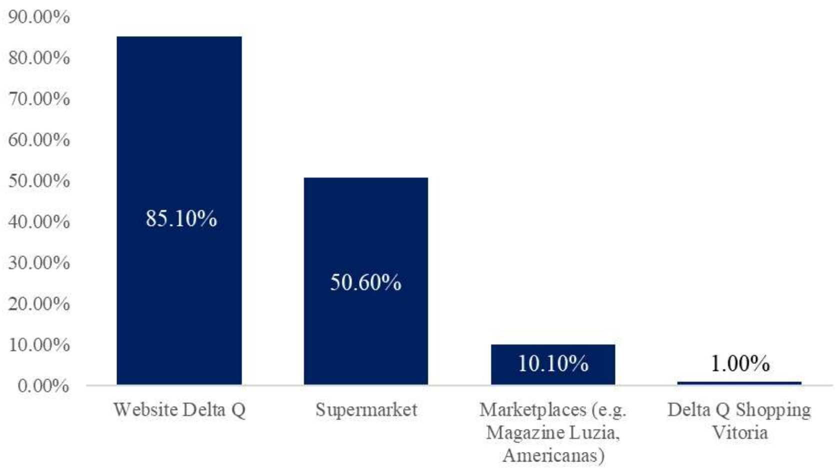

Figure 6.11 – Most used purchase channel

(Source: Author's elaboration)

8. Purchase frequency (Question 11)

Often, the respondents are likely to acquire coffee capsules without any defined frequency (31.46%). Yet, it is possible to mention that 30.36% of the respondents buy coffee capsules each 2 months, followed by 21.69% of the sample that buy once per month.

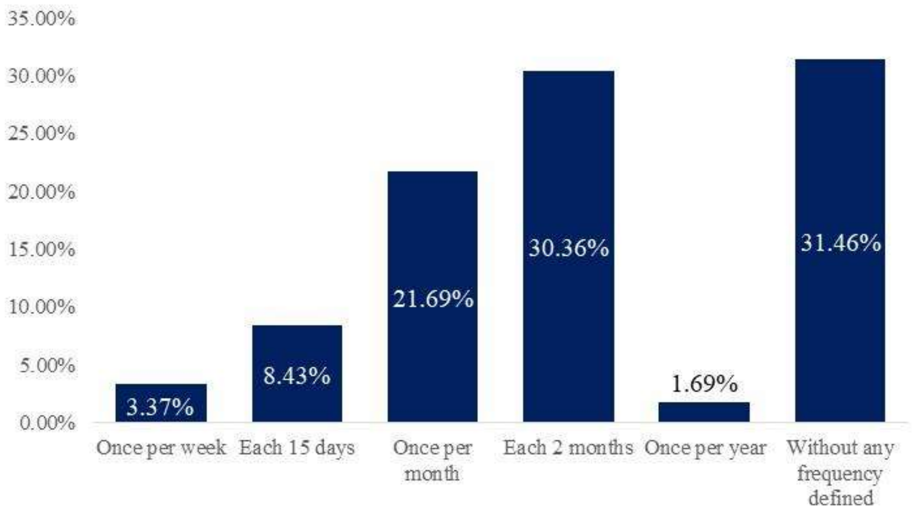

Figure 6.12 – Purchase frequency

(Source: Author's elaboration)

8.1. Relationship between purchase frequency and coffee consumption

In order to test whether the purchase frequency and the daily coffee consumption are independent variables, it was designed, once again, a Chi-Square test. Since the two conditions were verified, it was possible to apply the Chi-square test of independence (Annex D).

Hypotheses:

H_0: the variables *purchase frequency* and *daily coffee consumption* are independent (there is no relationship between them).

H_a: the variables *purchase frequency* and *daily coffee consumption* are related.

Since Sig $< \alpha = 0.05$, the null hypothesis is rejected, and it is possible to conclude that there is a significant relationship between the two variables.

The Chi-Square test showed an empirical relationship between the respondents' purchase frequency and the amount of coffee consumed.

On the one hand, the results demonstrate that 42.86% of the respondents that buy coffee capsules once per week drink, at least, 5 coffees a day. On the other hand, 31.58% of those who purchase coffee capsules each two months also consume less than 3 coffees a day.

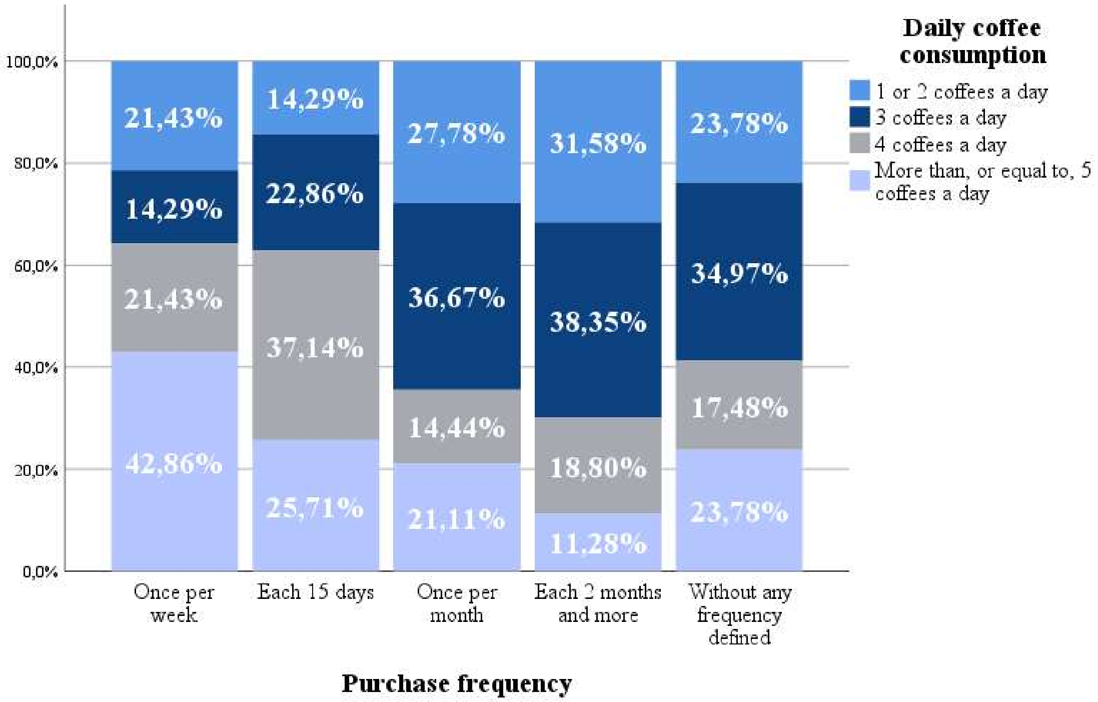

Figure 6.13 – Relationship between purchase frequency and daily coffee consumption

(Source: Author's elaboration)

6.2.3. Advantages and Drawbacks of Online Purchase

1. Reasons for buying on Delta Q's website in terms of convenience and shipping (Question 12)

On average, most of the respondents tend to buy through Delta Q's website because of its convenience. The variable *I do not find the products in the physical store* also seems to be a concern for a few respondents, meaning that the website might work as an alternative in the case of not finding the products in physical stores. Lastly, the variable with the lowest average value relates to shipping costs, meaning that this aspect does not represent one of the key motives behind buying through the online channel. In fact, the perception of relatively high expenses with respect to shipping costs may be a common feeling throughout a segment of the respondents.

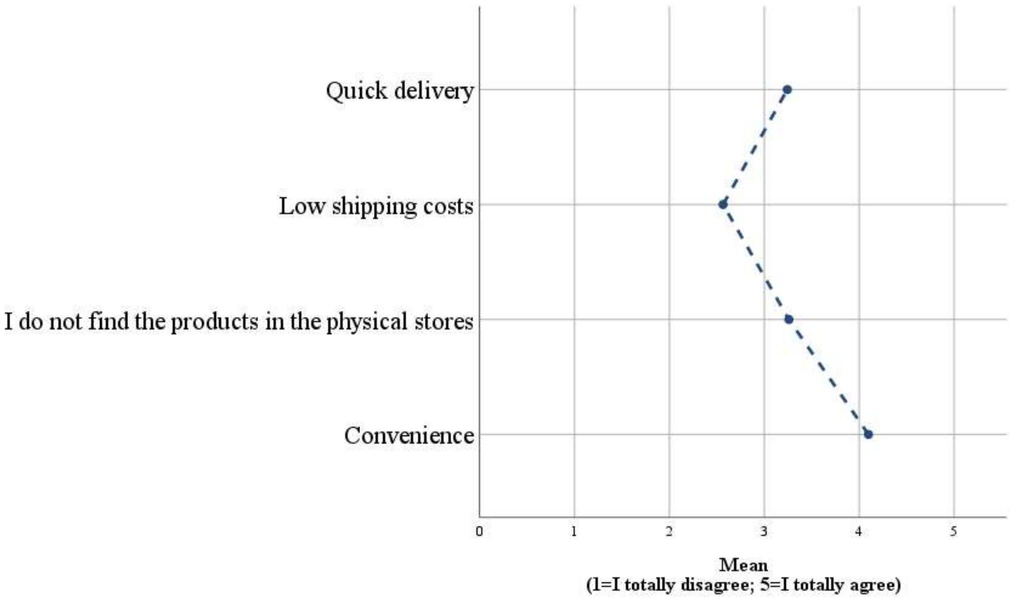

Figure 6.14 – Reasons and average level of agreement for buying on Delta Q's website in terms of convenience and shipping

(Source: Author's elaboration)

2. Reasons for buying on Delta Q's website in terms of shopping experience (Question 13)

Considering shopping experience, the variable with the highest average value is the ease of ordering, followed by the access to detailed product information and the searching and navigation experience throughout the website. All variables illustrate a, somehow, significant level of agreement – greater than 3.

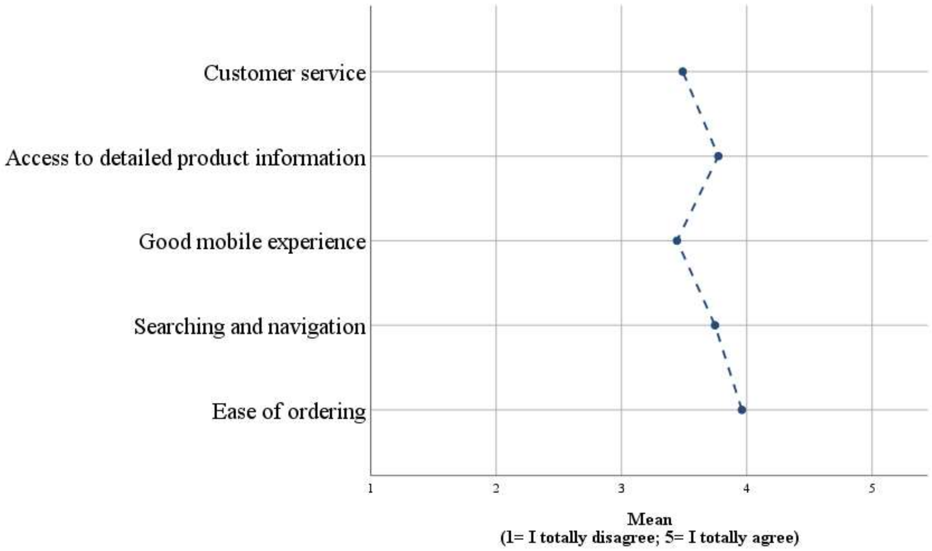

Figure 6.15 – Reasons and average level of agreement for buying on Delta Q's website in terms of shopping experience

(Source: Author's elaboration)

3. Reasons for buying on Delta Q's website in terms of prices and product features (Question 14)

With reference to prices and products, all variables have, once again, average values greater than 3, expressing decent levels of agreement. On average, the variable that most influences respondents' behaviour corresponds to promotions, reinforcing that Brazilians are price-driven customers. The remaining main reasons have, on average, a similar level of agreement, between 3 and 4 – therefore, those shall also be taken into account as influential motives.

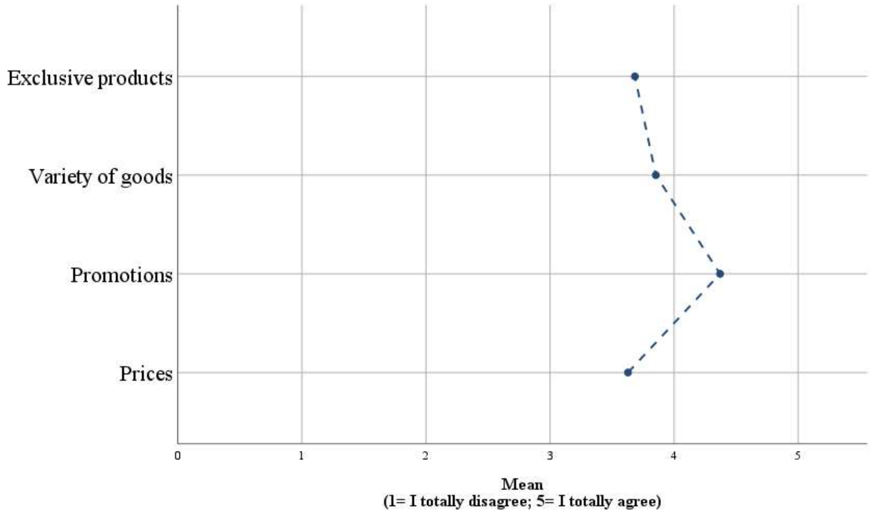

Figure 6.16 – Reasons and average level of agreement for buying on Delta Q's website in terms of prices and products

(Source: Author's elaboration)

4. Inconveniences during online shopping (Question 15)

The graph identified below (Figure 6.17) shows that, on average, there is a major inconvenient in the aftermath of shopping on Delta Q's website, namely, the shipping costs. This effect bears, and matches, the trend observed in Figure 6.14, in which the respondents, on average, state that shipping costs are not one of the reasons of buying via online channel – an outcome that suggests that the expenses are higher than expected.

Furthermore, on average, features like not having a tracking order, long-time deliveries and the lack of WhatsApp assistance should also be improved from the respondents' perspective.

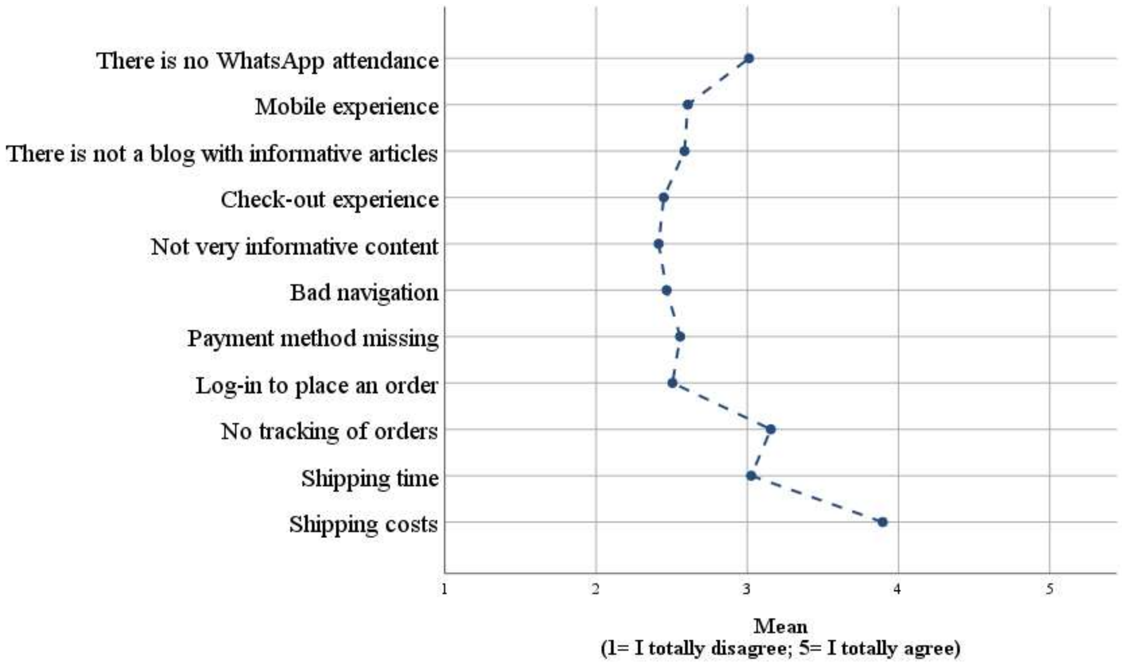

Figure 6.17 – Inconveniences and average level of agreement during online shopping at Delta Q's website (Source: Author's elaboration)

5. Factors that enhance shopping experience and promote a quicker return to Delta Q's website (Question 16)

In order to analyse this qualitative question, which aims to investigate the issues that would make respondents return more often to Delta Q's website, it was created a word cloud that shows the respondents' most mentioned words (Figure 6.18).

Overall, 342 answers were received. Most of the inquired persons mentioned the word *freight* (82 times). Essentially, the respondents revealed that if the delivery fees were lower, they would return sooner to Delta Q's website. Secondly, respondents cited that *promotions* are another factor that makes them purchase with higher frequency (70 times). Additionally, the words *shipping* (42 times) and *delivery* (28 times) were also mentioned. Part of the sample establish a comparison between Delta Q's shipping time and other competitors' delivery time, among which, Nespresso.

Once more, this question is strongly associated with the several inconveniences analysed in the previous question (Figure 6.17).

Figure 6.18 – Word cloud

(Source: Author's elaboration)

6.2.4. Loyalty Program Benefits

1. Access to Delta Q's loyalty program (Question 17)

In order to understand the motives of participating in a loyalty program, first, one asked whether the respondents would like to have access to a Delta Q's loyalty program. As it is possible to witness from Figure 6.19, 53.01% of the respondents would join it and 37.59% answered *maybe*. Only 9.40% of the respondents would not like to have access to the loyalty program.

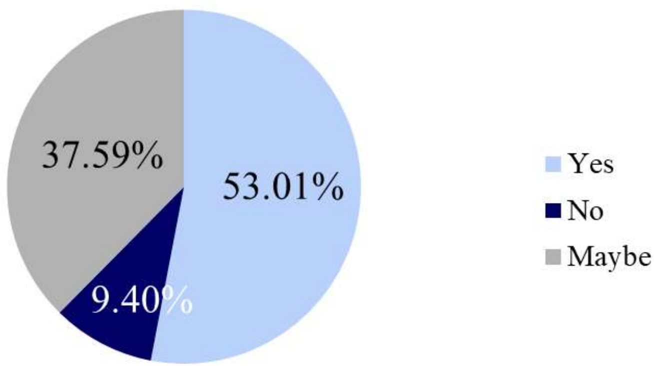

Figure 6.19 – Access to Delta Q's loyalty program

(Source: Author's elaboration)

2. Benefits customers would like to receive when signing up for the loyalty program (Question 18)

From Figure 6.20, it is easily seen that the most desired benefit relates to receiving a free delivery when signing up for the loyalty program (38.80%).

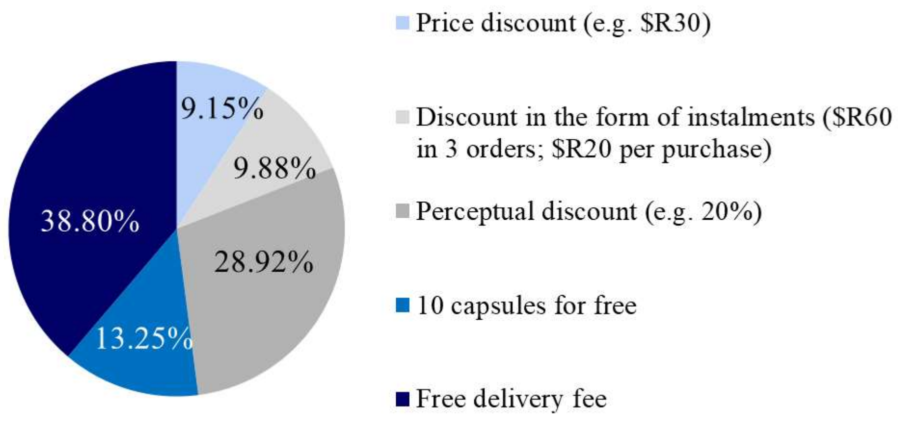

Figure 6.20 – Benefits sought when signing up for the loyalty program

(Source: Author's elaboration)

3. Benefits customers would like to receive for the second purchase (Question 19)

On the one hand, the Figure 6.21 details that, according to 35.66% of the respondents, a free accessory would be the most valorised award given upon the second purchase in the course of the loyalty program. On the other hand, the benefit with the lowest attractiveness concerns the 10 free capsules (7.71%).

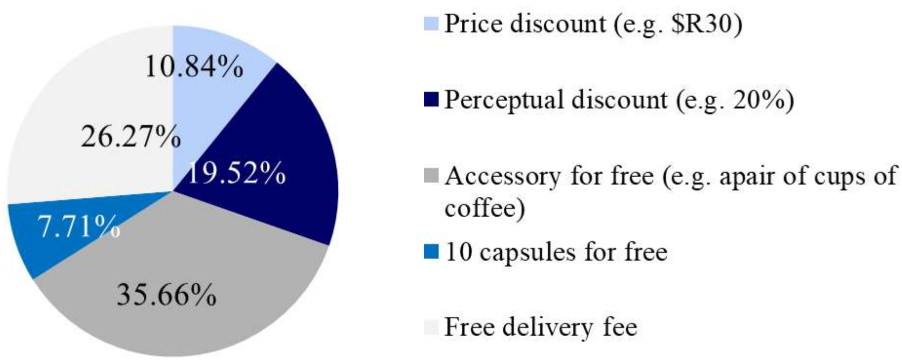

Figure 6.21 – Benefits sought from the second purchase in the loyalty program

(Source: Author's elaboration)

4. Appreciation of different benefits (Question 20)

After analysing Figure 6.22, it is possible to declare that, taking into account the answers received, the top three benefits deemed as *extremely important* are: the discount on the purchase of capsules (63.86%), exclusive promotions (62.65%) and the free delivery (60.96%).

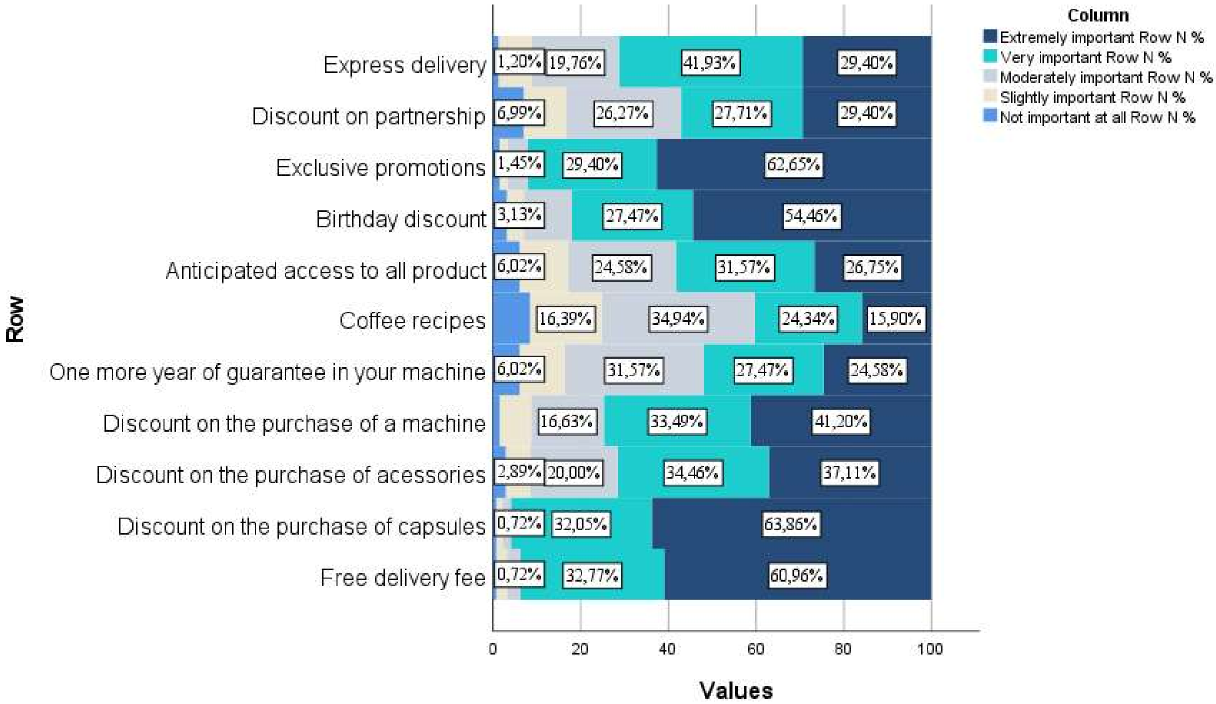

Figure 6.22 – Relevance level of each benefit

(Source: Author's elaboration)

Considering the lower boundary of the scale, meaning, not important at all and slightly important, the benefits with the lowest appreciation, and with more evidence of not being truly important for the respondents, are coffee recipes and discounts on partnerships.

Thus, and in line with Figure 6.23, it is possible to rank the benefits based upon the average relevance level of each benefit in the following way:

1. Discount on the purchase of capsules;
2. Free delivery fee;
3. Exclusive promotions;
4. Birthday discount;
5. Discount on the purchase of a machine;
6. Discount on the purchase of accessories;
7. Express delivery;
8. Discount on partnership;

9. Anticipated access to all new product launches;
10. One more year of guarantee in your machine;
11. Coffee recipes.

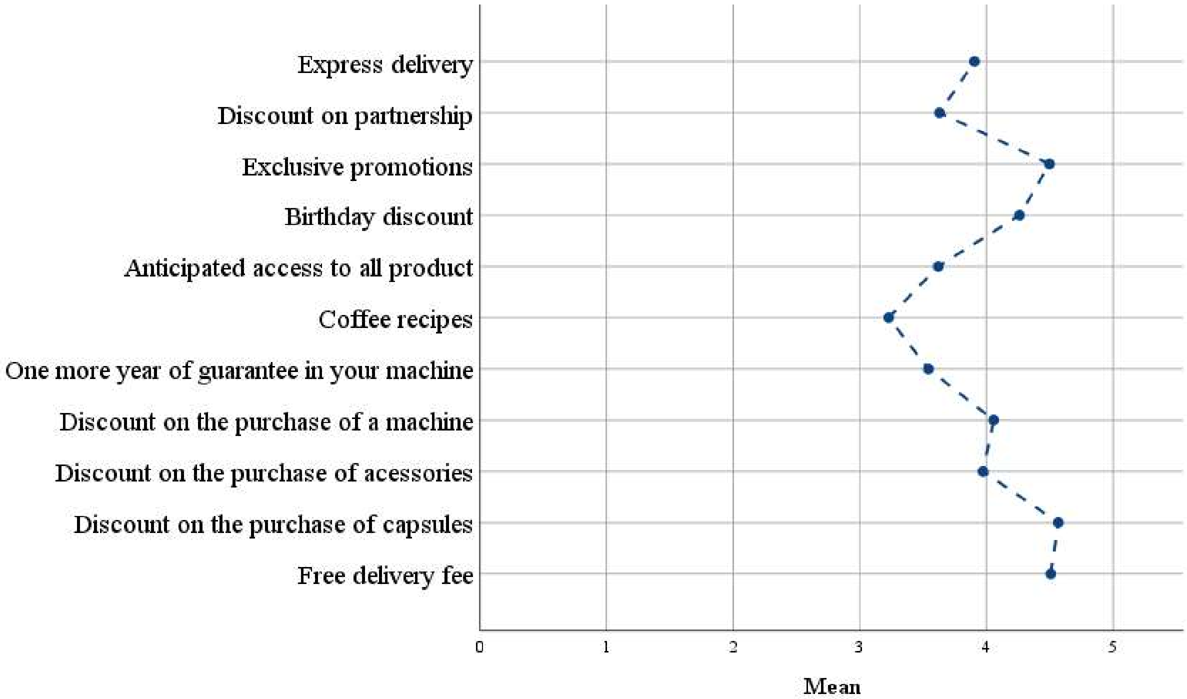

Figure 6.23 – Benefits and each average level of relevance

(Source: Author's elaboration)

7. Loyalty Program Implementation and Communication Strategy

A loyalty program is a marketing strategy that intends to encourage customers to maintain a continuous buying behaviour towards a certain brand. For this reason, a loyalty program within Delta Q's e-commerce channel, in the Brazilian market, will be designed hereinafter.

To foster a successful loyalty program and an in-depth communication strategy, one shall bear in mind the guidelines defined in Chapter 4. Conceptual Framework, which segregate the approach in two main phases: formulation and implementation.

7.1. Formulation Phase

The formulation phase addresses the main guidelines implicit in a loyalty program. Hence, one will define the main goal of this strategy, the target that Delta Q is expecting to reach, the particular features of the underlying consumer behaviour and the practical aspects linked to an efficient loyalty program.

7.1.1. Objectives

The main goal of this loyalty program is, logically, to increase customer retention, meaning, the ability of increasing the number of repeat purchases (Rauyruen & Miller, 2007), and inherent profitability, of Delta Q´s customers in the e-commerce channel from Brazil. Whenever there is room for improvements, companies will rather prefer to improve customer retention than converging the attention to customer acquisition strategies. This happens because a customer acquisition strategy is a much more costly tool when compared to a customer retention strategy (Khalifa & Liu, 2007). Delta Q's E-commerce Manager goes along with this theory and stresses that, sometimes, Delta Q's business model might be negatively affected in the aftermath of this rationale. Delta Q's coffee machines are sold at low prices in order to attract new potential customers and then profit from selling capsules in the long run. Nevertheless, if customers change to another brand before the breakeven point, this mechanism will not be profitable for Delta Q (Annex B). Accordingly, the Chapter 3.4.1. Customer Retention reiterates that it seems evident that the brand needs a customer retention strategy, since in 2019 Delta Q Brazil retained less than 30% of the customers who bought for the first time in 2018.

As it is possible to perceive in Chapter 3.4.2. Purchase Frequency, the annual purchase frequency in Brazil is less than 2.00 from 2014 to 2019, meaning that customers, on average, place less than two orders per year. Moreover, when the customer retention rate is low, it implies a high customer churn rate (Ahmad & Buttle, 2001) and once Delta Q is facing a huge number of inactive customers, who do not buy for more than one year, an inefficiency problem, with regard to customer retention, is visible.

To sum up, the loyalty program's main objective is to improve customer retention, which leads to an increase of the purchase frequency and/or a decrease of inactive customers.

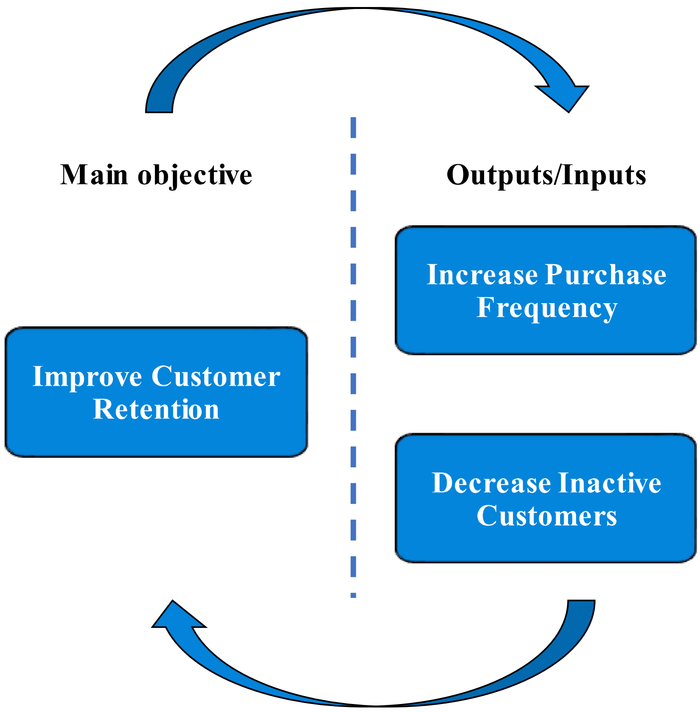

Figure 7.1 – Relationship between the main objective and its outputs/inputs

(Source: Author's elaboration)

In order to accomplish the main objective already mentioned, it will be build an efficient loyalty program. This strategy will promote customer retention, will rise annual purchases of a significant number of customers and will incentivise an expansive repeat purchase behaviour (Lewis, 2004; Lim & Lee, 2015).

7.1.2. Target

Through Chapter 6.2.4. Loyalty Program Benefits, one can validate the degree of adherence of the respondents and conclude that 53.01% of the people surveyed would join Delta Q's loyalty program and that 37.59% of the respondents might be interested on it. Therefore, a large portion of the sample, 90.60%, would likely be part of a loyalty program towards Delta Q Brazil.

The target to approach should be men, with more than 24 years old, that live in the city of São Paulo, according to Chapter 6.2.1. Socio-demographic Characterisation.

As mentioned in Chapter 6.1. Internal Interview Analysis, the Brazilian customer is opportunistic, price sensitive and not brand loyal. This statement is also driven from the findings that come along in Chapter 6.2. Online Questionnaire Analysis, questions 9 and 9.1, in which almost half of the respondents answered that they have another coffee capsules machine at home, apart from the Delta Q's machine. Most of these respondents have a Nespresso machine, whilst others have coffee machines from brands like Nestlé Dolce Gusto and TRES®.

7.1.3. Consumer Behaviour

Taking into account the Chapter 6.2. Online Questionnaire Analysis, it is reasonable to mention that, on the one hand, the majority of the respondents ingest coffee at home and at the office, roughly 87.22% of the sample. On the other hand, in terms of the average number of coffees consumed per day, more than half of the sample drinks between two and three coffees daily (57.59%) and more than one third drinks, at least, 4 coffees a day (39.04%).

These results illustrate a pattern of particularly high consumption, directly connected to the standards of the country, which is the second-largest coffee consumer worldwide. Thus, as an example, this means that if an individual consumes, on average, three coffees a day, an extremely likely scenario, she will consume around 90 capsules per month, which translates into, approximately, 1080 coffee capsules per year. However, this value is not in line with the average Delta Q coffee pods purchased per year (300 as of 2019), as described in Chapter 3.4.2. Purchase Frequency. Then, this mismatch arises from two possible reasons, it is either the fact that the respondents buy Delta Q coffee capsules through other channels, or that they drink coffee from other brands.

A similar divergence emerges with regard to the purchase frequency. In Chapter 6.2. Online Questionnaire Analysis, question 11, there is evidence that some respondents typically buy coffee capsules for each 2 months (30.36%) and once per month (21.69%). Nonetheless, in Chapter 3.4.2. Purchase Frequency, it is detailed that customers purchase, on average, via Delta Q's website, less than two times per year. This lack of alignment is justified by the same reasons abovementioned: purchases via other channels than Delta Q's website, or purchases from other coffee brands. The former matches the channels sought when buying Delta Q's coffee capsules, once a reasonable group of respondents buys at the supermarket (50.60%) and at marketplaces (10.10%) – identified in Chapter 6.2. Online Questionnaire Analysis, question 10. The latter matches the evidence that outlines that almost half of the respondents (48.43%) has more than one coffee machine at home – Chapter 6.2. Online Questionnaire Analysis, question 9.

One other feature that satisfies Delta Q's customers is associated with the convenience given by the online store, as mentioned in Chapter 6.2.3. Advantages and Drawbacks of Online Purchase. Besides that, customers also declare that the website offers a vaster range of products when compared to physical stores. With respect to shopping experience, the respondents indicate that the ease of ordering, the access to detailed product information and the searching and navigation experience throughout the website are some issues that urge online shopping. Finally, the promotions are other key marketing tool that prompts more purchases and influences customer behaviour among the Brazilian market.

In contrast, the main point for improvement, from Delta Q's online store view, are the shipping costs, as customers perceive that delivery fees misfit and might be higher than the fees charged by other competitors in their own online platforms.

7.1.4. Features of the Loyalty Program

The loyalty program will rely on a multi-tier methodology, also named multi-level loyalty program. This sort of program allows customers to observe, and compare, rewards over different tiers. Often, customers consider that is fair to provide solutions of special treatment to the more frequent ones, rather than to the less frequent ones (Colliander *et al.,* 2016).

A multi-tier loyalty program suggests that members, who belong to the same level, obtain the same rewards. Therefore, customers from different tiers will receive different rewards (Colliander *et al.,* 2016). Additionally, this kind of loyalty program reflects a pressure effect that boosts purchase frequency when customers get close to access the following level, or tier (Kivetz *et al.,* 2006).

The name of Delta Q Brazil's multi-tier loyalty program will be *Delta Qlub*, and taking into account the benchmarking analysis, Chapter 3.2.1. Customer Retention Best Practices, it will be composed of three levels, as defined by Nespresso. Therefore, these three tiers will be called *Q gostoso*, *Q apaixonado* and *Q fanático* – the levels are written in Portuguese, because the strategy will be applied to the Brazilian market, and all of them start with the letter Q, the letter that identifies Delta Q.

Additionally, as stated by Leenheer *et al.* (2007), customers are more willing to receive immediate rewards than delayed rewards. For this reason, the loyalty program will offer a reward in the aftermath of the first and second online purchases. According to Chapter 6.2.4. Loyalty Program Benefits, question 18, the most desired benefit, when signing up to the loyalty program, is associated with a free delivery in the course of the first purchase, whereas the most valorised reward for the second purchase relates to a free accessory – question 19.

First, it is relevant to mention that customers will only be part of the loyalty program after completing the online subscription on Delta Q's website and placing their first order. Then, henceforth, customers will receive an e-mail with a voucher of free shipping costs. This voucher only applies to the first order, within the program, and it comes along with a minimum purchase value. Customers from São Paulo will have a minimum purchase value of $R100 (around €15[4]) and customers from the remaining Brazilian cities will have a minimum purchase value of $R150 (around €22). This occurs because the Brazilian logistic facilities are located in São Paulo. After concluding the first order within the program, customers will receive an e-mail with a voucher of a free accessory, which will be applied when placing the second order within the loyalty program. The accessory rewarded will be a pair of coffee cups and in order to receive it, customers need to purchase, at least, 180 capsules, a value that allows the company not to lose money with that order. In addition, these vouchers are non-cumulative and will only be available within 2 months, once the purchase frequency of most of the respondents, whom buy with a certain frequency defined, corresponds to 2 months – Chapter 6.2.2. Behavioural Variables.

The multi-level loyalty program empirically analised by Colliander *et al.* (2016) has specific rewards assigned to each tier. Hence, one defined a particular set of benefits for each level of the program, based on the respondents' answers, presented in Chapter 6.2.4. Loyalty Program Benefits, question 20. While the less valorised benefits will be available in the first tier, the most valorised rewards will be integrated in the following levels. Then, the most valorised benefits will only be provided to the most loyal customers. Yet, *birthday discounts* will be available within the second tier, instead of the third, and *discounts on the purchase of coffee machines* will be given in the third tier, instead of the second – Chapter 6.2.4. Loyalty Program Benefits. As mentioned in Chapter 6.1. Internal Interview Analysis, to avoid customer defection, firms should offer a coffee machine upgrade in the final stage of the program, meaning, within the *Q fanático*'s tier.

The benefits will be cumulative, meaning that the members from the second tier, *Q apaixonado*, not only will be able to benefit from the rewards of the second level, but also from the rewards from the first level. The same happens with the members from the third level, *Q fanático,* who are able to enjoy the discounts from the first, second and third level – Table 7.1.

[4] Considering an exchange rate of €0.15 for each $R1 (BRL/EUR = 0.15) as of October 2020.

Table 7.1 – Benefits of *Delta Qlub*

	Q gostoso	***Q apaixonado***	***Q fanático***
Coffee recipes	✓	✓	✓
One more year of guarantee in the coffee machine	✓	✓	✓
Anticipated access to new product launches	✓	✓	✓
Discounts on partnerships		✓	✓
Express delivery		✓	✓
Discounts on accessories		✓	✓
Birthday discounts		✓	✓
Discounts on the purchase of coffee machines			✓
Exclusive promotions			✓
Free delivery			✓
Discounts on the purchase of capsules			✓

(Source: Author's elaboration)

Apart from the free delivery voucher and the free accessory voucher, the rewards included in the first tier, *Q gostoso*, are *coffee recipes*, *one more year of guarantee in the coffee machine* and *anticipated access to new product launches*. Concerning the *coffee recipes*, members will have the chance to learn the *coffee recipes* disclosed on Delta Q's online store. In addition, they will receive a newsletter[5], at least once in each season of the year, with exclusive Delta Q *coffee recipes*[6] (Annex E). With regard to *one more year of guarantee in the coffee machine*, members will benefit from an extra year of guarantee towards their Delta Q coffee machines. Therefore, since the whole portfolio of machines has one year of guarantee, this benefit will allow the members to have two years of guarantee, overall[7]. Lastly, the *anticipated access to all new product launches* will be announced via newsletter (Annex E). In some occasions, these newsletters will come with a discount to propel a buying behaviour.

In the second tier, *Q apaixonado*, aside from the advantages comprised within the first tier, the members will also benefit from *discounts on partnerships*, *express delivery*, *discounts on accessories* and *birthday discount*s. Considering the *discounts on partnerships*, one expects that the members will have access to special discounts on a few business types, like food delivery services and streaming platforms – these discounts will be released on their personal profile of Delta Q's website. The *express delivery* benefit will only concern members from São Paulo, since Delta Q Brazil is not logistically prepared to cover a country with this dimension. Taking into consideration the *discounts on accessories*, members will be able to take advantage of discounts on cups, mugs, holders, dispensers, milk frothers, among others. Additionally, they will have four vouchers for four different accessories that can be used if a minimum amount of capsules is acquired – the vouchers expire within 12 months. Finally, *Q apaixonado* members will also receive a newsletter on their birthday with a 10% discount on the next purchase. While the members of the second tier receive a 10% discount on the next purchase (Figure 10.7 of Annex E), the members of the third tier will receive a voucher with 40 free capsules in the course of the following purchase (Figure 10.8 of Annex E). These vouchers will expire in one month, which means that the members will have to use them in the following 30 days after their birthday.

The third, and last, tier, *Q fanático*, encompasses the benefits from the first and second tier, as well as the most valorised benefits, which are the *discounts on the purchase of coffee machines*, *exclusive promotions*, *free delivery* and *discounts on the purchase of capsules*. In terms of *discounts on the purchase of coffee machines*, members will receive a Delta Q Qlip, a

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[5] As a remark, the communication of the recipes via e-mail will lead to an increment of traffic on Delta Q's website.

[6] These recipes will be available in either image or video format.

[7] To monitor the status of the guarantee, customers need to register their machine on their personal profile on Delta Q's website. To do so, they need to fulfil the code field with the number placed on the bottom of each machine.

Delta Q Qool Evolution or a Delta Q MilkQool Evolution whether they buy 100, 200 or 300 coffee capsules, respectively – to enjoy this reward, customers will have a unipersonal voucher, which can only be used once and expires in 12 months. In addition, the *exclusive promotions* might be seen either under the form of product discounts or product offers. Lastly, the *free delivery* and the *discounts on the purchase of capsules* are permanent rewards. The former will be given when a minimum purchase value of $R150 is outreached, whilst the latter represents a 15% discount on all coffee pods and it is not valid with any other offer.

Considering Colliander *et al.* (2016) research, the levels of a multi-tier loyalty program are established in line with the amount of money spent by each customer. In this case, the three levels will be set according to the number of capsules purchased. To define these boundaries, one needs to consider the number of coffee capsules purchased per year, using the daily coffee consumption as proxy – refers to Chapter 6.2.2. Behavioural Variables, question 5. Thereby, the limits will be 10 capsules per year, a baseline case, 360 capsules a year, for the customers who consume 1 coffee capsule a day and 720 capsules per year, for the customers who consume 2 coffees a day. The *Q gostoso*, *Q apaixonado* and *Q fanático* tiers are unlocked when surpassed the first, second and third boundaries, respectively. Through each personal profile, members can consult their inherent tier, as well as the number of capsules purchased and the remaining time to reach the following level. On the one hand, if after 12 months they did not buy the number of capsules needed to remain either in the second or third tier, they will return to a prior level – according to the capsules purchased. On the other hand, if they are somewhere in between the boundaries of their level, they will keep there and if they buy more capsules than the upper limit of the underlying tier, they will upgrade their level – at most, members can upgrade two levels.

Figure 7.2 sums up the customer journey with the whole range of benefits throughout each stage of the loyalty program. As is it possible to see, when customers access to Delta Q's website and create their profiles, they will be prospects. Afterwards, when they make a purchase for the first time, they will become customers – unlocking the first tier of the loyalty program. Then, after 12 months of purchasing activities, they will be either active or loyal customers.

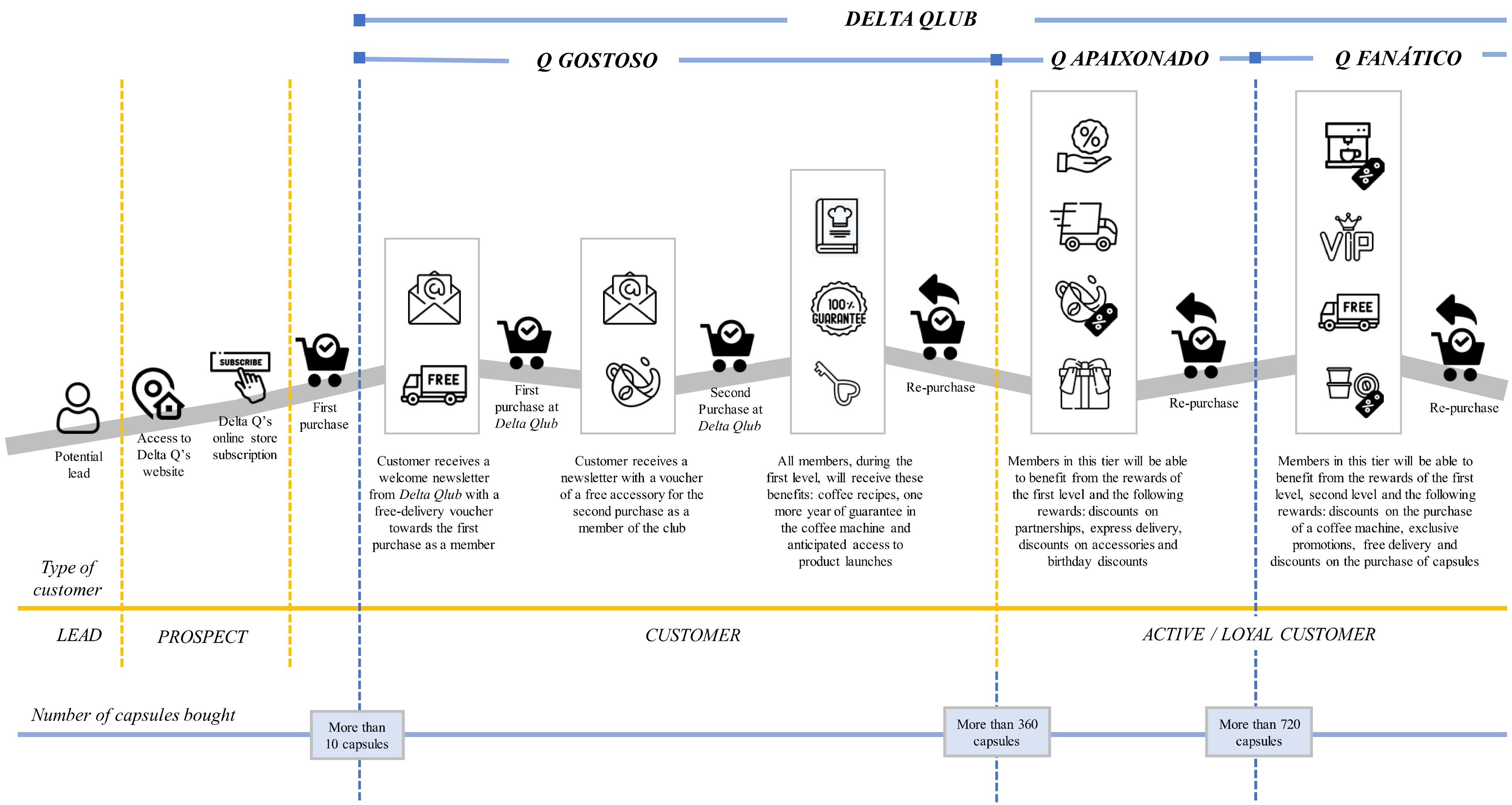

Figure 7.2 – Customer journey within the loyalty program
(Source: Author's elaboration)

7.2. Implementation Phase

The implementation phase addresses the main concrete actions, communication strategy, as well as budget and timing issues towards the implementation of the loyalty program.

7.2.1. Actions

After the formulation phase, the loyalty program will be put into action and all the underlying new prospects who sign up on Delta Q's website, will automatically unlock the first *Delta Qlub*'s level, once they place a purchase order. Afterwards, they will be able to benefit from the underlying rewards within *Q gostoso*'s tier. When it comes to current customers, the implicit actions will depend on the quantity of capsules purchased during the last 12 months. Then, as it was mentioned in Chapter 7.1.4. Features of the Loyalty Program, customers will be allocated to each tier in accordance with their buying patterns. The ones who bought between 10 and 359 capsules will be assigned to *Q gostoso*'s tier; the ones who bought between 360 and 719 capsules will be allocated to *Q apaixonado*'s tier; the ones who bought 720 coffee capsules, or more, will be part of *Q fanático*'s tier.

7.2.2. Communication Strategy

The communication strategy will be focused on a Below-the-Line (BTL) approach, essentially emphasising e-mail marketing. Nevertheless, one will develop a special webpage towards *Delta Qlub*, on Delta Q's website, in order to assure an efficient communication of the underlying specifications. Hence, there will be a CTA placed in the upper right corner of Delta Q's homepage, as is it possible to see in Figure 7.3. When clicking on the abovementioned CTA, one will be redirected to *Delta Qlub*'s webpage.

On *Delta Qlub*'s webpage, customers will be able to consult information about the loyalty program and the underlying benefits of each tier. In addition, a pop-up window will be carried out with the purpose to persuade users to visit *Delta Qlub*'s webpage, which will appear after 20 seconds on Delta Q's webpage, as showed in Figure 7.4. Moreover, customers will be able to access the history of orders, personal details, vouchers available considering the tier in which they belong to and validate the quantity of capsules purchased on Delta Q's profile – Figure 7.5.

Figure 7.3 – *Delta Qlub's* benefits on Delta Q's website

(Source: Author's elaboration)

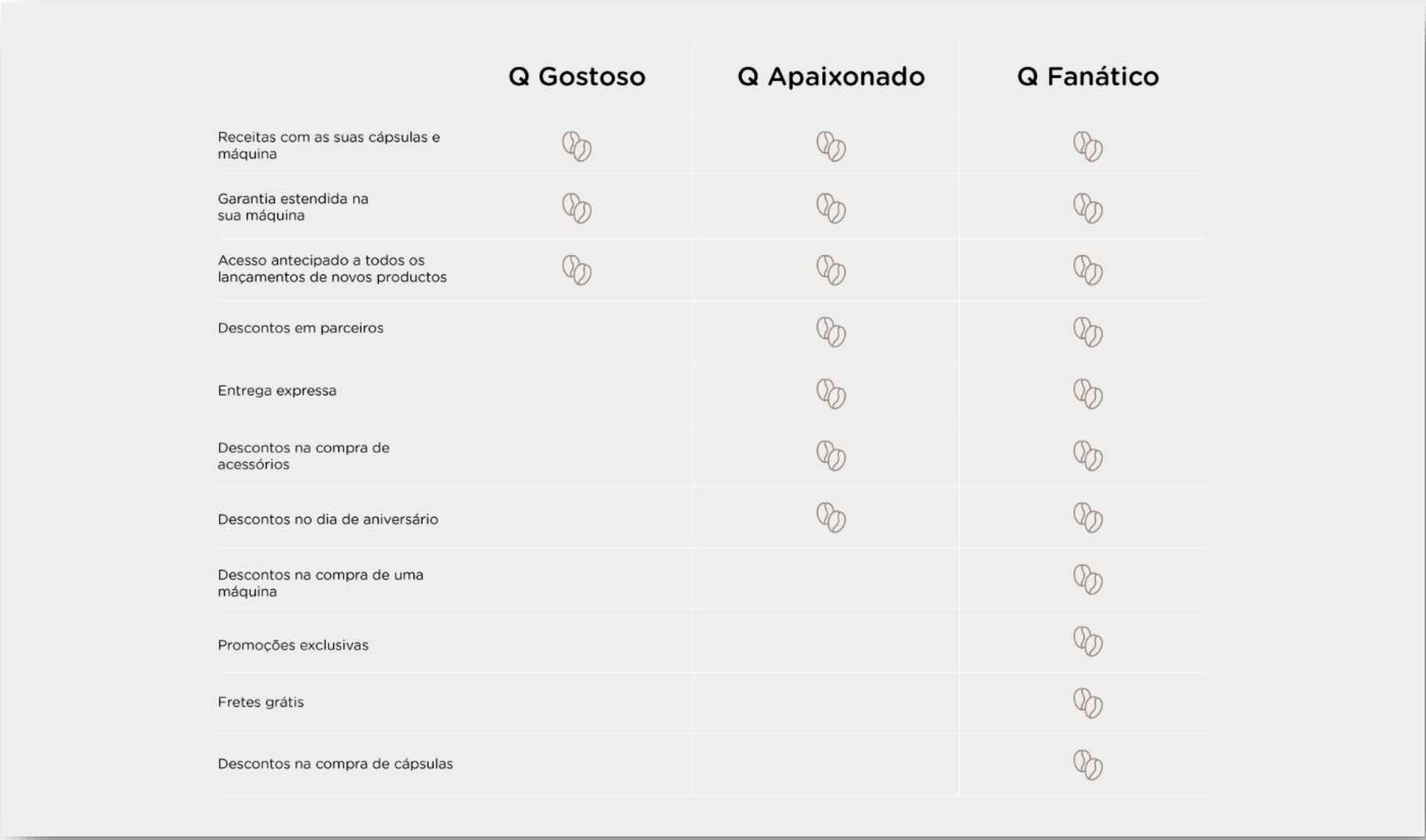

Figure 7.3 – *Delta Qlub's* benefits on Delta Q's website

(Source: Author's elaboration)

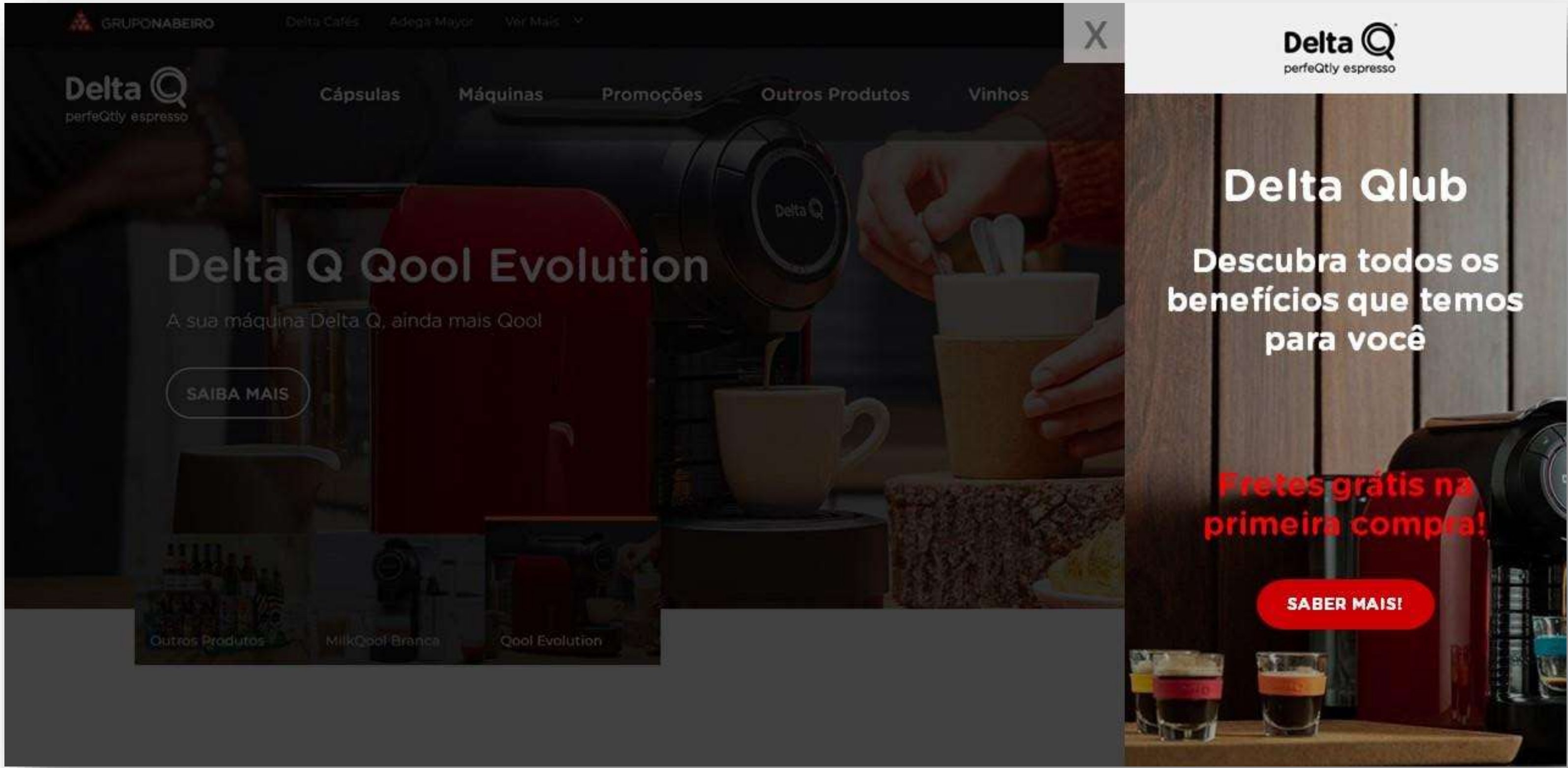

Figure 7.4 – Pop-up window on Delta Q's website
(Source: Author's elaboration)

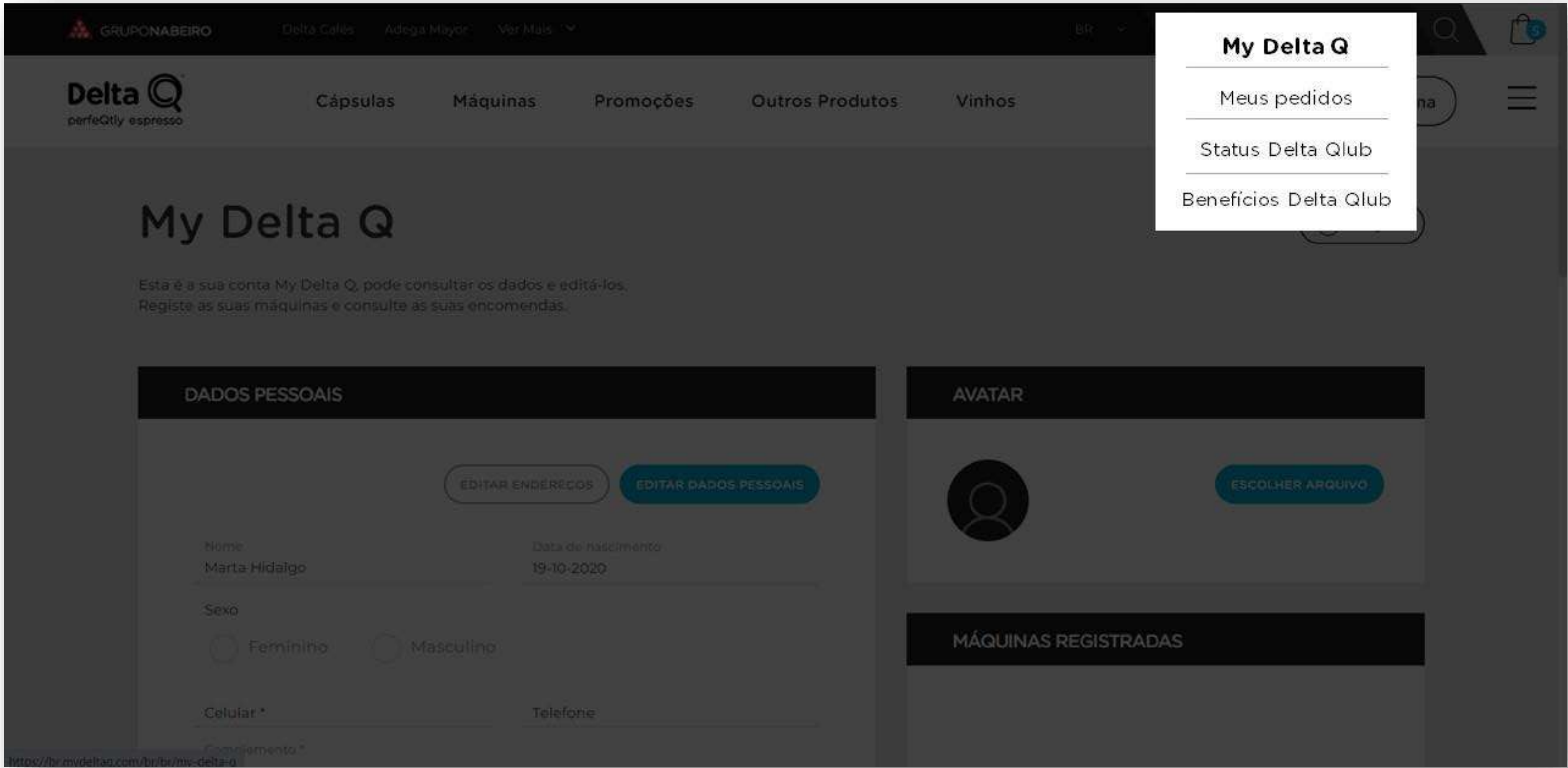

Figure 7.5 – Delta Q's user profile
(Source: Author's elaboration)

On the one hand, after concluding the first purchase on Delta Q's online store, new customers will receive a welcome newsletter – Figure 7.6. Through this newsletter, the brand will inform about the customers' level and will offer a free delivery voucher on their first purchase, as described in Chapter 7.1.4. Features of the Loyalty Program.

Figure 7.6 – Welcome newsletter towards new customers

(Source: Author's elaboration)

On the other hand, current customers will receive a different newsletter informing about the new loyalty program – *Delta Qlub*. The brand will also inform them about their own level, in accordance with the coffee capsules purchased during the prior 12 months, and about the benefits that come alongside the respective tier. Figure 7.7 is an example of newsletter sent to *Q fanático* members, the ones who bought more than 719 capsules.

Figure 7.7 – Welcome newsletter towards current customers
(Source: Author's elaboration)

After 12 months within *Delta Qlub*, customers will receive a newsletter communicating whether they will keep in the same level, or they will upgrade/downgrade to the next/prior tiers. In an extreme scenario, customers could downgrade two levels, from *Q fanático* to *Q gostoso*. Figure 7.8 is an example of a newsletter sent to customers who reach the *Q apaixonado* level.

Figure 7.8 – *Q apaixonado* newsletter
(Source: Author's elaboration)

Figure 7.9 is another communication example towards customers who reach the *Q fanático* level. The newsletter communicates the new benefits that one may enjoy in this new tier.

Figure 7.9 – *Q fanático* newsletter

(Source: Author’s elaboration)

7.2.3. Budget and Timings

The budget and the timings are two fundamental variables to take into account when designing a strategic plan like a loyalty program. These two determinants were estimated with the help of an external agency that uses to work with Delta Q, namely in the development of the brand's websites. In Table 7.2 and Figure 7.10, one can see that the duration of the main tasks included in the implementation phase would correspond to 52 working days, which lead to a budget of €12000. Further, it is relevant to affirm that the key tasks are divided in three stages: *development*, *trainings* and *go live*.

Table 7.2 – Budget and duration

Tasks	Initiation	Duration	Budget
Development			
Design	16th November	5 days	€1250
Development	23rd November	30 days	€7500
Tests	20th January	4 days	€1000
Feedback	26th January	4 days	-
Trainings			
Back Office	1st February	1 day	€250
Front Office	2nd February	1 day	€250
Go Live			
Soft Go Live	3rd February	1 day	€250
Bug Fixes	4th February	5 days	€1250
Go Live	15th February	1 day	€250
Total		52 working days	€12000

(Source: Author's elaboration)

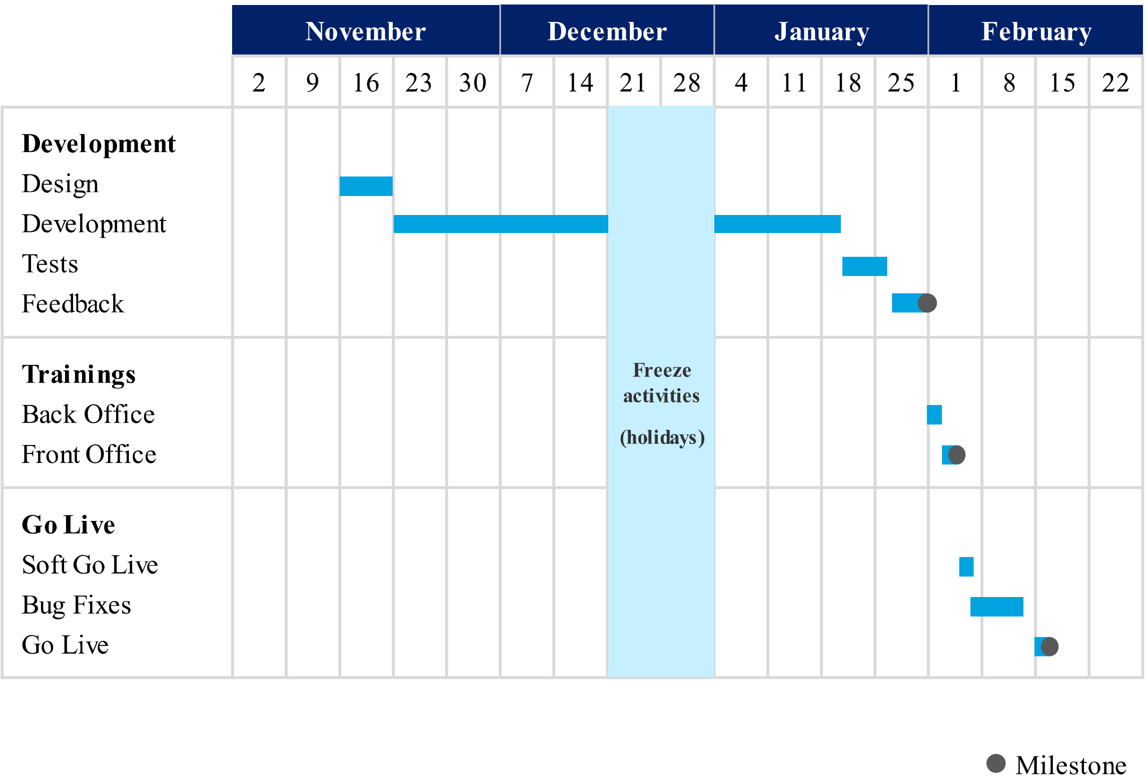

Figure 7.10 – Chronogram

(Source: Author's elaboration)

Within the *development* category, the first task to be developed is associated with the construction of the design towards the loyalty program. Once *Delta Qlub* webpage and Delta Q's customer profile are already designed, as depicted in Chapter 7.2.2. Definition of Communication Strategy, the 5 days set in the chronogram must focus on the review and potential improvements of the underlying designing plan. Since the loyalty program will be developed on Delta Q's website from scratch, one will demand 30 days of development. Marketing automation will be needed in order to send newsletters automatically[8] – including the ones that refer to *birthday discounts*. After the development, the loyalty program functionalities and automations will be tested by the agency during 4 days. Subsequently, the agency will send the loyalty program in order to get feedback from the Project Manager and discuss further adjustments. Overall, the *development* phase will have an overall budget of €9750.

[8] Automated segmentation lists from Delta Q's newsletter platform will be required in order to segregate customers from different tiers.

Then, in the *trainings* stage, the main goal is to qualify the personnel that work on the back office and front office centers. These *trainings* will occur during the 1st and 2nd of February 2021. This phase will have an implied budget of €500.

Finally, within the *go live* phase, there will be three major tasks: the soft go live, the bug fixes and the go live. The soft go live task represents a pre-launch of the loyalty program, being limited to a segment of customers. Due to this, it will be possible to gather data and customer feedback, allowing additional adjustments before the official website's release. The bug fixes task will take 5 days and aims to solve and improve all possible bugs found in the soft go live stage. Finally, *Delta Qlub*'s loyalty program will go live on the 13th of February 2021. All these activities have an estimated cost of €1750.

Lastly, and as a final issue, it is important to clarify that, after the development of the loyalty program towards Delta Q Brazil, one will be able to replicate it, with minimal costs, in other markets where Delta Q operates in terms of e-commerce, like Portugal, Spain, France and Switzerland. This means that the aforementioned overall budget might be optimised and the costs could be divided between different markets.

8. Conclusions

8.1. Conclusions and Finding

Over the last few years, e-commerce's relevance has been gradually increasing, a factor that has become even more pronounced given the current global Covid-19 pandemic.

In countries like Brazil, electronic commerce plays a key role, as it is the territory with greater e-commerce activity in Latin America. However, since it allows customers to compare products easily from a huge variety of brands, this channel entails some intrinsic challenges. Hence, companies need to build efficient customer retention strategies to combat competitive pressures, increase customer purchase frequency and reduce customer defection.

Thus, this Master Thesis aims to improve Delta Q customer retention within the electronic commerce channel in the Brazilian market. In order to meet this goal, the hypothesis of implementing a loyalty program was empirically studied.

Firstly, to better comprehend customer retention and its implications, a theoretical analysis was proceeded. Then, it was developed a benchmarking analysis of customer retention best practices among Delta Q's main competitors in Brazil. From this research, it was possible to conclude that two major players, Nespresso and TRES®, have their own customer retention strategies based upon a multi-tier loyalty program approach.

Secondly, an internal interview to Delta Q's E-commerce Manager was conducted. This meeting enabled one to understand e-commerce's applicability and its importance towards Delta Q, reflecting, at the same time, the main issues that Delta Q Brazil has been facing with reference to e-commerce framework. The interview led to the conclusion that a customer retention strategy was necessary. Further, it was agreed that Delta Q could rise its CLV, brand loyalty, customer retention and repeat purchases, through the application of a loyalty program.

Thereafter, an online questionnaire that relies on a non-probabilistic sample collected by convenience was elaborated. This questionnaire was sent to a specific segment of Delta Q Brazil's customers and was translated into a sample of 415 respondents. Overall, the questionnaire had the goal to trace target features, to evaluate consumer habits and to identify the benefits that promote regular purchases. According to the questionnaire analysis, it was determined that a large portion of the sample would be interested in being part of Delta Q's loyalty program.

To proceed with the loyalty program, a conceptual framework was carried out. This tool worked as a role model, or a guide, and comprised the formulation and the implementation phases. Whilst the former defined the main goal of the loyalty program, the target to reach, the underlying consumer behaviour and the loyalty program's features, the latter demystified the concrete actions, communication strategy, as well as the budget and timings.

The program defined was a multi-tier loyalty program, titled *Delta Qlub,* composed of three tiers named *Q gostoso*, *Q apaixonado* and *Q fanático*. Each of these levels is allocated in accordance with the amount of capsules purchased throughout a period of 12 months and has particular benefits assigned, based on the questionnaire analysis. The less valorised rewards are part of the first tier, whereas the most valorised benefits are placed either in the second or third tier. To gather a larger number of participants, the program will offer a voucher with free shipping costs and a voucher with a free accessory in the course of the first and second purchase.

Once customers registrate themselves on Delta Q's online store and place an order, the first level, *Q gostoso,* will be automatically unlocked. Afterwards, during the following 12 months, if members purchased a minimum of 360 capsules, or a maximum of 719 capsules, they will unlock the second tier *Q apaixonado*. If they purchased at least 720 coffee capsules, they will unlock the last tier, *Q fanático*. For current customers, the consumption pattern, from the previous year, will be analysed and a certain tier will be appointed. It is essential to add that after 12 months, customers might remain in the same level or either upgrade or downgrade, according to the number of coffee pods purchased. To monitor their purchases, customers should consult their personal profile on *Delta Qlub*'s webpage.

The loyalty program is expected to be implemented on the 15th of February 2021. Once the works are planned to begin on the 16th of November 2020, this project leads to 52 working days, in total. Moreover, the overall budget would amount to €12000 and would involve three main stages, *development*, *trainings* and *go live*.

In conclusion, this empirical research considers that an implementation of a loyalty program towards Delta Q Brazil will increase customer retention – which, subsequently, improves customer purchase frequency and reduce customer churn rates. Initially, the implementation of this marketing strategy might seem expensive. Nonetheless, with the increment of customer purchases, this investment will reach the breakeven point and the loyalty program could be adapted to other markets, maximising value creation and customer loyalty.

8.2. Managerial Implications

This Master Thesis represents an initial marketing analysis that specifies major guidelines with regard to developing an efficient customer retention strategy, namely, through the creation of a loyalty program.

The implicit goal of this project consists in improving customer retention, a factor that has a solid cause-effect relationship with two deemed variables – purchase frequency and customer churn.

In addition, the loyalty program relies upon a real company problem, within the coffee sector, in the Brazilian market. Therefore, this project might contribute not only to help companies from the same business area, with similar problems than Grupo Nabeiro – Delta Cafés, but also to prevent customer retention threats. Furthermore, the author believes that the different analyses exposed in this project will help companies to better comprehend the Brazilian customer's features, habits and behaviour.

8.3. Limitations of the Study

Limitations of this study relate to the lack of steering committees and absence of efficiency tests. These factors may jeopardise the implementation of the loyalty program if either there is no approval from Grupo Nabeiro – Delta Cafés' management or problems identified by the electronic commerce specialist. This means that, in a conservative scenario, this research may not be taken into account. Yet, this Master Thesis is a first step towards the implementation of a customer loyalty program within Delta Q Brazil's online channel. Future researchers can analyse the implementation results and consequently, purpose further actions to improve it.

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10. Attachments

Annex A. Benchmarking Analysis

Annex A.1. Nespresso Communication

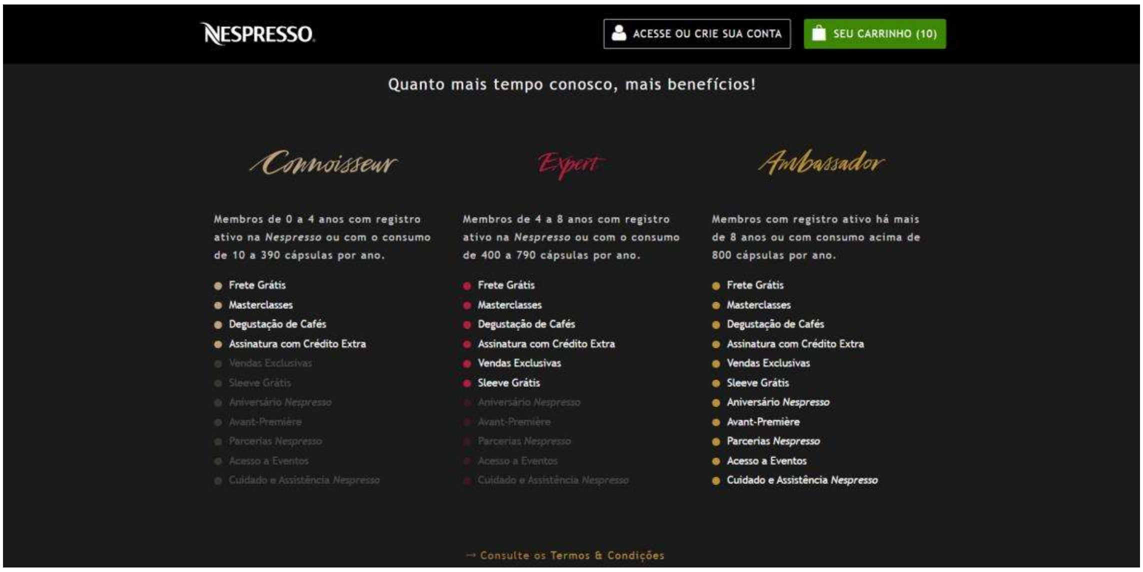

Figure 10.1 – Nespresso webpage

(Source: https://www.nespresso.com/br/pt, accessed 27th of July of 2020)

Figure 10.2 – Nespresso homepage

(Source: https://www.nespresso.com/br/pt, accessed 27th of July of 2020)

Annex A.2. TRES® Communication

Figure 10.3 – TRES® webpage

(Source: https://loja.escolhatres.com.br/, accessed 27th of July of 2020)

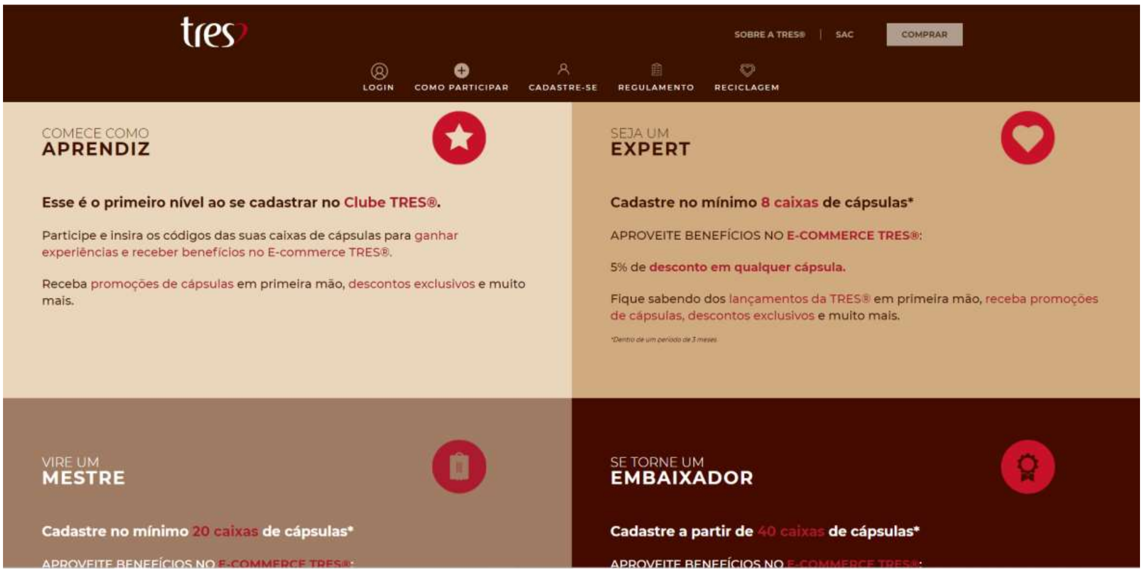

Figure 10.4 – *Clube Três* webpage

(Source: https://clube.escolhatres.com.br/, accessed 27th of July of 2020)

Annex B. Interview with Delta Q

The answers below are not direct quotes, but the result of a meeting with the E-commerce Manager Jorge Pinheiro on the 2nd of August 2020.

Annex B.1. Questionnaire & Answers

The following questions aim to understand the e-commerce's relevance towards Delta Q, as well as streamline the present and future customer retention strategies.

1. How important is e-commerce to Delta Q?

   Delta Q is a brand designed mainly for domestic consumption. Therefore, we, as a brand, want to be wherever our potential customers are. Essentially, we want to be a top of mind, truly accessible and easy to find, brand.

   Thus, in order to hold this philosophy true, we have always had a very strong focus on having shelf space and presence in all large retailers, of each specific country, where we have launched the brand.

   Although that strategy has proven to be good during al lot of years, given us some positive results in sales, as well as in brand awareness, we faced some unpleasant issues that came with it. For example, in the large retailers, we have lack of control in the way our products reach and are presented to our customers. This occurs because we do not own the channel. In addition, it is very costly to have top shelf space in the large retailers to compete with local leaders. Furthermore, the promotional efforts, conducted by the retailers in our category, are very aggressive and might destroy, somehow, our brand value.

   After assessing all pros and cons of our strategy, which consisted in being 100% committed competing in the large retailers' "war", we decided to rely upon a new approach to our international markets' strategy for Delta Q.

   Nowadays, in order to assure brand and product presence, we still sell our products in some strategic retailers' locations – we cannot neglect our physical presence because it is one key element for brand trust in new markets and one of the main selling channels for some customer segments. However, our new focuses are linked to converting as many physical customers into online customers, as well as acquiring new customers only through digital efforts. Overall, we want to create an omnichannel experience.

This approach, within our online channel, is strongly related to four facts. Firstly, consumers are becoming, more than ever, digitally savvy and ready to make online purchases in our category of products. Secondly, since through this channel it is possible to have more information about our customers than in other channels, we can design a distinctive customer journey and offer a more customised experience to each of our consumers – as we own the channel, we can also provide an optimal brand experience. Thirdly, since we do not fight for shelf space, we can sell throughout our website our whole portfolio of products, with the advantage of selling products, which are merely targeted to a very specific niche, without incurring in needless costs. Lastly, we can have a more cost-efficient geographical coverage, which is pivotal in countries such as Brazil.

It is paramount to add that, these last months, the importance of e-commerce has increased exponentially due to Covid-19 pandemic. This pandemic has revolutionised the way people live and relate globally. One of the most obvious signs of this transformation is associated with the growth of new users in digital channels, because of confinement and travel restrictions phenomena. In Delta Q, the total sales' growth, through the online channel among the second trimester of 2020, compared to the last year, corresponded to 174%. If we look to Brazil, it is evident that the Covid-19 pandemic has boosted the numbers of Brazilian e-commerce. In Delta Q Brazil, the sales' growth during the second trimester of 2020, compared to the homologous period, amounted to 84%. Furthermore, the company invested in improving consumer's experience within Delta Q's online and mobile channel.

To sum up, e-commerce is not the best-selling channel for the brand yet. Nonetheless, it is Delta Q's biggest bet for the future.

2. What are the problems that Delta Q is currently facing in e-commerce?

Since we are not a digital native brand, it is possible to state that we are relatively new in electronic commerce. Delta Q belongs to Grupo Nabeiro – Delta Cafés, whose operations are mainly connected to the Business-to-Business (B2B) channel, besides being in the coffee business for more than 60 years

Delta Q is the first brand with its own e-commerce stores that sells directly to the final consumer. Therefore, as it is easy to anticipate, the first constraint that we had to overcome was to build an e-commerce value proposition on the top of a system build to serve a B2B operation in terms of logistics, billing and client management.

Although we are making huge improvements, our main pains in e-commerce, at this time, and especially in Brazil, can be clustered in two main topics, namely: customer retention and geographical coverage.

Regarding customer retention, individual customers are much harder to manage and retain throughout time than a typical B2B customer. One reason is that individual customers, in our product category, are very price sensitive and, consequently, prone to change. When customers, which are not loyal, change to another brand, they are converted into inactive customers in our database. This is a problem because, nowadays, we have a high customer churn rate, and therefore, one needs to build a strong activation strategy to bring them back. Additionally, in order to avoid customer churn, we need to create an adequate and effective customer retention strategy, once we currently do not have.

Besides that, Delta Q's products are available both online, in our webpage, and offline, via retailers. Therefore, many customers buy our products on retailers' stores, rather than in our online platforms. This does not symbolise a positive factor because when a customer buys the product through retailers, there is an intermediary between the brand and the final consumer, whereas if the customer buys the product through our website, he is buying without the aid of an intermediary. This factor leads to a very low purchase frequency in the e-commerce channel. Furthermore, our e-commerce channel value proposition is not to compete in price, but rather to offer a superior experience and exclusive advantages.

Regarding to the geographical coverage topic, in countries like Brazil, where the dimension is huge, it is very hard for a foreign brand, which do not have a mature position in the market, to have a broad territorial coverage. Thus, in this type of countries, e-commerce allied with an effective logistical structure is a must. Thereby, one of our focus, right now, relates to implement a strong delivery structure to expand our outreach.

3. Why customer retention is a priority in e-commerce for Delta Q?

A common quote states that it is much more expensive to acquire a new customer than to retain her. In fact, in terms of Delta Q's business model, this sentence holds true.

Delta Q sells capsules that only work in our coffee machines. For this reason, we make a big investment to offer coffee machines to as many households as possible. The strategy is based upon selling machines for a low price in order to profit from the sale of the capsules in the long term. Hence, if we sell a low-price Delta Q machine, which, on its own, is not profitable and, afterwards, we lose the customer before breakeven, we will certainly lose money with that customer. Therefore, taking into consideration our business model, customer retention is a pivotal need for our business' sustainability.

Nowadays, as mentioned before, one of the problems we are facing in e-commerce, especially in Brazil, relates to having a huge number of inactive customers in our database. Inactive customers are the ones who do not buy our products for more than one year. In this scenario, there are two possibilities: they change to another brand or they buy our products through another channel. Thereby, it is very important for us to retain our current customers in order to avoid inactivity.

To sum up, customer retention is a very relevant aspect, since it allows having a continuous trading relationship, between firm and customers, and a constant repeat purchase.

4. Which country has the highest customer purchase frequency in the e-commerce channel? And the lowest? Why?

The country with the highest customer purchase frequency in the e-commerce channel is Spain and the ones with the lowest are Portugal and Brazil.

Spain is the country with the highest purchase frequency for several reasons. Not all of those reasons are positive, but all mixed together create a positive outcome. First, we have a high brand awareness and a strong brand equity. However, we do not have a significant market presence within the retail channel. Our main advantages are the restaurants and coffee bars and therefore, we have a good logistical infrastructure to cover the whole country and assure fast delivery.

Regarding Portugal and Brazil, both have low customer purchase frequencies, but the reasons that explain this effect are different. In Portugal, that happens because we have a strong and wide-range market presence throughout all possible selling points and, therefore, customers buy wherever is more convenient and cheaper for them.

Brazil has a different struggle. Typically, the Brazilian customer is opportunistic, or price driven, and does not have brand loyalty. Then, it is quite usual to switch between different brands of coffee capsules, even though if that means purchasing a new machine. Most of the coffee capsules' brands make various promotional campaigns, in which the machine is often gifted, when buying a certain amount of capsules. The goal of this strategy relies on acquiring new customers. Although effective, this strategy leads to a consumption pattern where clients buy this package, consume all of the coffee capsules and when they end them, they start looking for a similar opportunity across other brands. This behaviour leaves us with a very low purchase frequency and promotes client inactivity. Therefore, the main hurdle in the Brazilian market is to retain customers. It may be solved with the creation of a loyalty program that engages our customers and increases their purchase frequency throughout time.

5. What activities does Delta Q currently have to retain customers?

We do not have an active customer retention strategy. Nevertheless, that is something that we really need to focus on, because having some promotional campaigns and initiatives with machines is not enough. Indeed, having the best product already allows retaining some customers, but we need to do more to be better!

6. Do you believe that the customer purchase frequency can increase by using a loyalty program?

A loyalty program is a CRM tool. The main purpose of a well-designed loyalty program is to increase the CLV and loyalty, leading to higher retention levels and incentivising repeat purchases.

We strongly believe that with a suitable loyalty program, we will increase in all three metrics of the RFM value analysis.

The recency would be higher because customers will have a reason to visit the online store, avoiding being away from it for long periods. Consequently, the frequency will also increase since the underlying customers will make more purchases during each year. Finally, the monetary value should grow because more purchases should be equal to more money spent overall.

7. What are the main factors that lead customers to participate in a loyalty program?

The main factor, which we believe will make customers join the loyalty program, is the opportunity to have a differentiated value proposition in their relationship with the brand. Customers appreciate when a brand gives them rewards.

Some of the benefits Delta Q could offer in order to have a strong loyalty program are:

- Priority access to campaigns and product launches;
- Exclusive products;
- Free deliveries;
- Special promotions designed exclusively for the program members;
- Rewards;
- Special content to teach how to take the most of machines and capsules;
- Exclusive content, such as recipes in text and video format.

8. What type of strategy could be applied in order to avoid inactive customers?

An inactive customer is someone who does not purchase anything from us over one year. Being this said, one can do many things throughout the first year to ensure, or at least try to engage, that customers spend more time with the brand.

It is crucial to create milestones during the customer journey and define effective strategies. For example, all our customers need to have a machine in order to use the coffee capsules. Thus, the first milestone could be registering the machine in the website and creating an online account. After that, we should assure that, once the customer runs out of coffee capsules, he/she places his second order in our store – being the second milestone. After our customer becomes comfortable with the online store, our third milestone could be making him purchase one accessory, like a range of cups or capsule storage products – that is quite important since some studies show that when customers have brand merchandising, they tend to become more loyal to the brand. Thus, after all these steps, which should take less than one year and a half to complete, we could propose a machine upgrade.

This is just an example from a myriad of milestones that should be done in order to keep customers engaged with the brand through a long period of time and keeping them away from becoming inactive customers.

Annex C. Online Questionnaire

Survey – Tell us how you drink coffee!

Your answers will help us create solutions to make your shopping experience even better! At the end of the survey, we have a surprise for you. To answer this survey, you will not need more than 4 minutes. We thank you in advance for your cooperation, ensuring you that your personal data is confidential and will not be disclosed.

Part 1 – Personal Information

1. What is your gender?

☐ Female

☐ Male

☐ Prefer not to say

2. What is your age?

☐ Between 18 and 24 years old

☐ Between 25 and 34 years old

☐ Between 35 and 44 years old

☐ Between 45 and 54 years old

☐ Between 55 and 64 years old

☐ More than, or equal to, 65 years old

3. Where do you live?

☐ Acre

☐ Alagoas

☐ Amapá

☐ Amazonas

☐ Bahia

☐ Ceará

☐ Distrito Federal

☐ Espírito Santo

☐ Goiás

☐ Maranhão

☐ Mato Grosso

☐ Mato Grosso do Sul

☐ Minas Gerais

☐ Pará

☐ Paraíba

☐ Paraná

☐ Pernambuco

☐ Piauí

☐ Rio de Janeiro

☐ Rio Grande do Norte

☐ Rio Grande do Sul

☐ Rondônia

☐ Roraima

☐ Santa Catarina

☐ São Paulo

☐ Sergipe

☐ Tocantins

4. Which best describes your primary occupation?

☐ Student

☐ Employee

☐ Entrepreneur

☐ Freelancer

☐ Retired

☐ Unemployed

☐ Other: ____________________________

Part 2 – Behavioural Variables

5. On average, how many coffees do you drink a day?

☐ 1 coffee a day

☐ 2 coffees a day

☐ 3 coffees a day

☐ 4 coffees a day

☐ More than, or equal to, 5 coffees a day

☐ I do not drink coffee

6. Where do you usually drink coffee?

(You can choose more than one option)

☐ Home

☐ Company

☐ University

☐ Bar/Coffee

☐ Restaurant

☐ Other: ____________________________

7. Where do you have your Delta Q coffee machine?

☐ Home

☐ Office

☐ Both

☐ Other: ____________________________

8. How many coffees does your Delta Q machine make a day?

☐ 1 coffee

☐ Between 2 and 4 coffees

☐ Between 5 and 9 coffees

☐ More than, or equal to, 10 coffees

9. Do you have more than one coffee machine at home?

☐ Yes

☐ No

9.1. If you answered “Yes”, could you share the name of the brand(s) other than Delta Q?

____

10. Where do you usually buy your coffee capsules?

(You can choose more than one option)

☐ Website Delta Q

☐ Supermarket

☐ Marketplaces (e.g. Magazine Luzia, Americanas)

☐ Delta Q Shopping Vitoria

☐ Other: ____________________________

11. How often do you buy coffee capsules?

☐ Once per week

☐ Each 15 days

☐ Once per month

☐ Each 2 months

☐ Once per year

☐ Without any frequency defined

Part 3 – Advantages and drawbacks of online purchase

12. Regarding convenience and shipping, I buy on Delta Q's website for the following reasons:

(1 – I totally disagree; 2 – I disagree; 3 – I neither agree nor disagree; 4 – I agree; 5 – I totally agree)

	1	2	3	4	5
Convenience					
I do not find the products in the physical stores					
Low shipping costs					
Quick delivery					

13. Regarding shopping experience, I buy on Delta Q's website for the following reasons:

(1 – I totally disagree; 2 – I disagree; 3 – I neither agree nor disagree; 4 – I agree; 5 – I totally agree)

	1	2	3	4	5
Ease of ordering					
Searching and navigation					
Good mobile navigation					
Access to detailed product information					
Customer service					

14. Regarding prices and products, I buy on Delta Q's website for the following reasons:

(1 – I totally disagree; 2 – I disagree; 3 – I neither agree nor disagree; 4 – I agree; 5 – I totally agree)

	1	2	3	4	5
Prices					
Promotions					
Variety of goods					
Exclusive products					

15. I consider the following factors as inconveniences during online shopping at Delta Q's website:

(1 – I totally disagree; 2 – I disagree; 3 – I neither agree nor disagree; 4 – I agree; 5 – I totally agree)

	1	2	3	4	5
Shipping costs					
Shipping time					
No tracking of orders					
Log-in to place an order					
Payment method missing					
Bad navigation					
Not very informative content					
Check-out experience (from shopping cart to payment)					
There is not a blog with informative articles					
Mobile experience					
There is no WhatsApp attendance					

16. What would make your shopping experience better and make you return more often on Delta Q?

____

Part 4 – Loyalty program benefits

17. Would you like to have access to Delta Q's loyalty program?

☐ Yes

☐ No

☐ Maybe

18. Choose the benefit you would like to receive when signing up for Delta Q's loyalty program:

☐ Price discount (e.g. $R30)

☐ Discount on the form of instalments ($R60 in 3 orders; $R20 per purchase)

☐ Perceptual discount (e.g. 20%)

☐ 10 capsules for free

☐ Free delivery fee

19. Choose the benefit you would like to receive when having the second purchase:

☐ Price discount (e.g. $R30)

☐ Perceptual discount (e.g. 20%)

☐ Accessory for free (e.g. a pair of cups of coffee)

☐ 10 capsules for free

☐ Free delivery fee

20. How important are the following benefits for you?

(1 – Not important at all; 2 – Slightly important; 3 – Moderately important; 4 – Very important; 5 – Extremely important)

	1	2	3	4	5
Free delivery fee					
Express delivery					
Discount on the purchase of capsules					
Discount on the purchase of accessories					
Discount on the purchase of a machine					
Birthday discount					
Discount on partnerships					
One more year of guarantee in your machine					
Coffee recipes					
Anticipated access to all new product launches					
Exclusive promotions					

21. If there is a benefit you would like to receive, but you did not see it in this questionnaire, please tell us and we will evaluate it!

____

Annex D. Analysis of the Results from the Questionnaire

Annex D.1. Relationship between daily coffee consumption and number of coffees extracted daily by the machine

Table 10.1 – Case processing summary

	Valid		Cases Missing		Total	
	N	Percent	N	Percent	N	Percent
Daily coffee consumption * Number of coffees extracted daily by the machine	415	100.0%	0	0.0%	415	100.0%

(Source: Author's elaboration based on SPSS output)

Table 10.2 – Daily coffee consumption * Number of coffees extracted daily by the machine Crosstabulation

		Number of coffees extracted daily by the machine				
		1 coffee	Between 2 and 4 coffees	Between 5 and 9 coffees	More than, or equal to, 10 coffees	Total
Daily coffee consumption	1 or 2 coffees a day	19	83	7	0	109
	3 coffees a day	8	94	37	5	144
	4 coffees a day	8	41	27	3	79
	More than, or equal to, 5 coffees a day	3	37	36	7	83
Total		38	255	107	15	415

(Source: Author's elaboration based on SPSS output)

Table 10.3 – Chi-square tests

	Value	df	Asymptotic Significance (2-sided)
Person Chi-Square	50.504[a]	9	0.00
Likelihood Ratio	66.601	9	0.00
Linear by-Linear Association	46.632	1	0.00
N of Valid Cases	415		

a. 3 cells (18.8%) have expected count less than 5. The minimum expected count is 2.86.

(Source: Author's elaboration based on SPSS output)

Annex D.2. Relationship between purchase frequency and daily coffee consumption

Table 10.4 – Case processing summary

	Valid		Cases Missing		Total	
	N	Percent	N	Percent	N	Percent
Purchase frequency * Daily coffee consumption	415	100.0%	0	0.0%	415	100.0%

(Source: Author's elaboration based on SPSS output)

Table 10.5 – Purchase frequency * Daily coffee consumption Crosstabulation

		Daily coffee consumptin				
		1 or 2 coffees a day	3 coffees a day	4 coffees a day	More than, or equal to, 5 coffees a day	Total
Purchase frequency	Once per week	3	2	3	6	14
	Each 15 days	5	8	13	9	35
	Once per month	25	33	13	19	90
	Each 2 months and more	42	51	25	15	133
	Without any frequency defined	34	50	25	34	143
Total		109	144	79	83	415

(Source: Author's elaboration based on SPSS output)

Table 10.6 – Chi-square tests

	Value	df	Asymptotic Significance (2-sided)
Person Chi-Square	25.206[a]	12	0.014
Likelihood Ratio	24.889	12	0.015
Linear by-Linear Association	2.258	1	0.133
N of Valid Cases	415		

a. 4 cells (20.0%) have expected count less than 5. The minimum expected count is 2.67.

(Source: Author's elaboration based on SPSS output)

Annex E. Loyalty Program Communication

Figure 10.5 – Coffee recipe's newsletter
(Source: Author's elaboration)

Figure 10.6 – Product launch's newsletter
(Source: Author's elaboration)

Figure 10.7 – Birthday's newsletter for members *Q apaixonado*
(Source: Author's elaboration)

Figure 10.8 – Birthday's newsletter for members *Q fanático*
(Source: Author's elaboration)