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Digital Transformation and Loyalty Programs in the Portuguese Retail Sector

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Master's in Management of Services and Technology

Supervisor:

Henrique O´Neill, Associated Professor, Department of Marketing, Operations and General Management,

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Acknowledgments

Firstly, I want to start by saying that this master´s thesis was the biggest academic challenge that I have had during these last five years as a student. It took me many months of persistence and devotion but also of stress and difficulties. Nonetheless, I managed to achieve my goal of finishing and delivering this dissertation.

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Abstract

There is an increasing globalisation, in the grocery retail market, where competition and Digital Transformation are constantly evolving. These aspects, along with the high costs of acquiring new clients, lead companies to implement loyalty programs. This tool is essential to create and maintain customer´s loyalty and, consequently, grow and retain market share. Nevertheless, there is limited information about retail companies transforming themselves digitally to retain clients. Thus, the aim of this thesis is to understand how, in this sector, a loyalty program can be successfully implemented within a digitalization scenario. Therefore, a framework is proposed, regarding the implementation process of an effective loyalty program, in a Digital Transformation context.

Since the desired outcome and key contribution of this dissertation is the framework, and its approval, the principal methodology used is the Design Science Research, given that it creates instruments to answer real problems and to contribute with knowledge. Besides this research method, there are two other contributions to validate the framework, which are "company X" and "the grocery retail industry", through interviews.

In order to help analysing the participant´s answers, regarding the framework´s variables, the VOSviewer program is used. From this analysis, it is possible to validate the conceptual framework and the positive impact that Digital Transformation has on the processes and loyalty programs. This transformation allows companies to improve services and offer a better value proposition, leading to the loyalty of customers. The framework is a contribution to that goal.

Resumo

Existe uma globalização crescente, no mercado do retalho alimentar, onde a competição e a Transformação Digital estão em constante evolução. Estes aspetos com os elevados custos de aquisição de novos clientes, levam as empresas a implementarem programas de fidelização, pois permitem criar e manter a fidelização dos clientes e, consequentemente, aumentar e reter quota de mercado. Contudo, a informação sobre como os retalhistas podem transformar-se digitalmente para reter clientes é limitada. Assim, o objetivo desta dissertação é compreender como é que, neste setor, um programa de fidelização pode ser implementado com sucesso, num cenário de digitalização. Assim sendo, é proposto um modelo conceptual referente ao processo de implementação de um programa de fidelização eficaz, num contexto de Transformação Digital.

Uma vez que o resultado pretendido e a principal contribuição desta dissertação é o modelo e a sua aprovação, a principal metodologia utilizada é o Design Science Research, visto que cria instrumentos para responder a problemas reais e contribuir com conhecimento. Além deste método, outras contribuições para validar o modelo são a "empresa X" e "o setor do retalho alimentar", através de entrevistas.

De forma a auxiliar a análise das entrevistas, quanto às variáveis do modelo, o programa VOSviewer é utilizado. Desta análise é possível validar o modelo e o impacto positivo que a Transformação Digital tem nos processos e programas de fidelização. Esta transformação permite que as empresas aprimorem os serviços e ofereçam uma melhor proposta de valor, fidelizando os clientes. O modelo é um contributo para esse objetivo.

Palavras-chave: Indústria do Retalho Alimentar; Transformação Digital; Processos de Implementação; Programa de Fidelização; Satisfação do Cliente; Fidelização do Cliente
Classificação JEL: M31 Marketing; 031 Inovação e Invenção: Processos e Incentivos

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1. Introduction

1.1. Theme

In the Top 250 retail companies, the "retailers of food and other fast-moving consumer goods (FMCG) continue to dominate the Top 250 in number and size of companies", in 2013 (Deloitte, 2015, p. G25). In 2018, the food and grocery market increased by 2.9%, being that the food sector generated the highest profit in Portugal, reaching 76.2% of the total market value (Marketline, 2020). In the grocery retail sector, the customer satisfaction and loyalty programs are important strategies when competition increases (Deepa & Chitramani, 2014). However, for retailers it is difficult to keep and create store loyalty (The Nielsen Company, 2015).

For SBMarketingTools.com editorial staff (n.d.), online retailers have, on average, the tendency to lose 25% of the clients per year but, with a slight improvement in customer loyalty, the revenues can increase more than that percentage. This happens because there is now a growing globalisation of markets in which competition, change and new information and communication technologies are constantly evolving to meet people´s needs (Bhardwaj, 2007; K. Ristovska & A. Ristovska, 2014; Barnes et al., 2004).

With these aspects and the fact that businesses need to change their mentality regarding gathering new clients, since the costs of acquiring new customers are high, companies resort to loyalty programs so they can gain the customer's loyalty and, consequently, maintain them. This is today´s challenge. Despite being difficult to implement, loyalty programs are a verified technique for companies that want to increase and maintain market share (Pfeifer, 2005; Bhardwaj, 2007; Black, 2017).

Nowadays, digital resources are crucial to companies to transform themselves, so they can continue to adapt and improve. Digital Transformation is always evolving which causes an effect on people, businesses and, consequently, in the society (Hagberg et al., 2016). With this transformation, companies have the possibility to improve their digital technologies so they can have business upgrades, such as improving the clients experience (Saarikko et al., 2020). This leads to one of the main factors for a successful business which is essentially creating a long-term relationship with the clients, especially those that companies work closely with, and also improving operational processes (Capgemini Consulting & MIT Sloan Management, 2011).

Moreover, with Covid-19, the digitalization process was accelerated and was crucial for the survival of the businesses. Companies were required to adapt to the new reality and to customer´s behaviour as well as demands, which changed permanently, like expecting an

entirely online shopping experience (Eriksson & Stenius, 2020). Given its impact, this event reenforced the opportunities and needs of Digital Transformation in the business processes.

1.2. Research Problem

The concept of service quality is decisive to generate customer satisfaction, loyalty and to create competitive advantage (Martinelli & Balboni, 2012). In these days, the changes in the retail sector made by digitalization are changing the business regarding customer loyalty (Saarikko et al., 2020). However, there is not much information regarding how a retail company can transform itself digitally to retain customers today. So, the issue is to understand how an effective loyalty program can be created and how Digital Transformation can help companies to define their strategies, to facilitate the settings and to improve the loyalty process.

1.3. Research Objectives and Questions

Having in mind the objective of understanding how we can build loyalty, in this sector, with the help of Digital Transformation, an analysis of the grocery retail industry will be conducted. To fulfil this goal, the help of a multinational grocery retail group (hereafter "company X") was paramount, making it possible to collect both theoretical and practical knowledge about the subject, in a more closely and accurate way.

The management of "company X" is aiming to improve its previous loyalty program with a Digital Transformation that will allow to reach out to more customers in different ways and, consequently, provide more benefits for both parties (Hagberg et al., 2016). Thus, the specific steps that will be taken to achieve the purpose of this thesis are:

- To propose a loyalty framework for the grocery retail sector considering the requirements of Digital Transformation;
- To validate the proposed framework alongside "company X" and other grocery retailers;
- To study "company X" to analyse how the framework's implementation can be achieved;
- To identify new settings that can be facilitated by digitalization to help retain loyalty;
- To identify the strategies and processes already implemented and evaluate their outcomes;

- Perform interviews not only to "company X" representatives but also to different companies in the sector;
- Give recommendations to "company X" regarding their current procedures and extend a set of recommendations for the retail sector companies.

To understand what must be done to overcome the loyalty issue, a few questions have to be answered:

RQ1: How can a company in the retail sector adopt Digital Transformation to retain more customers?

RQ2: Which are the most important loyalty programs that companies use?

RQ3: Which strategies implemented by companies work better in retaining customers?

RQ4: Knowing that companies value loyalty, what processes do companies use to make this happen?

The expected result of this thesis is the framework that supports the implementation of a loyalty program in a digital driven environment. Moreover, it will validate the implementation processes of an effective loyalty program, so companies can be more productive and have a better financial performance.

1.4. Motivation

The motivation to produce and pursue this thesis comes from three main strands: my personal motivation, the satisfaction of being able to help "company X" and, finally, the possibility to contribute to the knowledge in this area of study.

My personal motivation essentially rises through the opportunity of interning at "company X" since it has allowed me to work closely on the theme alongside experienced marketers and participate in one of the most important and large projects conducted by the company. In addition, this thesis has enabled me to further study a theme that I am particularly passioned about which has undoubtedly boosted even more my motivation.

On the other hand, the opportunity to support and help the company also drives me. I believe I will be able to provide an outsider's perspective, mostly based on the theoretical and practical knowledge I have acquired through the research I have conducted for this thesis. Thus, I am proposing a model to support the implementation of "company X" loyalty program

alongside with some recommendations that will provide guidance for an effective development and implementation.

Finally, I am also motivated by the possibility to contribute to the knowledge in this area of study. To do so, I am answering research questions, validating a loyalty framework with Digital Transformation focused on the grocery retail industry and providing recommendations which can be used by future researchers and enterprises.

1.5. Structure

To better understand this thesis and the research done, the dissertation was divided into six chapters:

The first chapter, the introduction, which presents the work in all its dimension in a synthetic way. In addition the theme, motivation and characterization of the research questions and objectives are also covered in this section..

The second chapter is related with the literature review, that is composed by two main topics. Firstly, the concepts such as Digital Transformation, customer satisfaction and loyalty, co-creation and implementation strategy. And, secondly, the loyalty programs, which approaches the different types of programs and an omnichannel experience. In addition, the hypotheses and variables necessary to create the loyalty framework were developed and established throughout the research done in this chapter.

The third chapter refers to the research methodology used in this thesis, the design science, to help build the proposed framework, while "company X" and the grocery retail sector are used to validate the framework. All processes were described as well as the data collection and analysis. Additionally, the characterization of the participated companies and the sector itself are also here presented.

The fourth chapter is the presentation of the framework elaborated throughout the literature review, with the help of "company X". The objective is to demonstrate the expected result of the proposed framework with its variables and hypotheses.

The fifth chapter presents a brief description of the participants in the interviews and the analysis of data collected by using a qualitative comparative analysis.

Finally, the sixth chapter is about the research conclusions, in which it is presented the final conclusions of the study, the theoretical and managerial implications, the limitations found along the research and the recommendations for future investigations.

2. Literature Review

2.1. Introduction

In the literature review, several themes are addressed regarding digitalization, loyalty programs and customer experience. It is displayed the existing theory regarding these topics, which consequently lead to the discovery of a practical gap, leading to its investigation. Therefore, upon each of the themes, hypotheses that emerge from the reading and interpretation of those themes are identified throughout the state of art.

2.2. Concepts

2.2.1. Digital Transformation

With the appearance of the Internet, the expectation was that online channels would substitute the physicals stores (Doherty & Ellis-Chadwick, 2010). However, what happened was that brands took advantage of the internet to extend the physical stores (Poncin & Mimoun, 2014; Pantano, 2016). "To increase chances for (…) success in the market many companies across industries that failed to evolve started a major transformational change: trying to substantially integrate digital technology into their businesses. This organizational change is known as Digital Transformation." (Tekic & Koroteev, 2019, p. 6).

In the last years, Digital Transformation has become a more important phenomenon which throughout the use of digital technologies covers the deepest changes that happen not only in society but also in businesses (Agarwal et al., 2010). Those changes in the businesses are usually transformations in their operations, structure and, consequently, products and processes (Matt et al., 2015). So, digital technologies are used by the organizations to change the value creation directions that they usually used to follow so they can stay competitive (Vial, 2019). Digitalization has many benefits that can come attached when successfully implemented, such as a boost in the sales or productivity, new ideas for value creation and new ways to connect with customers (Matt et al., 2015).

In our modern society, digitalization is an important on-going transformation and, for the retail sector, the digitalization of their settings happens with a modification of the conventional setting that can originate variations on the essence of the offers. This is fundamental and both parties are affected (Hagberg et al., 2016).

The digitalization impact on customer experience has been mentioned not only regarding e-commerce but also that it extends up to products and services. For example, the transformation of tangible products into digital services, despite some material features remaining (Magaudda, 2011) and digital technology helping in the purchasing process, connecting online and offline channels. Customers habits and behaviour on physical stores are changing with digitalization, such as the use of mobile devices.

This theme is lacking theoretical and recent practical knowledge, which forms a challenge and opportunity. However, paying attention to a practical subject that is rapidly substituted is difficult (Hagberg et al., 2016).

2.2.2. Customer Satisfaction and Loyalty

Customer satisfaction and loyalty go hand-in-hand, since it is almost impossible to gain loyalty from an unsatisfied customer (Fornell et al., 1996). For Vesel and Zabkar (2009), brand loyalty is seen as cumulative, based on the level of the customer´s satisfaction built on all the experiences with a specific retailer. Thus, many consumers remain loyal to a brand that can deliver value aside from the price. This can help brands when new competitors appear (Hajdukiewicz, 2016).

"At a very general level, loyalty is something that consumers may exhibit to brands, services, stores, product categories (…), and activities (…). (…) loyalty is a feature of people, rather than something inherent in brands." (Uncles et al., 2003, p. 6). However, for a brand to have a customer that is truly loyal, an attitudinal commitment is crucial (Dick & Basu, 1994). So, it is important to understand what quality means for the company´s clients given that the quality of the service will have both direct and indirect impacts on the customers loyalty to the brand (Sirohi et al., 1998).

Nowadays, in the grocery retail industry, the situation is more complex because of factors such as competitors and the possibility to shop over different channels. Thus, it is crucial to improve the service performance and build a long-term relationship to retain customers (Martinelli & Balboni, 2012). Amazon Go, with their new technological stores which enable customers to pick up products and leave without stopping to pay, is a great example of a company trying to provide a better, faster and more friendly shopping experience by improving their services based on customer´s wishes (Grewal et al., 2020).

Moreover, brands should understand the value of all the advantages of having service quality and not focus only on revenues. For example, the word-of-mouth communication that

consumers do on their own and creates business for the company (Martinelli & Balboni, 2012). Digitalization can bring many opportunities for a greater satisfaction, like personalized promotions and offers or vigorous pricing available for online and offline channels (Grewal et al., 2011).

2.2.3. Co-creation

Customer satisfaction is a permanent objective for companies, so the use of customer co-creation is getting higher around industries. Despite this phenomenon not being quite recent, it can be said that it was reinforced by digitalization (Dujarier, 2014; Lee & Yang, 2013). The main identified advantage is that a recurrent communication and cooperation with the stakeholders, particularly the clients, tends to increase the success of a new or improved service or product (Gruner & Homburg, 2000). This happens because customers are the best people to bring more value with their preferences and opinions (Rashid et al., 2014).

Digitalization tends to create ways for the customers to be part of the value-creation process, such as self-service and collaborative co-production (Dujarier, 2014; Lee & Yang, 2013). In addition, consumers can help with their own satisfaction by being part of the process, like contributing to the co-production of the service (Bowen, 1986).

The giant food company, General Mills, created a network to co-create with customers, start-ups and their own collaborators. The goal is to bring new ideas and different product ranges for the company to successfully implement (Livescault, n.d.). However, sometimes the cooperation may not result, so it is necessary to handle expectations, communications and guarantees along the process among the two interested parties (Payne et al., 2008).

2.2.4. Implementation Strategy

Recently, companies are digitally transforming their organizations through new digital technologies (Matt et al., 2015). However, to ensure its success, the creation of suited management practices is vital. If it succeeds, in a bigger picture, business models can be improved or mutated (Downes & Nunes, 2013).

With this being said, not only in the retail sector but also in other industries, it is important to come up with a well-defined strategy, more specifically, an operations strategy. This type of strategy is "concerned (…) more with the total transformation process that is the whole business. It is concerned with how the competitive environment is changing and what the

operation has to do in order to meet current and future challenges" (Slack & Lewis, 2011, p. 7) as well as tactics that will be integrated throughout the process to help exploit new transformations. This concerns will allow companies to get ahead of competitors and bring in potential new loyal customers (Matt et al., 2015; Bose & Rao, 2011). Although, those transformations can only be developed after taking into account the costs, since it will help to establish the strategy's success and, consequently, the competitive advantage. That competitive lead is based, in the majority of the cases, on the fact that the value generated by the company, for the clients, is higher than the costs of designing it (Porter, 1998).

H3: Digital Transformation positively relates to Operations Strategy.
H3A: Operations Strategy positively relates to Loyalty Programs.

Digital Transformation strategies are cross functional with other strategies such as functional and operational. Furthermore, companies should first do a benchmark regarding the strategies used so they can adapt successful strategies (Matt et al., 2015).

H2: Digital Transformation positively relates to Benchmark.
H2A: Benchmark positively relates to Loyalty programs.

From prior studies, some strategies were found, like the creation of loyalty programs; retailers gave consumers the possibility to shop through multichannel (Rangaswamy & Bruggen, 2005) developing a better relationship with the consumers and increasing the promotional publicity (Weltevreden & Boschma, 2008); collaborative partnerships with other brands are used to improve loyalty (Fournier, 1998) and they can co-operate in the reward program to gain more customers and new customers bases, so they can offer more benefits and diversity which leads to a competitive advantage. For these initiatives to succeed, it needs to have benefits for both parties (Hajdukiewicz, 2016); co-creation is seen as a strategy to shape and readjust considering the needs (Wind & Rangaswamy, 2001); customer relationship management programs with the help of new technologies.

H8: Digital Transformation positively relates to Collaborative Alliances.
H8A: Collaborative Alliances positively relates to Loyalty Programs.

Recently, the loyalty programs are used by many companies. This technique creates many contradictory perspectives among researchers regarding the effectiveness, since company´s financial performances usually fall short of forecasts (Beaujean et al., 2006), even though it has been understood that the strategic performance and their profits could have a positive impact when adding an internet channel (Wolk & Skiera, 2009). Nonetheless, the strategies developed by the majority of the businesses end up only delivering 63% of the financial target (Mankins & Steele, 2005).

H5: Digital Transformation positively relates to Financial Aspects.

2.3. Loyalty Programs

2.3.1. The Loyalty Programs and Digital Transformation

A loyalty program "is an integrated system of individualized marketing actions that aims to increase customers' loyalty through personalized relationships that stimulate their purchase behaviour" (Meyer-Waarden & Benavent, 2009, p. 3). While the process of digitalization has an extensive history in retailing operations, the value of that change is becoming more visible (Watson, 2011).

With this new era, e-commerce has been growing and, in the end, offline businesses will not have a choice. Those businesses also need to create a successful loyalty program (Hajdukiewicz, 2016) as a communication tactic, so they continue to be relevant to their customers.

There is a huge increase of loyalty programs based on cumulative reward point cards or obtaining discount vouchers (Zhang & Breugelmans, 2012), which are rewarded loyalty programs that address the purchase levels as well as the cumulative purchase volumes (Villacé-Molinero et al., 2016).

It is also frequent for companies to use a points program that grants points to the clients, based on what they spent, which are placed in the loyalty card. In addition, there is also the partner program, which is the partnership between brands from different sectors that come together to reduce costs and provide various offers and benefits to their customers (Nandal et al., 2020).

More recently, two types of loyalty reward programs started to be more frequent in order to boost the program´s efficiency. The ones with benefits, such as reinforced services or price

discounts and the ones with gamification, where customers participate in games to earn points or rewards (Bolton et al., 2000; Hwang & Choi, 2020). However, the type of program used should be based on the company´s objectives such as profit, customers retention and increasing customer´s data (Berman, 2006).

To be part of the programs, customers started to expect some features like flawless incorporation throughout the different channels and benefits such as promotions and personalized treatment. Thus, in the customer perspective, if the benefits are higher than costs, the switch of companies will reduce. Nonetheless, even after companies make sure that customers have everything to be satisfied, customers often are not really loyal, at least to just that company and its service (Meyer-Waarden & Benavent, 2009).

H1: Digital Transformation positively relates to Outline the Objectives.

H1A: Outline the Objectives positively relates to loyalty programs.

H7A: Benefits positively relates to Loyalty Programs.

An example of a successful loyalty program is Tesco´s clubcard that has been in place since 1995. It is a success because apart from being designed to satisfy customers individual needs, likes and experiences with new technologies, it was also created to show customers how important they are to the company by making them part of the business, support reciprocal loyalty and build a lasting relationship. In the end, the clubcard also worked because they were able to run a cost-efficient loyalty program (Humby et al., 2004).

In retail, these programs usually have a target group of clients which usually is the consumers that are critical for the company´s achievements. This will give a ground basis to give certain benefits that customers are expecting (Gable et al., 2008).

H6: Digital Transformation positively relates to Target Groups.

H6A: Target Groups positively relates to Loyalty Programs.

In these days, programs need to be unique, pleasing and providing more innovative experiences to the customers and have benefits in the company´s perspective (Oliver Wyman, 2015). Thus, companies need to assess the impact of the program on future purchase performance and conclude if what they spend on implementing the loyalty program is lower than the income resulting from this. This is important so companies can understand the efficacy

of the program in the long run. Additionally, there is not much research about this subject (Bolton et al., 2000; Uncles & Laurent, 1997).

H7: Digital Transformation positively relates to Benefits.

H12: Digital Transformation positively relates to Loyalty Programs.

H5A: Financial Aspects positively relates to Loyalty Programs.

Beyond this, companies should always perform a contingency plan in case their objectives are not fulfilled because loyalty programs can have many disadvantages like market saturation, poor customer commitment and implementing the wrong program (Berman, 2006).

H11: Digital Transformation positively relates to Corrective Actions.

H11A: Corrective Actions positively relates to Loyalty Programs.

2.3.2. Omnichannel

From the moment that World Wide Web appeared it became clear that it would be a different and extremely effective channel, since it would be universal, easy to use, enabling to store data, fast, more interactive, easier to upkeep (Pyle, 1996; Jones & Visayasarthy, 1998), improve communications between both parties and backing online orders (Basu & Muylle, 2003). Notwithstanding, retailers were probably the ones that felt a bigger impact (Doherty et al., 1999). Thanks to the Internet, a lot of retailers expanded to e-commerce, since technologies created new experiences and developed e-commerce. Thus, the multichannel retailing appeared (Lockhorn, 2010; Steinhoof et al., 2019).

Lately, retailers have been improving the concept of multichannel retail to a better notion and use of the new technology called the omnichannel (Brynjolfsson et al., 2013; Rigby, 2011). The focus on the customers is higher and they can give them the possibility to act among channels without any problems throughout one incorporated purchasing process. An example is Walmart, that offers the possibility to shop online and then collect it at the store, for free, giving clients a unified sales experience, which also helps to reduce the company´s costs (Chopra, 2016).

So, in this digital era, the inclusion of channels has a positive impact on retailers' performance because they can have a general perspective of consumers shopping behaviour, preferences and products. This is possible by having data and processes consolidated by

combining the consumers contact points and distributing data over the production procedures (Chen & Popovich, 2003; Cao & Li, 2015).

H10: Digital Transformation positively relates to Platforms.
H9: Digital Transformation positively relates to Business Analytics.

The proper term is business analytics, which is a recent field used by organizations to obtain relevant information from data collected. This helps companies to be able to make better decisions and overcome, more easily, challenges (Delen & Ram, 2018). For this to happen and, consequently, generate an effective program, it is necessary to build and gather the most suitable team (Berman, 2006).

H9A: Business Analytics positively relates to Loyalty Programs.
H4: Digital Transformation positively relates to Team Organization.
H4A: Team Organization positively relates to Loyalty Programs.

The principal platform used in loyalty programs are the mobile applications (Wang et al., 2018), although companies are providing flawless omnichannel experience to improve the customers satisfaction and experience (Steinhoof et al., 2019).

H10A: Platforms positively relates to Loyalty Programs.

Based on these statements, it is possible to perceive that there is very little practical information regarding the effectiveness of loyalty programs, in an extended period of time, and of how digitalization can help in that performance, since if properly implemented it can generate benefits and loyalty.

Due to this lack of practical information, it was detected that it does not exactly exist a validated implementation process, by grocery retailers, of a loyalty program, in order for the program to be efficient at the end. Therefore, an opportunity was identified to design a loyalty framework (figure 4.1) that is adapted to the grocery retail sector, which includes variables corresponding to the hypotheses that were previously identified and can be used in a Digital Transformation context.

3. Methodology

In this chapter, the research methodology applied is presented in detail as well as the research methods used. Moreover, the characterization of the participating companies, the sampling and the data collection and analysis techniques that are used are also here addressed.

3.1. Research Context

The research context is the grocery retail sector in Portugal, associated with loyalty programs, customer's experience and customer´s retention. These are strategies implemented in order to increase customers loyalty and, consequently, maintain market leadership (Maggioni, 2016; Uncles et al., 2003).

The Portuguese grocery retail market is composed by a small distinctive number of large corporations operating throughout the whole territory (Dunnhumby, 2020). In 2020, this sector reported a growth in its sales volume of 12.1% compared to 2019 (Blázquez, 2021).

The study concerns the processes of loyalty programs in the retail sector, within a Digital Transformation context, from a company´s perspective. Thus, in order to optimize it, this thesis is supported by three prestigious companies of the sector, which are all situated in Portugal although with different sizes, market penetration, store network and concept.

"Company X" and "company Z" belong to different international grocery retail groups whereas "company Y" only operates in Portugal. However, the three companies are part of the Portuguese market leaders.

The characterization of the three companies is superficial due to confidentiality issues.

3.2. Research Design

In this thesis, the design science research is established as a research methodology as it is adequate for the development of the loyalty framework that is proposed by the thesis. Given the circumstances and the main goal of this research, there are other contributions to validate the proposed framework in addition to the adoption of this methodology. Those contributions are the case study of "company X" and the interviews performed on the grocery retail sector to "company Y" and "company Z" (hereafter "the grocery retail sector").

Therefore, a multi-method qualitative study is used and structurally conducted. The data is firstly collected from secondary data, throughout the state of art and, afterwards, from primary

data by field work and 45-minute online interviews (appendix A), with a limited sample (Saunders et al., 2009). This combination of research methods was thus chosen due to the advantage in obtaining organizational information and, consequently, validating the framework.

3.3. Research Methods

3.3.1. Design Science Research

Design science research (DSR) is a research method in which questions that are relevant to dealing with human problems are answered by creating and applying useful instruments and providing contributions to knowledge (Hevner et al., 2004). Thus, it also attributes great importance on the relevance of its applicability. In this case, the problem is to understand how an efficient loyalty program can be built to improve loyalty and the instrument created is the proposed conceptual model. As the expected result and main contribution of this thesis is the framework and its validation, DSR is thus the main methodology used.

In order to create and apply this instrument, data is collected from the literature review conducted and hypotheses are developed alongside. In the end, an artefact, the framework, is elaborated and proposed. Afterwards, the proposed framework is presented during the online interviews to "company X" and "the grocery retail sector" representatives along with relevant questions regarding the research theme and proposed variables in order to contribute with knowledge and validation as well as insight of this problem and theme, both for the scientific community as for the business world (Saunders et al., 2009).

Accordingly, the data used through the research process is secondary data, the literature review, to build the proposed framework and then, primary data from "company X", "company Y" and "company Z" throughout the interviews that were conducted. The main objective of performing these interviews is to get to know the companies, then contribute to validating the proposed model and, eventually, to introduce some more refinement in the framework´s structure.

Naturally, "company X" has a greater contribution than "company Y" and "company Z" since an internship was performed in this company.

Case Study

The possibility of participating in "company X's" project, the improvement of their previous loyalty program through Digital Transformation, creates an important opportunity to gain a more accurate knowledge (Yin, 2018) regarding the problem and the theme of this thesis. Due to this advantage, the case study methodology is used, since the purpose is to study a phenomenon and see how it reflects in "company X" with more depth. Consequently, "company X" is an instrument, providing a contribution, for this thesis objective which is to study the loyalty processes and programs and to create and validate the proposed framework.

The field work carried out in "company X" contributes to learning what this company does and the importance of this loyalty tool in a Digital Transformation context. This advantage initially contributes to guiding, more efficiently, the elaboration of the proposed conceptual model and hypothesis developed through the state of art. Subsequently, the framework is introduced in the interviews to the participants and questions are made. The goal is to obtain the knowledge needed of the theme, the validation of the variables and, consequently, of the framework as well as recommendations to adjust it if suggested.

Given the opportunity to help developing "company X's" project, it is also possible to gather a more thorough knowledge of each variable of the framework and its implementation process. Thereby, "company X's" contribution is superior.

In conclusion, primary data is the source of the data collected and it is gathered by using the observation method, as it takes place in the real-world of the case (Yin, 2018). Meetings and tasks were observed, and in-depth semi-structured interviews are also conducted. Thus, this study will be exploratory with a qualitative analysis. Regarding the sample, "company X's" interview participants are a Director, a Manager and an Analyst of the main areas related to the theme, such as Digital & Client Experience and Business Analytics (table 5.1).

Interviews

The interviews are the second and final contribution used to achieve the desired result. In this case, the contributions come from the online interviews performed to the collaborators of "company Y" and "company Z". The possibility of discussing this research theme as well as the viability and veracity of the proposed framework with different companies, in the same sector, is crucial to validate the conceptual model and to obtain more theoretical and practical knowledge. Thus, the objective of performing interviews to both companies is not only to validate the framework and, at the same time, present greater credibility due the different

participants in this study, but also to complement the variables of the proposed framework if there are suggestions from the participants.

In the end, this research process also serves to get to know what these companies do in each of the areas mentioned in the interview and allows to compare different realities since the three companies have different sizes, territory, concepts and, consequently, objectives. Nonetheless, this contribution only happens later in the research process since first there is the elaboration of the framework and its hypotheses, followed by the interviews conducted in "company X", as mentioned above.

The source of the data collected, just as "company X", is primary data, through the same in-depth, semi-structured interviews. The purpose of collecting secondary and this type of primary data is to base practices on the best available evidence to solve a problem, in this case, an organizational problem (Rousseau, 2006). Consequently, the participants are "company Y" and "company Z" and the interviewers are a Director, a Manager and a Responsible also related to the main areas of this thesis, like Client Loyalty & Strategy and Communication & Marketing (table 5.1).

3.4. Data Analysis

In order to analyse the data collected, the proposed conceptual model is compared to "company X´s" current model as well as "the other grocery retailers". To analyse the information provided by the interviews, a content analysis software is used. Even in a content analysis, to be objective, it is possible to quantify the occurrence of certain concepts with a qualitative comparative analysis (QCA), which is a technique that combines both qualitative and quantitative methodologies usually focused on small samples (Ragin, 2014).

On that account, the program VOSviewer is used since its purpose is to map and enlarge the information regarding a particular area of study, by highlighting the words matched in publications, authors or themes, for example (van Eck & Waltman, 2010). However, although this program was created for a bibliometric study, VOSviewer can be used to transform quantitative values into qualitative data and, at the same time, maintain original differences (appendix B), which is the scope that this investigation aims to accomplish with this program. Thus, the data collected from the interviews is uploaded in the VOSviewer to obtain the most relevant terms and visualize the connections between the main concepts addressed.

In the end, limitations and recommendations are provided based on the discoveries and knowledge acquired throughout the data analysis.

4. Loyalty Framework

4.1. Conceptual Model and Hypotheses

The proposed conceptual model aims to demonstrate the expected result of this thesis investigation, which is a validated model for successfully implementing a loyalty program in the grocery retail sector.

In order to elaborate this framework, the design science methodology is followed, and the data sources used are the state of art review and "company X´s" case study, as referred in the previous chapter. Consequently, the three dependent variables with the purpose of outlining the objectives, team organization and corrective actions are adapted by an existing framework from Berman (2006). The other ten variables are proposed by the author through the observation work carried out in "company X", while the company´s new loyalty program with Digital Transformation was being implemented. However, all these variables are supported by the literary review leading to the development of hypotheses. These hypotheses are what supports the framework since they allow to answer to the intended objective of this investigation.

In agreement to the literature review performed, the conceptual model described below is proposed (Figure 4.1).
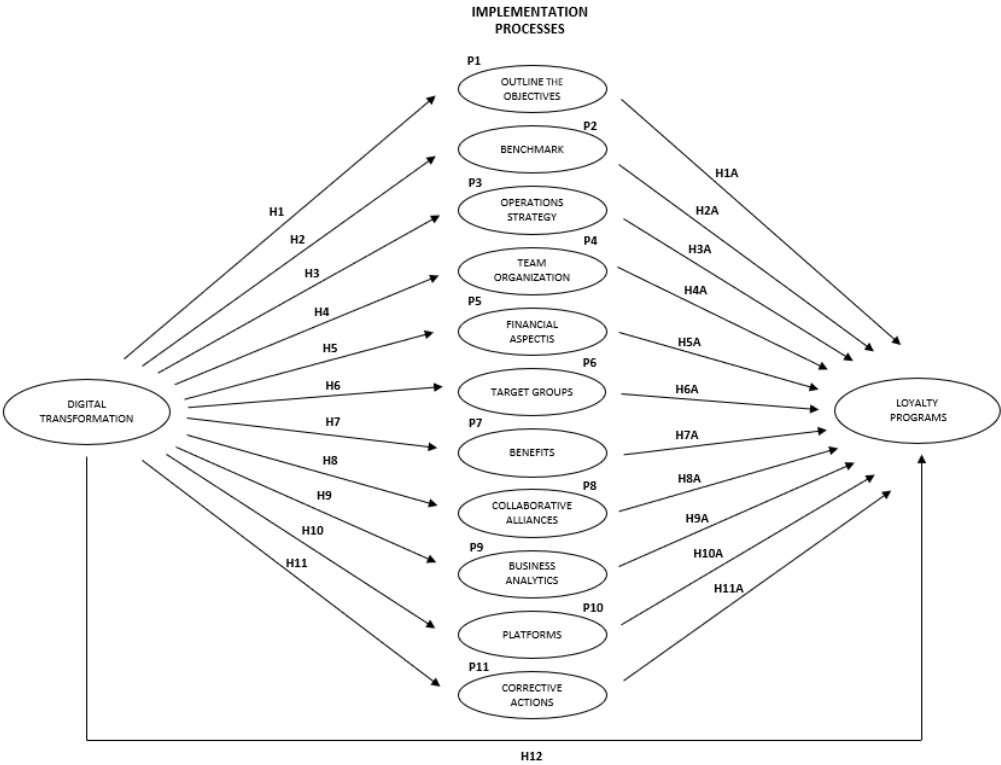

Figure 4.1 - Conceptual Model
Source: Author´s Elaboration

Therefore, the proposed framework is designed to be used in the pursuit of this research during the interviews and, consequently, during the analysis and arguments of the results, validating whether it matches the reality of the participating companies. On a final note, it will also contribute to frame the conclusions of this thesis.

4.2. Variables

The conceptual model has, in total, thirteen variables. "Digital Transformation" is an independent and, consequently, influencer variable, followed by twelve dependent ones which are the implementation processes and the loyalty programs.

In this case, the Digital Transformation variable can also be seen as an influencer variable since it is supposed to have a positive or negative impact, on the implementation processes, which are the dependent ones (Andrade, 2021). In the state of art, a positive impact is seen, however, another objective with proposing this framework is to validate these hypotheses.

The term "implementation processes" refers to the set of processes or steps that companies have to consider when implementing a loyalty program. Companies must follow a structured process since the objective is that in the end a loyalty program is efficiently and successfully created, both for customers and companies.

Furthermore, a brief description of the conceptual model´s variables is carried out based on the previous referenced authors.

Table 4.1- Description of the Conceptual Model´s Variables

Variables	Autor	Description
Digital Transformation	Hajdukiewicz (2016); Zhang and Breugelmans (2012); Humby et al. (2007)	Digitalization is crucial for a successful loyalty program in order to innovate and keep up with client´s expectations.
Outline the Objectives	Berman (2006)	The type of loyalty program must be outlined by the company´s objectives.
Benchmark	Matt et al. (2015)	A benchmark strategy is important for companies to have a superior performance and be successful.

Operations Strategy	Slack and Lewis (2011)	The aim is to truly grasp what is happening in the competitive environment and how the operation can adapt so that it may face both present and upcoming challenges.
Team Organization	Berman (2006)	Team organization is important throughout every step of the process, to make the loyalty program effective.
Financial Aspects	Bolton et al. (2000); Uncles and Laurent (1997)	Companies need to conclude whether what they spend on implementing the program is less than the revenue generated by it, so as to ensure its effectiveness.
Target Groups	Gable et al., (2008)	Loyalty programs by default have a target group of customers in which they work around their preferences.
Benefits	Bolton et al. (2000); Meyer-Waarden and Benavent (2009)	Benefits are part of loyalty programs because customers expect some characteristics, such as discounts and an innovative experience. The rewards need to be higher than the switching costs to be worth it to the customer.
Collaborative Alliances	Fournier (1998); Hajdukiewicz (2016); Nandal et al. (2020)	Partnerships lead to more customer retention since they can gather more information about the clients and offer them better benefits.
Business Analytics	Chen and Popovich (2003); Cao and Li (2015); Delen and Ram (2018)	Through data collected and analysis, companies can have a better insight and, consequently, improve their performance and the client´s experience.

Platforms	Brynjolfsson et al. (2013); Rigby (2011); Chopra (2016); Chen and Popovich (2003); Cao and Li (2015)	Retailers are changing to an omnichannel to allow a better service and a unique purchasing process to the customer and, consequently, a better performance to the company.
Corrective Actions	Berman (2006)	Companies must be prepared in case the objectives they have idealized are not a success.
Loyalty Program	Meyer-Waarden and Benavent (2009)	A loyalty program is a strategy with the objective of improving client´s retention by providing a unique experience.

Source: Author´s Elaboration

5. Data Analysis

This chapter focuses on presenting, analysing and interpreting the results of the data collected in the interviews, reaching to a conclusion.

5.1. Design Science Research

In this section, the study of the interviews, regarding the instrument created, is carried out. As it can be seen, in figure 5.1, interviews were conducted with participants from three large companies, in the Portuguese grocery retail sector. The participants are from different but top management positions and have distinctive years of experience. Nonetheless, this variety helps to analyse the model and its hypotheses, with a more widely perception. Thus, the sample is composed by three companies and six participants leading to six interviews, each with the same fifteen questions. (appendix A).

Table 5.1 - List of Interviewees and Respective Grocery Retail Companies

"Company X"	Job Position	Years of Experience	"Company Y"	Job Position	Years of Experience	"Company Z"	Job Position	Years of Experience
Interviewee A	Loyalty Business Analyst	3 Years and 10 months at "company X"	Interviewee D	Project Manager, in the Loyalty Program	1 Year and 1 Month at "company Y"	Interviewee F	Communication and Marketing Director	6 Years at "company Z"
Interviewee B	Responsible for Customer Activation and Loyalty Card	14 Years at "company X"	Interviewee E	Responsible for the Client Strategy Area	9 Years at "company Y"			
Interviewee C	Customer Loyalty and Activation Director	3 Years and 9 Months at "company X"						

Source: Author´s Elaboration

5.1.1. Interviews Analysis

After the interviews were carried out, the answers were analysed and with the help of the VOSviewer program it was possible to understand which concepts were most addressed as relevants by the interviewees. The program generated tables showing the frequency and relevance of terms used. Consequently, Vosviewer generated an easy-to-read network diagram, connecting two parameters, allowing for a better interpretation of the content of the interviews.

In the current analysis, considering that the sample only had 6 interviews, maps based on text data were created to generate co-occurence maps, using binary counting, in which only the

presence or absence of terms matters. This method is important for this analysis, as it allows for the co-relation of the concepts discussed, in order to have a better qualitative analysis.

As there are only 6 interviews, the minimum number of 3 occurrences in each term was placed, thus reducing the number of terms in the diagram. From this output, the program advises to leave only 60% of the most relevant ones, so that there are no groups of separated terms and thus get a more concise and readable diagram.

Following this selection, the table is presented, which is revised term by term, in order to eliminate any errors or find synonyms. It is possible to join the synonyms, in order to make the data more accurate. After the corrections and the table is exported (see e.g. table 5.2), the software creates maps. The software used in this analysis is the network visualization, with the update of the association strength method, whose layout was changed, in the values of attraction, for a better data reading. This procedure was performed for all analysed variables, as it can be seen in the appendix B and in the following figures.

Using figure 5.1 as an example, it is clear that the program, in this type of analysis, separates the main themes by colour, differentiates by size of the circle, the most repeated terms and shows the connections through the lines, and the strength of the connections through the line thickness. In this figure, there are four main themes that connect to each other: "Digital Transformation", "corrective action", "business analytics" and "partnership", being "Digital Transformation" the most important one.

Some of the main information that can be drawn is that Digital Transformation has a positive impact on the organization and customers experience, making it a success. Consequently, its success comes from multiple tasks performed, such as conducting benchmarks and analysing the client´s behaviour. Moreover, it is also possible to perceive that customer loyalty, despite not being considered one of the main themes by the VOSviewer, is an important and mentioned concept during the interviews. The customers loyalty is very connected, as it can be seen by the green line thickness's, to what the clients consider to be an asset in terms of benefits, such as partnerships or service quality.

In addition, table 5.2, shows that the terms "country" and "competition" are not mentioned many times but have a great relevance to this research. This happens, since the customers experience differs from country to country and many competitors are international brands, enhancing the need of companies to perform benchmarks. In the end, the customers´experience and consequently, loyalty are the main goals of any company. This connection and analysis are concluded with the interviews but also supported by the presented figure 5.1.

Table 5.2 - Global Interviews: Term´s Relevance

	Total Interviews		
ID	**Term**	**Occurrences**	**Relevance Score**
1	Recommendation	13	2.3646
2	Positive Impact	12	2.1314
3	Country	10	1.9804
4	Benchmarking	13	1.7597
5	Service	14	1.623
6	Customer Loyalty	16	1.5238
7	Quality	13	1.5124
8	Collaborative Alliances	14	1.4805
9	Operations Strategy	16	1.3939
10	Partnership	27	1.3127
11	Portugal	16	1.2377
12	Organization	15	1.2106
13	Reality	10	1.1945
14	Competition	11	1.1795
15	Financial Aspect	20	1.1037
16	Credit Card	11	1.0475
17	Team Organization	21	1.0015
18	Money	11	0.9922
19	Success	13	0.9863
20	Digital Transformation	78	0.9658
21	Contact	12	0.8877
22	Budget	21	0.81
23	Database	22	0.7531
24	Customer Experience	14	0.7213
25	Value Proposition	15	0.7192
26	Behavior	27	0.715
27	Business Case	11	0.7046
28	Transformation	14	0.702
29	Corrective Action	27	0.7
30	App	23	0.6831
31	Goal	42	0.6613
32	Impact	32	0.6484
33	E commerce	10	0.6193
34	Agility	13	0.6058
35	Implementation	22	0.6018
36	Business Analytic	27	0.4939
37	Pandemic	11	0.4928
38	Adjustment	12	0.4755
39	Target Group	25	0.363
40	Problem	10	0.3316
41	Customer Data	16	0.3089

Source: Author´s Elaboration
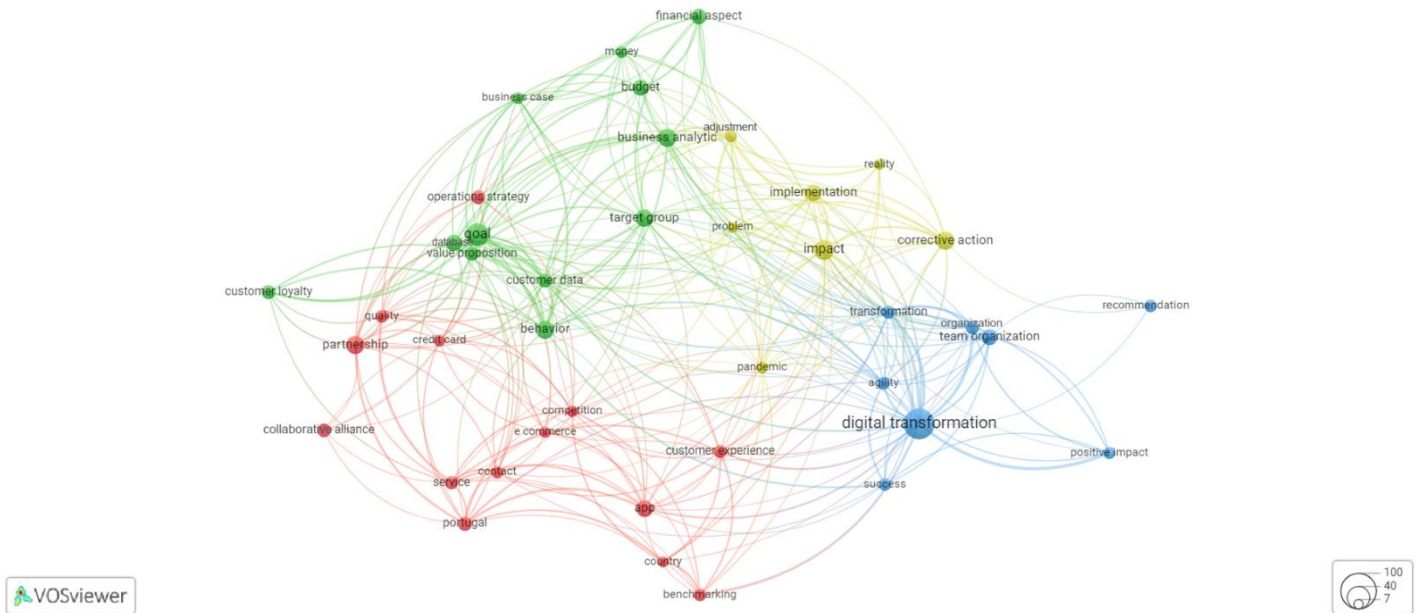
Figure 5.1 - Global Interviews: Main Themes and Connections
Source: Author´s Elaboration

Variables

In order to validate the proposed conceptual framework, questions are made to the interviewees regarding the two main variables: Digital Transformation and loyalty programs as well as the eleven implementation processes. The purpose is to understand the importance of each implementation process, individually, and the impact of digitalization when implementing a loyalty program. The main goal is to validate these implementation processes and consequently, the framework. Each variable has a correspondent table and figure that supports the upcoming analysis (appendix B).

P1 - Outline the Objectives

All interviewees mention that customer loyalty is the ultimate goal, in creating the loyalty program, as can be seen by the size of the green circle, on figure 1. However, before getting there they aim to attract new customers and strengthen the database. This reinforcement comes from the collection of customer data, in order to benefit and get to know them, in accordance with their individual behaviour and loyalty. Moreover, the goal is to segment customers to also create specific and relevant benefits, in order to reinforce brand loyalty and consequently, generate higher revenues.

Despite its relevance (table 1, ID 7 and 14), obtaining customers data is only possible if the client is a member of the program or shops online. The connection and contribution of these processes, in the client´s retention are easily visible by the consistency of the green and red line thickness (figure 1).

However, interviewee B states that in an ideal world, "company X's" loyalty would be based on the quality of services and the customer's experience. Notwithstanding, when entering a territory where the company is not the leader, the company must adjust to the leader, in order to stay in the competition. "Interviewee C" also adds that sometimes, due to the size of the company, loyalty has to be much more than the program and that this sometimes has to be seen as a plus, especially when many customers are loyal to companies that do not have loyalty programs.

P2 - Benchmark

The achievement of a continuous benchmark, at a national and international level in the grocery retail sector is fundamental for all respondents. They believe that, as no loyalty should be made without analysing market trends and seeing what the competition is doing, as customers end up making comparisons.

A benchmark done inside and outside of the grocery retail allows companies to obtain innovative ideas, evaluate the customer experience, when possible, and understand if companies are being innovative. Thus, this strategy is fundamental (table 2, ID 4 and 10) to stay ahead of the competitors and retain the clients by improving their experience, as it can be seen by the red lines' thicknesses and term´s connections, in figure 2.

"Company X" and " company Z" take advantage of the fact that they are international to seek knowledge and experience from the countries where they operate. Additionally, "respondent F" informs that "company Z" has a corporate area dedicated to benchmarking, as this is a very dynamic sector in terms of promotions and the acquisition/loss of customers.

Nowadays, as figure 2 shows by the size of the blue circle and connection to the other two main concepts, the benchmark ends up being influenced by the Digital Transformation, as it becomes richer and more comprehensive, and not implying a displacement anymore. Therefore, companies can now analyse international loyalty programs, such as Tesco, which is the great example in the grocery retail sector (figure 2 and table 2, ID 25), through digital assets.

Moreover, "interviewee A" highlights and VOSviewer confirms, essentially through the main blue and red terms, the fact that companies are able to assess how willing the customer is

to migrate from the physical card to the app and how comfortable it is to adopt these new dynamics and ways of obtaining the benefits.

"Interviewee E" thinks that digital eases processes and helps a lot, since in Portugal there are not many grocery retailers with a loyalty program to make an internal benchmark. As observed, on the blue terms of the figure and considered relevant by the software, the pandemic improved and accelerated this possibility of international benchmark and digitalization (table 2, ID 3, 4, 11, 12 and 22).

P3 – Operations Strategy

All three companies have the same basic strategy, which is focused on customer loyalty, with "company Y's" strategy being to be present at all times of consumption, from customers to partnerships. "Company Z" wants to retain and win new customers, regardless of whether they have a card or not, ensuring that they have a unique shopping experience and finally, "company X", in which the strategy is to retain and segment customers by statute and through the quality of the products. All strategies are considered relevant, on table 3, ID 3 & 4, 2 & 9 and 1 & 6, respectively, because all companies desire the same.

The operational strategy is considered the most important one by most of the interviewees, even if it is not visible on table 3, ID 25 and consequently, given the number of occurrences, on the size of the green circle shown, in figure 3. Without this strategy there is no way to get the idea to the customer and guarantee consistency in the different stores. However, it has to be ensured that it is feasible in the store. Nevertheless, "respondent C" states that the success part of the program has to do with simplicity and relevance, and that this has to do with the operationalization of the teams. Therefore, the interviewee sees marketing as the most important strategy since the company is selling the loyalty program and all its advantages.

Even if this opinion is supported by the VOSviewer´s analysis, which can be seen (figure 3) by the connections between the main green terms that correspond to "respondent C´s" statement, the other participants do not share the same point of view. In contrast, "respondent F" is of the opinion that this strategy does not exist and that there is a mandatory company strategy, the price, the objective being to offer operational excellence and communicate with customers.

In order to make these ideas operational, "company Y", through a central team, creates the actions in a system and then applies them in the stores, which are not included during the implementation and development, and through collaborations with external entities, for a different thinking. Consequently, from figure 3 it can be concluded, by the path of the green

line to the red line, that the purpose of those external collaborations is, for example, the creation of value to the company and the possibility to offer more discounts and benefits, which is the biggest loyalty strategy (table 3, ID 4 and 10).

At "company Z", the viability of the ideas goes through a teamwork with the operations department, so that it is implemented in the store and finally, "company X" tests what it wants to attribute to customers, with the store team and IT, because the loyalty program changes the way customers make purchases and teams need to be formed. "Company X" also uses a tool that analyses whether it is possible or not to apply the program and the adjustments needed. However, all participants agree that it is difficult to transform the strategy in reality, in store.

P4 – Team Organization

The importance and need for the organization to form a multi-disciplined team, in this context, is an acquired fact among the interviewees. The loyalty program has specific functions and objectives, so it is necessary to gather the necessary skills (table 4, ID 6) for its implementation and maintenance, as each person has a different contribution, especially when the objective is to change from a physical card to a digital one.

For "interviewee A", there must be a team leading the transformation and the others are immersed in the processes, because even not managing the transformation they need to understand that the way of doing business will change. On the other hand, "interviewee E" believes that it is not necessary to include the store team. Some of the fundamental departments for the implementation of the loyalty program mentioned in common by the interviewees are the operational team, IT, communication, business strategy, digital, loyalty and stores.

As for Digital Transformation, this has a positive impact (table 4, ID 8) and it is related to the organization of teams, in the sense that without this transformation, for example, now in the pandemic companies would not have been able to work and guarantee the success of their operations and consequently, the success of the final product. Even if this example comes from the interviews it is also possible to reach the same thought by interpretating the red line´s connections around the main term, "company" (figure 4). However, "interviewee C" does not see a big difference in terms of team organization, but in the final product, as he will live in digital.

In addition, the main terms of figure 4, which are "program", "department" and "team organization" connected to "digital team" describe "interviewee A´s" opinion that the concepts are related, as it takes several teams to make this transformation and it always has a positive impact.

Finally, "interviewee E" states that it is necessary to bring another type of competence to support this Digital Transformation, since another agility is needed in the development of new features. Once again, this affirmation is strongly evidence, on the same figure, by the connections and their thicknesses, coming from the main circle, "program", to the mentioned terms.

P5 – Financial Aspects

Implementing a loyalty program represents a big investment, towards other goals. Therefore, it is important to carry out a business case, as it is necessary to know if it will create value. "Interviewee F" states that the benefits stage is something managed, at the moment, according to the needs and evolution of the market. However, "interviewee A" supported by "interviewee D" is of the opinion that before thinking about numbers there must also be sensitivity, as companies already know what they can support at a promotional level (table 5, ID 5, 6 and 7).

Additionally, "interviewee D" adds that at "company Y" they first test for free with the clients, to measure the impact and see if it adds value. Only then they take it into account as a benefit that will be part of the budget.

With the help of figure 5, more specifically the purple lines connecting to the blue and yellow terms as well as with each other, it is also possible to understand that to stay in the budget without compromising the customers retention, forming collaborative alliances is effective and needed (table 5, ID 16). This strategy also brings more access to data, new customers and brand visibility.

As to the evaluation of its success, companies do it through the results of actions within the program. In "company Z", the initiative must first be approved by an efficient promotion committee. This evaluation is usually weekly and depends on the objective of the action. "Respondents C" and "D" clarify that they assess this success through kpis, such as average expense, which is the most used kpi (table 5, ID 12) and incremental sales, as figure 5 demonstrates through some of the red and purple term´s connections, comparing the behaviour of customers who are part of the loyalty program or the action, with those who are not.

P6 - Target Groups

The three companies claim that the target audience is the entire universe of customers and then, within the program, they begin to segment the customers, since being too generalists

makes it difficult to differentiate themselves. The common objective turns out to be the segmentation and loyalty of customers, especially new ones.

"Interviewee A" points to the fact that "company X's" idea is not for the program to have a target audience, but rather several. Therefore, even if in the software´s analysis the relevance of segmenting customers is almost null (table 6, ID 19), in the implementation of a loyalty program it is consider one of the main steps. It has an impact on the type of interaction, on the means of communication that will be used, as well as the type of actions created, and benefits offered. This statement is supported by figure 6, through the connections between the main green terms, which are "program implementation", "finer segmentation", "customer" and also "data", since the segmentation comes from the knowledge that companies have of the customers; the main blue terms, being "promotion" and "card", which is connected to the "data" and lastly, one of the main red terms, "interaction", that connects to the key word, "consumer".

Therefore, the target audience is segmented through kpis (table 6, ID 8), such as "purchase profile" and "age". Based on that, actions are activated, and the difficult part is prioritizing, as it is not possible to go to all clients at the same time. For "interviewee D", the public is the basis of everything because if there are no customers there is no loyalty program and in this sector, it is crucial to have one (table 6, ID 2).

Hence, respondents are of the opinion that Digital Transformation has fewer implications and that it is not fully related, as it can be seen on table 6, ID 12, its relevance. Nonetheless, they emphasize that Digital Transformation helps to obtain more data, which subsequently allows for a finer segmentation of target audiences because if the customer is using an offline card, that is without personal data, the promotion is not the most efficient. Yet, "interviewee D" says that although digitization is great for the company, the physical part cannot be forgotten, mainly because there is still a universe of customers who are more connected to physical assets. However, the company tries to educate its consumers, in the sense of becoming more digital. Once again, this conclusion and point of view is presented on figure 6 between the most connected themes, with the purple, green and blue colours.

Additionally, "interviewee C" states that "company X" had to make the decision to go digital and assumed that people are the ones that must convert and not companies to adapt.

P7 – Benefits

Before establishing the benefits companies must consider other aspects inherent to the loyalty program and in "company X", the aspects where they start are the benchmark, the definition of the program concept, the business model, with a visible emphasis on return

investment (figure 7) and, as usual, relevance for the customer (table 7, ID 2), through focus groups. "Company Y" starts with the business model, in which they consider the time and resources needed, the relevance for the client and assess the costs with the estimated benefits, in order to reach a breakeven. Finally, "company Z" sees the benefits at the end of the implementation process, starting by defining the target group, their expectations and finally, evaluating the benefits they will offer, so that they achieve those expected results.

These benefits can be decided through the business case, based on the promotional strategy, with the type of partnership idealized, the performance of a benchmark, based on focus groups and also through the analysis of the customer´s behaviour. The market study, through focus groups, is something performed by the three companies, as the data has more quality, since they are customers of the brand. In consequence, from the observed term´ connections (figure 7), this quality enables the implementation of relevant benefits, reaching to the client´s expectations.

To conclude, "interviewee D" highlights the fact that the benefit ends up being the value proposition for the customer, as a loyalty program is always associated with a benefit, so companies always have to guarantee that aspect, in order to attract customers. Figure 7 supports this thought, being evidenced by the circle size of the main terms, "customer" and "benefits", as well as their connections, and also by the relevance showed on table 7, ID 2 and 3. However, for the respondent, this benefit must not only be linked to discounts, but also to other marketing tools, such as language.

The immediately association of benefits to promotions is a fact that is proven by the only two connection that this term has on the already mentioned figure. Given the importance to the customers of having promotions (table 7, ID 1) this will always be an established fact in any loyalty program.

P8 - Collaborative Alliances

From figure 8, it is possible to observe, with the help of the relations between the concepts as well as the terms of the main circles, which are "partnership", "visibility" and "customer", what was concluded by the interviews. It was concluded that establishing partnerships with other companies is a strategy widely used by all companies, as by ensuring that they are present at all times of customer consumption the company gains visibility.

For "interviewee A" and "B", in Portugal it is impossible to think of a loyalty program that does not involve partners, since the two leaders have. This association between brands makes them stronger. It also aims to increase the database, the benefits of customers who have contact

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with the program and increase sales and frequency. Once again, this analysis is supported by VOSviewer, in figure 8, on the red terms.

Despite the software does not recognize its relevance (table 8, ID 6), "company Y" also believes that external knowledge is an asset and that it is worth the investment of hiring an outside team, for a short period of time unlike "company X", in part because its size does not allow it. Therefore, some advantages, from the company's point of view, are having a value proposition that is more competitive for customers, exchange of feedback and brainstorming, and faster development of initiatives.

P9 - Business Analytics

Today, business analytics is considered one of the most important processes, if not the most important as it is the basis of the loyalty program, since without customer data (table 9, ID 24) it is not possible to assemble the program. It is necessary to have a good database (table 9, ID 11), as the value lies in the ability to transform the transactional information that can be obtained in a loyalty program into relevant insights that allow to understand behaviours and the adjustments that can be made to the value proposition.

For "interviewee B", this tool is a condition for having a program, since if there is no measurement it is impossible to have a business case, since it is not possible to know what the base line is. Therefore, everything that "companies X", "Y" and "Z" do go through this area. This is perfectly visible on figure 9 since it is consider the main term by VOSviewer and what connects the three themes.

Concerning the data itself, the terms mentioned on the red theme of figure 9 are easy to interpret and associate to the information collected on the interviews. The data is first collected by the software, at the various points of contact that the customer has with the brand and then analysed through an algorithmic model by competent teams, such as the intelligence and data analytics team. Nevertheless, "interviewee B" alerts to the fact that it is not always possible to collect data from customers, as many choose to shop offline, not letting "company X" analyse the customer and visualize their purchase behaviour in full. Consequently, the relationship with the customer is no longer close and personalized, which is not the intention.

Finally, there are many advantages mentioned with the use of this tool, which can be seen by the number of the term´s occurrence (table 9, ID 12 and 24) and connection of the green main circle to the blue one and consequently, to the smaller blue ones (figure 9). Thus, some of the advantages are to get to know customers better and consequently, create the best promotions and personalized initiatives, so that the customer realizes that they were designed almost

exclusively for him. It also gives more agility and allows to monitor the action and see if it was a success through the customer's behaviour, allowing them to continue, improve or create new ideas.

P10 – Platforms

The opinion that it is necessary for the company to be on several platforms to improve the customer experience was not unanimous by the interviewees, however from figure 10 and complementing with table 10, ID 18 it is possible to conclude by the number of mentions that it is very discussed among them. "Respondents A"," B", "E" and "F" agree that companies have to be in all communication channels and platforms where customers are, in order to make the customer global, in the sense that it can have contact with the brand, in accordance with whatever suits him best at the moment, for example, benefiting from an omnichannel experience.

"Interviewee C", despite agreeing that the company must be on the same platforms as the client, is of the opinion that they have to be on the right ones and not all, since the public no longer values the image of a brand that way.

On the other hand, "interviewee D", at the level of customer centricity, liked to centralize all services on a platform, in order to simplify the relationship and communication with the customer, with digital presence being mandatory, as well as ensuring an omnichannel. The objectives of this strategy are for the company to be closer to the customers, to make promotional activities more dynamic, the customer becomes more autonomous and the store teams efficient.

In addition, figure 10 shows by the lines, that all these goals and processes are linked through the experience offered not only to the clients but also to the employees, being that the meaning of the word changes for the employees. Meanwhile, "interviewee E" adds the fact that this strategy increases the probability of brands being on the platforms that it will gain importance in the future. The advantages are customer capture, learning, satisfaction and experience or none at all, as "respondent E" states that "this is a risky entertainment strategy, in which the expected value of such strategy is greater than the expected value of doing something different".

P11 - Corrective Actions

All interviewees share the same opinion regarding the importance of corrective actions in the loyalty program and the VOSviewer confirms it with the way the lines connect to each

other, in figure 11 and the relevance of the main terms addressed by the participants (table 11, ID 1 - 5).

This opinion is that there is no plan B (table 11, ID 3), but small alternatives, adjustments and knowing how to manage changes and problems, as planning never happens as expected. However, in a project as large as a loyalty program it is not even possible to change everything and start again, due to all the investment made. Therefore, "respondents E" and "F" refer to the importance of using an agile methodology, which is also visible through table 11, ID 4. Both highlight the fact that teams have much more impact on resolving these situations rather than processes. "Interviewee A" adds that the collection of customer data helps a lot to minimize these scenarios, even if for the software its reference and relevance is not significant (figure 11 and table 11, ID 9).

On the other hand, the Digital Transformation facilitates the implementation of these actions when necessary, as it provides agility, flexibility, ease in implementing actions or communicating with customers. Nonetheless, "interviewee F" alerts to the fact that as much as digital helps sometimes it just does not happen. That was the case of Pingo Doce, which took too long to respond to the pandemic and if it should create the online or not. When Mercadão was finally created they had already lost millions, instead of Continente, where its culture is focused on innovation and performance.

Moreover, "interviewee E" believes that this variable is the less relevant, in the Digital Transformation context. This opinion turns out to be common to all interviewees, being able to perceive it by the inexistence of the term, in the VOSviewer analysis.

Digital Transformation and Loyalty Program Variables

These days, a good loyalty program makes a lot of use of information, whether it is to consider what already exists or to launch something new. Without digitization it is impossible to do anything with that information. Thus, the connection between the terms "advantage" and "digitalization", seen in figure 12 can sustain this vision. "Interviewee F" states that Digital Transformation is already over and whoever has not surpassed this transformation has no future, as the present and future is artificial intelligence and how one can predict and anticipate what customers do, and influence purchases. "Interviewee C" emphasizes that without it, the program would not be innovative.

For "interviewee A", the Digital Transformation improves the customer experience, making them more autonomous, responding better to their demands, as they are able to express

themselves better. Also, the company is able to collect more data to set up action plans that meet these expectations and consequently, loyalty.

Therefore, it is possible to conclude from the interviews and the equal thicknesses of the connections observed in the already referred figure, that digitalization gives companies tools to make the program accessible at any time and expand the client´s contact points with the brand, as one of the objectives is to reach all customers. "Interviewee B" recalls that, nowadays, due to the pandemic, it is even more essential for companies to be digital, as it allows them to offer a more comfortable store experience, adapted to reality. This factor is also seen as an advantage, as in this type of loyalty instrument there is more than discounts.

5.2. Conclusions

The scope of this research was not only to validate the proposed framework and the relation of the variables to Digital Transformation, but also to adjust, if suggested, those variables. Regarding the results of the thirteen variables mentioned above and demonstrated in the correspondent figures, their importance was proven by all participants, even though one of the variables, corrective actions, is seen more as a natural management step than an implementation process. However, even so, when asked if it should not be in the framework, the answer was "it should" by five of the six participants.

As this variable, during the interviews it was noticed preferences on some variables, so it was asked to each interviewee their top five implementation processes based on the presented framework. Thus, after organizing the eleven variables through degree of importance, the five most important ones, even if their relevance is not significant for VOSviewer, when implementing a loyalty program are business analytics, target groups, team organization, benefits and operations strategy (table 5.2, ID 9,17, 25, 36 and 39), and the less relevants are the corrective actions followed by collaborative alliances, despite its importance (table 5.2, ID 8 and 29).

All interviewees felt difficulty in naming only five variables since they feel that all are important to the program. In figure 5.1, is possible to understand that despite the importance of some concepts to this research, its relevance may not match. An example is the top five chosen variables mentioned before.

Regarding Digital Transformation and its impact on each variable and consequently, on the loyalty program, the results are more than positive, even if in figure 5.1 and especially, table 12

is difficult to see the connection and relevancy as well as the variables. Team organization and target groups were described having less relation to digitalization by some interviewees.

This analysis realized by VOSviewer regarding the variables of figure and table 12, Digital Transformation and loyalty programs, occur since they are more discussed along with the other variables than together.

Given the results, the hypotheses conducted throughout the state of art are validated in general. For retailers, Digital Transformation associated to a loyalty program is the present and the future as well as a fundamental process for the company´s performance, especially with the pandemic and hence the client´s experience and loyalty, due to the improvement in gathering data, since it is the foundation for any action.

At the end, when asked for suggestions and to validate the framework, all companies validated the proposed conceptual model and its variables.

6. Conclusion, Implications, Limitations and Recommendations

6.1. Conclusions

In general, the proposed framework was validated by all interviewees, confirming the trends and characteristics that were identified throughout the literature review. The interviewees defend the importance of each variable and the positive impact that digitalization has on them, even if in different degrees, as seen in the previous chapter.

The variable's degrees of importance can be influenced on the company's strategy, objectives and resources and, consequently, be used in different ways. Therefore, the sequence of the implementation processes can differ, as three out of six interviewees mentioned.

For "company X", the operations strategy and team's organization are very important stages since one of their goals is to implement a project that aims to teach teams, especially store teams. Teach teams to be thoughtful and proactive with customers, to provide a better experience and to create a long-term relationship. In contrast, although "company Y" finds these two steps important, the store teams, for instance, do not have an active role in the implementation of the loyalty program, more specifically in the operationalization of ideas.

Moreover, the model's acceptance is justified by the three participated companies, especially the impact of the influencer variable, Digital Transformation.

Despite the expected result of this thesis being the proposed framework, the aim of this thesis is also to understand how loyalty can be built in this sector, with the support of Digital Transformation. In order to understand the loyalty issue mentioned in this research, four questions were placed. After combining and interpretating both types of data collected in this thesis, the literature review, the observations done and mainly the interview's results, the research questions can finally be discussed:

RQ1: How can a company in the retail sector transform itself digitally to retain customers today?

Digital Transformation is a change that has been happening for several years now, in order to help improving the value creation, in a very competitive sector. Retaining customers is very difficult in any sector. However, digitalization can contribute to improve the customer's experience and satisfaction and therefore, its loyalty. Thus, the company has to make changes in their processes and business structure, like transforming physical processes and services into

digital ones, by using new digital technologies, for example, the payment, the connection between offline and online means, and communication.

With covid-19, this transformation was forced but necessary, in order to maintain the clients, as the interviewees referred. Despite the challenges, this restructuring allows companies to improve their processes, services, offers, the client´s satisfaction and experience as well as betting on innovation and staying ahead of the competition. However, that transformation and strategy should be based on the market and must consider the client´s perceived value.

RQ2: Which are the most important loyalty programs that companies use?

There are plenty of loyalty programs these days, in order to match the competitors and, consequently, improve the value proposition offered to the clients. The type depends on the company´s vision and means. However, the most used loyalty program is a combination of several ones, which are the reward programs with points, benefits and gamification as well as the partners program.

The reward program with gamification is something relatively new that with digitalization is easier to offer. Yet, the partners program is a requirement, as the interviewees mentioned, since it is adopted by the national and international leaders in order to increase the benefits, the customer´s contact points with the brand and the data collection.

RQ3: Which strategies implemented by companies work better in retaining customers?

Digital technologies, if well implemented, can bring many benefits to the company such as improving financial and service performance and better communication with the customer. It can also provide more data both to the company and to the client with a flawless and innovative purchasing experience by providing convenience and simplicity just as tailored offers. Therefore, in order to succeed, business strategies must be defined, such as operations and marketing strategies, which are the main ones when implementing a loyalty program.

In consequence, some of the strategies that help bring new customers to the companies and maintain the existing ones are the creation of loyalty tools, building a long-term relationship with the clients, generating word-of-mouth communication and creating focus groups. Other strategy is providing training to the teams since the type of speech, knowledge and behaviour are other engagement tools. However, despite all the actions taken to satisfy the customer, it is known that a client´s loyalty is difficult to obtain, especially loyalty to just one brand.

RQ4: Knowing that companies value loyalty, what processes do companies use to make this happen?

Apart from the implementation processes mentioned in the proposed framework, companies also perform focus groups, to gather data such as the client´s preferences and to test benefits or services before implementing. Consequently, co-creation and co-production are increasingly used. Many companies include the clients in the process, so they feel part of the process and company, which also ends by increasing the probability of success, since it is based on their opinion and taste.

From all the implementation processes, the business analytics is one of the most important processes to improve loyalty since it provides information about the clients and their behaviour, which allows companies to personalize the client´s experience in almost every process of a loyalty program making it more relevant to them as well as making the client feel unique and special to the brand.

Today, the process is more digital. However, the companies still give a special importance to tangible aspects since their business is mainly related with primary products, which makes many customers still prefer the physical process.

6.2. Theoretical and Practical Implications

The theoretical contribution of this thesis is the creation of a validated loyalty framework, in a digital transformation context. The framework aims to be useful for future researchers and enterprises since its purpose is to contribute in a more extended way to the sector as well as to fulfil research gaps, both theoretical and practical, found in the literature review.

Regarding the managerial implications, some are connected to the theoretical contribution since, with the validation of the framework, recommendations are given to the companies. This research provided a deeper knowledge regarding loyalty programs and the practical importance of each proposed variable. Moreover, other managerial implications are obtaining positive financial performances because of an effective program as well as satisfied and loyal customers.

With business analytics it is possible to gather more accurate information regarding the customer´s shopping behaviour and preferences, for instance the most used products, platforms and communication means, allowing the segmentation and creation of relevant and

personalized benefits and processes, like discounts or gamification in the customer´s favourite products. This concept is part of the customer´s interest, in the first place.

Moreover, it enables the development and improvement of the services with digitalization, such as providing a multi or omnichannel experience as well as more contact points. This are strategies applied in order to facilitate the customers shopping experience. A client can shop in a grocery store with only their smartphone, not needing to stop for payment. Digitalization makes these processes possible.

Finally, another important practical implication is the optimization of the loyalty program´s implementation process since it is based on practical research and not only on theoretical given that the participants contributed with their opinions and suggestions. The participants main suggestion was regarding the corrective actions not being mandatory for the implementation process since they are part of the day-to-day process of implementing and managing a program.

From all the relevant contributions of this dissertation, it is important to highlight the loyalty framework. Although based on the Berman´s model, this framework adds several other variables. Being designed for a context of innovation, associated with the Digital Transformation, it proves to be robust through the way it was built and the validation process to which it was submitted.

6.3. Limitations

The thesis research context is specific to loyalty programs in the grocery retail sector of Portugal. Consequently, the state of art, the proposed framework and the investigation findings are limited to this industry and country. Thus, this aspect can be seen as the main limitation of this thesis. Connected to this limitation is the reduced number of companies that participated in this study, making impossible to also perform a benchmark analysis. Although other companies have been invited, they have refused to join the study due to the pandemic situation.

In addition, the limited duration of the interviews as well as the confidentiality issue did not allow to fully discuss the proposed model´s variables to what would be desirable, considering all its extension and richness.

Despite the presence of "company X", "company Y" and "company Z" and their representatives being crucial to achieve the goals of this thesis, a larger number of participants would naturally enrich and, consequently, validate, even more, the study conducted and its results. Moreover, the identification of a practical gap, in the literature, regarding the research theme, was also seen, in the beginning, as an obstacle and limitation. However, it quickly

became an opportunity to develop this thesis leading to its success.

6.4. Recommendations

Digitalization is important and brings many advantages to the company and its clients. However, one of the main recommendations for "company X" and for the grocery retail sector, in general, is not to focus excessively on being digital since the core business of grocery retailers is to sell the products. As "interviewer C" mentioned, this type of market will always have physical assets because people want to experience those products and the service, as well as having a close relationship to the brand. The "interviewer D" reenforced these aspects by mentioning that most customers still prefer the physical card and that cannot be ignored, especially since this sector covers all ages.

An additional recommendation, which comes from the observation of "company X", is the importance of companies following, from the beginning, an implementation process of the loyalty program in order to be efficient and effective. Many of the steps needed to implement a program are related or depend on other phases. For example, to determine the benefits, the company should take into consideration the economic factor, such as the budget available and the business case, and also the target audience, with a segmentation and an understanding of the company´s objectives. This conclusion was reached mainly through interviews.

Furthermore, companies should focus on having a top business analytics since it is their main source of information, for implementing and maintaining a relevant and successful program. They can understand the client´s purchase behaviour by having their average of spend and number of visits, types of products chosen and platforms used, for example.

Finally, the last suggestion is that companies should be careful when performing benchmarks, as competitors or the different sectors, on which the company is based, may have different objectives and resources, which makes it unwise to apply strategies that may be too specific. The interviewees from "company X" mentioned this aspect and gave the example of the market leader, that because of their size, their partners pay to have a collaboration with them, while "company X" is not yet at that level. This collaboration originates more benefits, for the clients and brand awareness for the company, using less resources. "Company Y´s" interviewees validated this.

Nonetheless, all companies agree that sometimes clients should participate with their opinion. An example is the creation of focus groups, in some implementation processes of the

proposed loyalty framework, such as the benefits, platforms and communication means, in order to obtain a validation or not, of the company´s ideas.

As recommendations for further studies, the main suggestion is to validate this framework, in other retail sectors as well as using a larger and more diverse, international and national, sample. However, since the sectors are different and, consequently, the objectives and strategies are distinct, it may also be interesting and necessary to investigate which variables have to be added for each of the sectors or to assess the feasibility of creating a universal loyalty framework for the retail sector. Furthermore, it is also proposed the study of this theme in the customer´s perspectives since the loyalty program is built for the customer, aiming its retention. Besides that, their perception of the value proposition can differ from the company´s viewpoint.

At last, considering the current situation in which we live in, it would be interesting to analyse the impact that covid-19 had on the grocery retail sector regarding customers loyalty and Digital Transformation since both sides have had to adapt to the changes made in their day-to-day life. For instance, losing clients to competitors because of proximity or availability of the wanted products and adapting their shopping behaviour, such as from physical to digital (Pantano et al., 2020). This impact can also change the type of loyalty programs used by the companies from now on.

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Appendices

Appendix A - Interview Script

Interview Option 1 – Company with Loyalty Program

1. Does the company currently have a loyalty program?

- **If yes:** Why did the company created one? What were the objectives? Was one of them customer loyalty?

2. When creating a loyalty program, are financial aspects (budget) something that should be outlined immediately?

- **If yes:** Why? How does the company evaluate and compare the results before and after the implementation?
- **If not:** Why? What stage does the budget go into?

3. Having said that, do you consider that it is important that the company carries out a benchmark regarding the loyalty strategies (e.g. type of program, partnership or customer-centric) used in the sector, so that the best ones can be applied?

- **If yes:** Why? Was this something that the company did for the program?
- **If not:** Why? However, has the company ever performed one?

- How is Digital Transformation related to a benchmark?

4. Speaking of loyalty strategies, what is the company´s strategy? And at the level of operations strategy, how does the company operationalize these ideas? Do you think that this type of strategy is the most important when implementing a loyalty program?

- **If yes:** Why?
- **If not:** Why? Which one do you consider the most important type of strategy when implementing a loyalty program?

5. Do you consider that when the company is facing a Digital Transformation, in the context of loyalty, it is important to look at your organization and form a team with individuals from different departments instead of a team from a single department?

- **If yes:** Why? Which department(s) do you think are necessary to implement a program and how are the teams organized?
- **If not:** Why?

- What impact does the Digital Transformation have on the organization of teams? Is it related?

6. Just as it is important to organize the teams, is it also essential to understand which is the target audience of the program?

- **If yes:** Why? How is determined? Does the decision of the target audience impact other steps in the implementation of the program?
- **If not:** Why? The company does not focus on a category of customers who know they are less active, despite being universal?

- Is Digital Transformation related and has a positive impact on the determination of the target audience? How?

7. Another aspect that needs to be considered is the benefits that the program offers?

- **If yes:** Why? How does the company decide on the best benefits to offer to the customers and how does it structure this step? Before establishing the benefits, were there other aspects considered?
- **If not:** Why? Are not benefits a crucial factor in customer loyalty?

8. Following the previous question, was one of the strategies used, by the company, to improve the loyalty of customers was to develop partnerships with other companies?

- **If yes:** Why? What was the purpose and what were the advantages?
- **If not:** Do you think this strategy is not important or not always advantageous?

9. Business analytics, that is, data collection and data analysis, is one of the most important implementation processes of a loyalty program?

- **If yes:** Why? Assuming that the company uses this process, what were the advantages? How does the company process these data removed, now with Digital Transformation?
- **If not:** Why? Which would you say is one of the most important?

10. Currently, due to Digital Transformations and new communication technologies, mainly in this sector, companies have to be present on various platforms to improve the customer experience. Is this implementation process part of the company´s loyalty program?

- **If yes:** What is the goal? Which channels does the company uses, how can they be used and what advantages have they brought?
- **If not:** Why?

11. Although the goal is to create an efficient and successful loyalty program, the truth is that it is only known after being implemented. Considering that there is always this uncertainty, in the company´s loyalty program, one of the steps was to create corrective actions?

- **If yes:** Which ones? Is it really important to have a secondary plan?
- **If not:** Why? Which one is it?

12. Now, in a more general context, would you say that the Digital Transformation was and is fundamental to create an innovative loyalty program that satisfies the customer and is a success at the same time?

- **If yes:** Why? Highlight the most relevant aspects.
- **If not:** Why?

13. On the basis of this proposed framework that I presented to you, can you validate its usefulness and structure?

14. What are the 5 most important implementation processes for you in this framework?

15. Finally, do you have any suggestion of another variable that might be relevant or another aspect that you would like to recommend?

Interview Option 2 – Company without Loyalty Program

1. Does the company currently have a loyalty program?

- **If not:** Why has the company never adhered to a tool like this that aims to retain and bring new customers?

2. What are the company´s objectives? Is customer loyalty one of them?

3. When the company intends to improve customer´s loyalty to the brand, the financial aspects (budget) are something that should be outlined immediately?

- **If yes:** Why? How can the company evaluate and compare results before and after this improvement?
- **If not:** Why? At what stage of planning does the budget enter?

- What impact does Digital Transformation have on the budget?

4. Do you consider that it is important for the company to benchmark the loyalty strategies (e.g., partnerships, customer-centric or benefits) used in the sector, so that the best ones can be applied?

- **If yes:** Why? Is this something that the company has already accomplished?
- **If not:** Why? However, has the company ever performed one?

5. What is the company´s strategy, loyalty or marketing, to retain and bring new customers, since it does not have a loyalty program? Is operations strategy the most important when talking about customer loyalty?

- **If yes:** Why?
- **If not:** Why? What do you consider the most important type of strategy when implementing a loyalty program?

6. Do you consider that when a company is facing a Digital Transformation, in the context of loyalty, it is important to look at your organization and form a team with individuals from different departments instead of a team from a single department?

- **If yes:** Why? Which department(s) do you think are necessary to implement a program and how are the teams organized?

- **If not:** Why? What impact does Digital Transformation have on the organisation of teams?

7. When the company applies loyalty strategies it is essential to understand which is the target audience?

- **If yes:** Why? How is determined? Does this decision have an impact on other stages of the strategy (e.g., type of initiative, benefits or partnerships)?
- **If not:** Why? The company does not focus on a category of customers who knows they are less active, despite being universal.

- Is Digital Transformation related to and has a positive impact on the determination of the target audience?

8. When it comes to customer loyalty, are benefits for customers fundamental?

- **If yes:** Why? How does the company decide on the best benefits to offer to the customers and how does it structure this step? Before establishing the benefits, were there other aspects considered?
- **If not:** Why? Are not benefits a crucial factor in customer loyalty?

9. One of the strategies to improve customer loyalty can be developing partnerships with other companies?

- **If yes:** Is this something the company does? Why, what is the objective and what are the advantages?
- **If not:** Why? Do you think that this strategy is not important or is not always advantageous?

- What impact does Digital Transformation have on partnerships?

10. Business analytics, that is, data collection and data analysis, is one of the most important processes to increase customer loyalty?

- **If yes:** Why? Assuming that the company uses this process, what were the advantages? How does the company process these data removed, now with Digital Transformation?
- **If not:** Why? Which would you say is one of the most important?

11. Currently, due to Digital Transformations and new communication technologies, mainly in this sector, companies have to be present on various platforms to improve the customer experience. This process is applied by the company?

- **If yes:** What is the goal? Which channels does the company uses, how can they be used and what advantages have they brought?
- **If not:** Why?

12. Although the goal, when creating strategies or loyalty tools, is the success of them, the truth is that it is only known after implemented. Considering that there is always this uncertainty, has the company already created corrective actions?

- **If yes:** What were? It is really important to have a secondary plan?
- **If not:** Why?

- What impact does Digital Transformation have on the creation of corrective actions?

13. Now, in a more general context, would you say that Digital Transformation is fundamental to create strategies and loyalty tools, which are innovative, improve the customer experience and a success at the same time?

- **If yes:** Why? Highlight the most relevant aspects.
- **If not:** Why?

14. On the basis of this proposed framework that I present to you, can you validate its usefulness and structure?

15. What are the 5 most important implementation processes for you in this framework?

16. Finally, do you have any suggestion of another variable that might be relevant or another aspect that you would like to recommend?

Appendix B - VOSviewer Analysis

Table 1 - P1: Term´s Relevance

P1: Outline the Objectives			
ID	Term	Occurrences	Relevance Score
1	Transaction	2	2.1222
2	Term	2	1.968
3	Knowledge	2	1.9555
4	Discount	2	1.9079
5	Promotional Tool	2	1.8757
6	Information	2	1.8413
7	Data	2	1.7883
8	Moment	2	1.7458
9	Advantage	2	1.7349
10	Card	8	1.33
11	Segment	2	0.987
12	Brand Loyalty	3	0.335
13	Ultimate Goal	3	0.335
14	Customer Data	2	0.3325
15	Field Behavior	2	0.3325
16	Higher Revenue	2	0.3325
17	New Customer	2	0.3325
18	Relevant Benefit	2	0.3325
19	Respondent	2	0.3325
20	Segment Customer	2	0.3325
21	Main Objective	2	0.3314
22	Customer Loyalty	6	0.2911
23	Database	3	0.1231
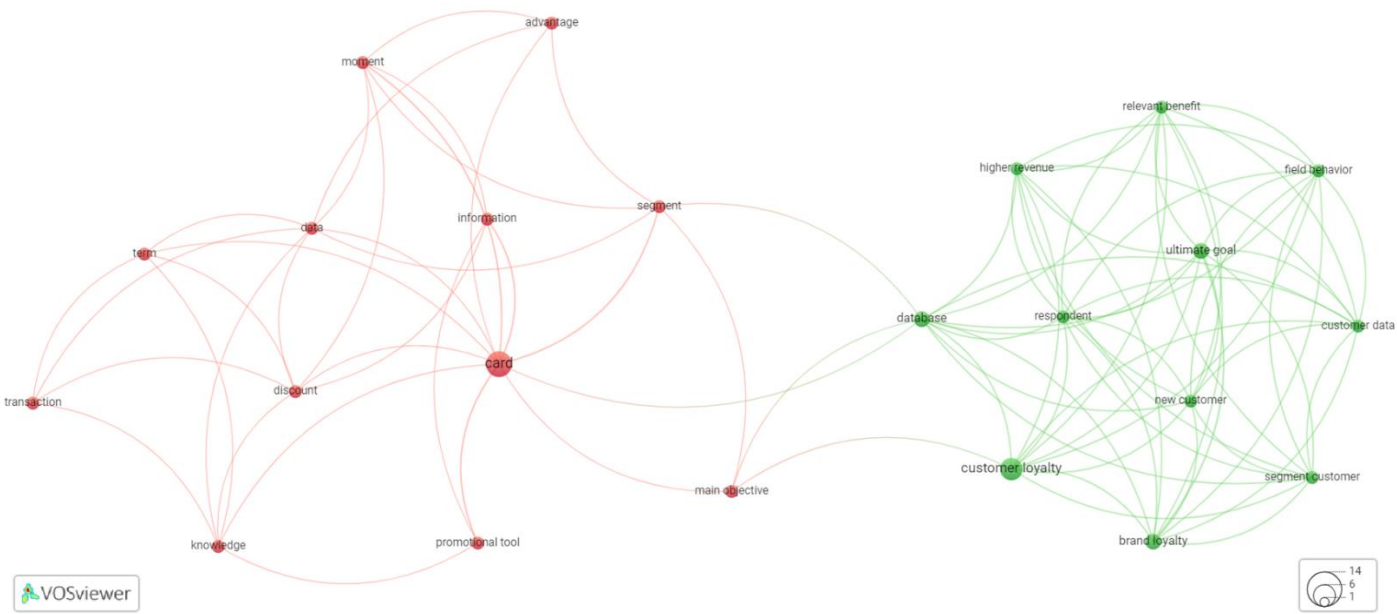
Figure 1 – P1: Main Themes and Connections

Table 2 – P2: Term´s Relevance

P2: Benchmark			
ID	Term	Occurrences	Relevance Score
1	Food	2	1.6515
2	Pandemic	2	1.6515
3	E commerce	2	1.5149
4	Bench	2	1.4181
5	Coupon	3	1.2717
6	Address	2	1.1581
7	Card	3	1.1212
8	Digital Facilitate	2	1.0711
9	Displacement	2	1.0711
10	Internal Benchmark	2	1.0711
11	New Dynamic	2	1.0711
12	Digital Asset	3	1.0596
13	Food Retailer	3	1.0596
14	Benefit	3	1.0082
15	Challenge	2	0.9369
16	Physical Card	3	0.9228
17	Achievement	2	0.8972
18	Acquisition	2	0.8972
19	Comparison	2	0.8972
20	Corporate Area	3	0.8972
21	Innovative Idea	2	0.8972
22	International Level	2	0.8972
23	Knowledge	2	0.8972
24	Promotion	3	0.8972
25	Tesco	5	0.8656
26	Differentiator	3	0.7829
27	Advantage	4	0.6983
28	Customer Experience	4	0.6983
29	Market Trend	3	0.6929
30	Digital Transformation	12	0.6546
31	Product	2	0.3712
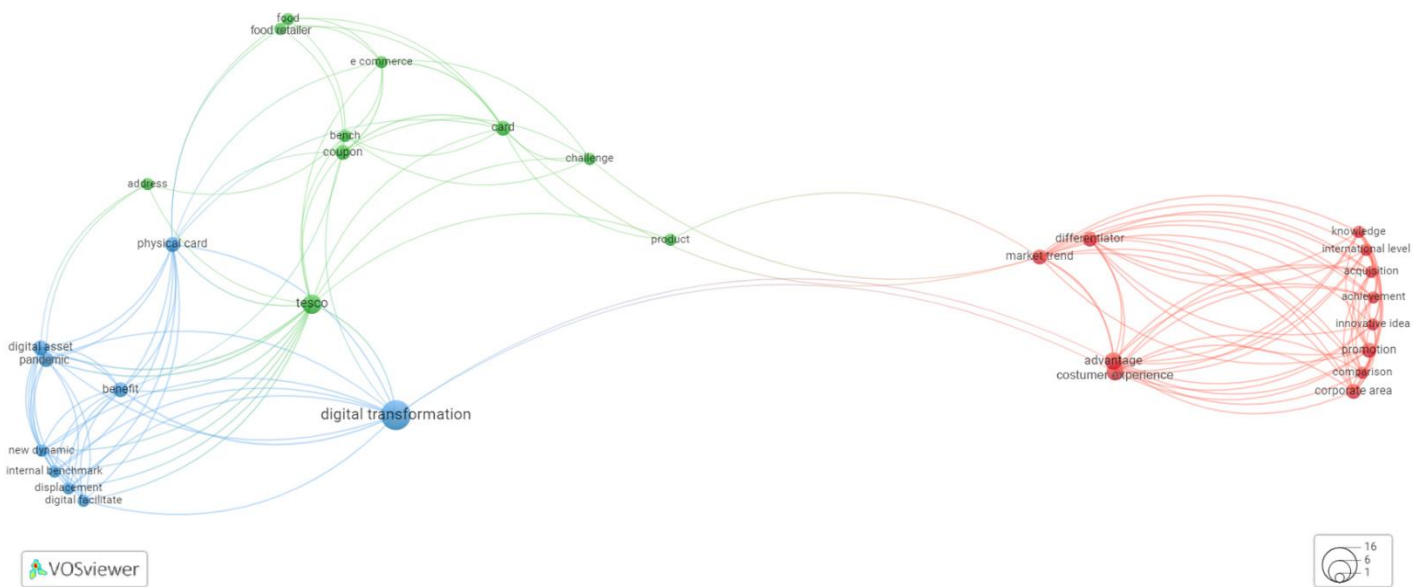
Figure 2 – P2: Main Themes and Connections

Table 3 – P3: Term´s Relevance

P3: Operations Strategy			
ID	Term	Occurrences	Relevance Score
1	Quality	4	1.7053
2	New Customer	3	1.6924
3	Consumption	3	1.6782
4	Partnership	3	1.6782
5	Food	3	1.4675
6	Statute	4	1.3797
7	Benefit	3	1.2712
8	Product	6	1.205
9	Card	7	1.1879
10	Loyalty Strategy	4	1.0071
11	Ecosystem	3	0.987
12	Promotion	5	0.9844
13	Development	3	0.8988
14	Implementation	3	0.8988
15	System	3	0.895
16	Operations Department	3	0.8917
17	Store Team	3	0.8913
18	Central Team	4	0.7674
19	Relevance	4	0.7587
20	Simplicity	3	0.7587
21	Value	3	0.7322
22	Idea	13	0.7154
23	Brand	4	0.7121
24	Operational Excellence	3	0.6312
25	Operational Strategy	4	0.6312
26	Marketing	3	0.5593
27	External Entity	3	0.5591
28	Discount	3	0.455
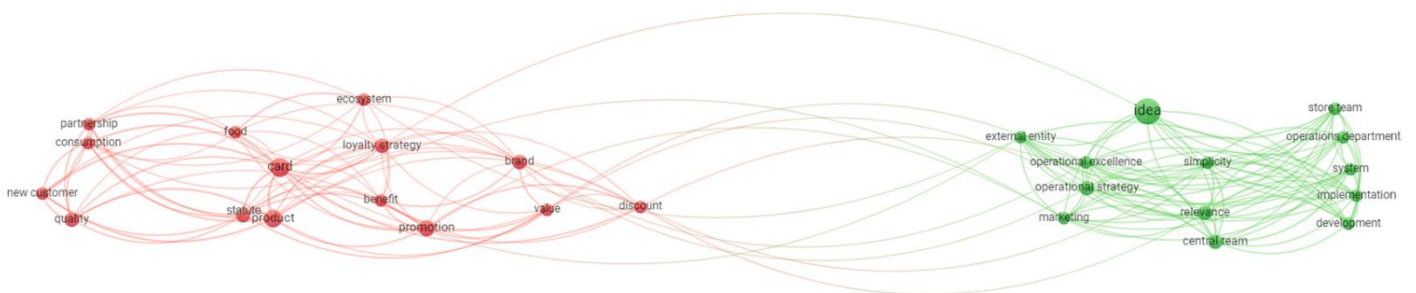
Figure 3 – P3: Main Themes and Connections

Table 4 – P4: Term´s Relevance

P4: Team Organization			
ID	**Term**	**Occurrences**	**Relevance Score**
1	Implementation	4	1.9609
2	Importance	4	1.9609
3	Operational Team	4	1.9609
4	Physical Card	4	1.9609
5	Store Team	4	1.9609
6	Skill	8	1.1437
7	Competence	3	0.9876
8	Positive Impact	4	0.9876
9	Final Product	4	0.9736
10	Success	4	0.9505
11	Product	3	0.9276
12	Digital Team	3	0.8921
13	Department	14	0.859
14	Development	4	0.825
15	New Feature	4	0.825
16	Operation	6	0.7581
17	Agility	5	0.7204
18	Customer	4	0.6392
19	Area	9	0.5991
20	Project	6	0.5745
21	Company	8	0.5706
22	App	4	0.4609
23	Team Organization	17	0.4573
24	Program	22	0.0436
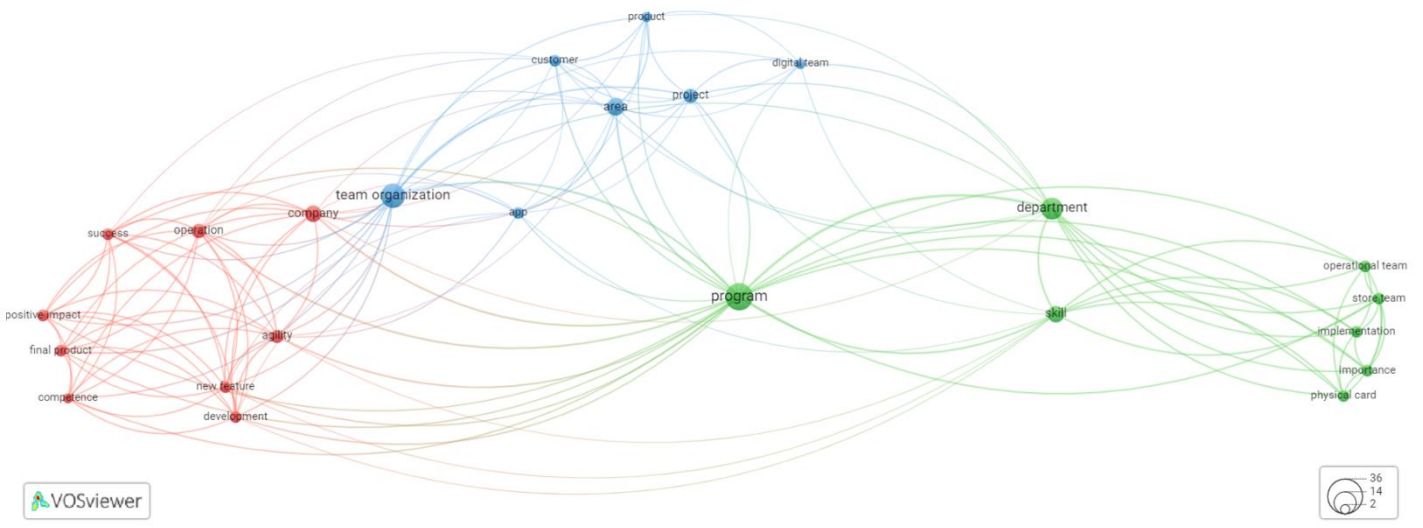
Figure 4 – P4: Main Themes and Connections

Table 5 – P5: Term´s Relevance

ID	Term	Occurrences	Relevance Score
	P5: Financial Aspects		
1	Outset	4	3.3908
2	Store	4	2.3925
3	Program Implementation	6	1.4944
4	Customization	4	1.3095
5	Margin	8	1.26
6	Promotional Level	4	1.2108
7	Sensitivity	4	1.2108
8	Segment	6	1.1941
9	Initiative	4	1.0985
10	Success	4	1.0978
11	Financial Part	4	1.078
12	Average Expense	4	1.0119
13	Reality	4	1.0111
14	Access	4	0.9902
15	Brand	4	0.9902
16	Partnership	4	0.9902
17	Control Group	4	0.8846
18	Planning	4	0.8742
19	Brochure	4	0.8591
20	Management	4	0.8063
21	Evaluation	6	0.7985
22	KPI	4	0.7589
23	Level	6	0.7416
24	Incremental Sale	6	0.7388
25	Loyalty	6	0.7141
26	Moment	6	0.6576
27	Company	24	0.6202
28	Partner	6	0.6153
29	Person	4	0.5756
30	Action	12	0.5506
31	Group	6	0.3951
32	Process	6	0.3575
33	Implementation	8	0.3211

Figure 5 – P5: Main Themes and Connections

Table 6 – P6: Term´s Relevance

P6: Target Groups			
ID	Term	Occurrences	Relevance Score
1	Decision Impact	3	3.9209
2	Program Implementation	3	3.9209
3	Average Spending	4	0.9989
4	Common Objective	4	0.9989
5	Difficult Part	4	0.9989
6	E commerce Path	4	0.9989
7	Implementation	4	0.9989
8	KPI	4	0.9989
9	Interaction	5	0.8753
10	Positive Impact	7	0.7999
11	Entire Universe	5	0.799
12	Digital Transformation	15	0.5317
13	Discount	4	0.5204
14	Card	7	0.4777
15	Offline Card	3	0.4675
16	Personal Data	3	0.4675
17	Physical Asset	3	0.4675
18	Digitization	4	0.4668
19	Finer Segmentation	4	0.4668
20	Implication	4	0.4663
21	Universe	4	0.4656
22	Data	6	0.4604
23	Promotion	7	0.4558
24	Person	15	0.3808
25	Consumer	7	0.3744
26	Store	5	0.3013
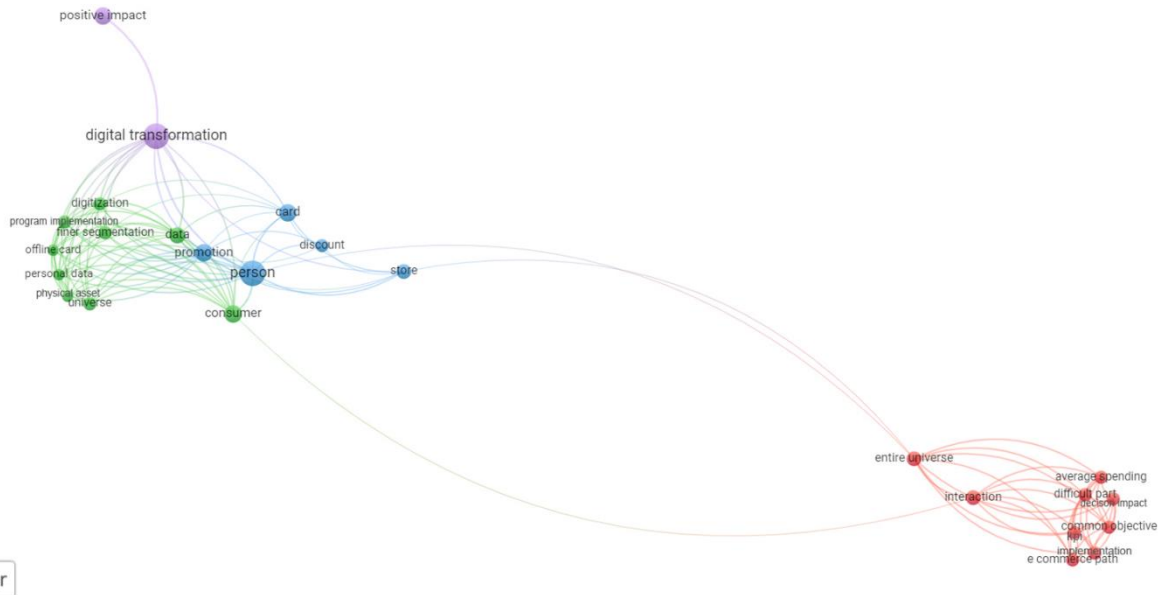
Figure 6 – P6: Main Themes and Connections

Table 7 – P7: Term´s Relevance

	P7: Benefits		
ID	Term	Occurrences	Relevance Score
1	Promotion	3	12.2214
2	Customer	15	2.4015
3	Benefit	40	2.305
4	Cost	4	0.0838
5	Estimated Benefit	4	0.0838
6	Resource	4	0.0838
7	Business Model	4	0.0701
8	Company	3	0.0701
9	Customers Behavior	3	0.0701
10	Definition	3	0.0701
11	Expectation	3	0.0701
12	Implementation Process	3	0.0701
13	Performance	3	0.0701
14	Quality	3	0.0701
15	Relevance	3	0.0701
16	Return Investment	3	0.0701
17	Target Group	3	0.0701
18	Partnership	5	0.0495
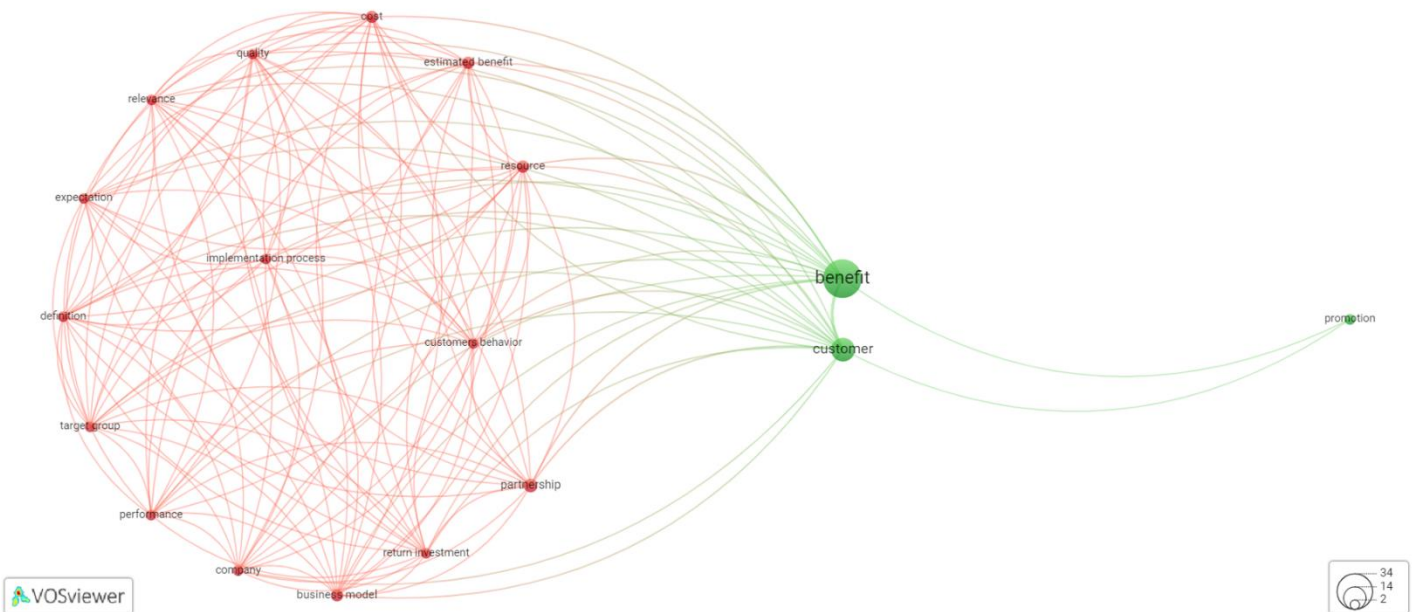
Figure 7 – P7: Main Themes and Connections

Table 8 – P8: Term´s Relevance

P8: Collaborative Alliances			
ID	Term	Occurrences	Relevance Score
1	Collaborative Alliances	14	5.2313
2	Person	5	4.3267
3	Goal	4	2.6
4	Customer	12	0.385
5	Customer Consumption	3	0.1602
6	External Knowledge	3	0.1602
7	Faster Development	3	0.1602
8	Feedback	3	0.1602
9	Increase Sale	3	0.1602
10	Initiative	3	0.1602
11	Investment	3	0.1602
12	Outside Team	3	0.1602
13	Partnership	12	0.1353
14	Visibility	6	0.0397
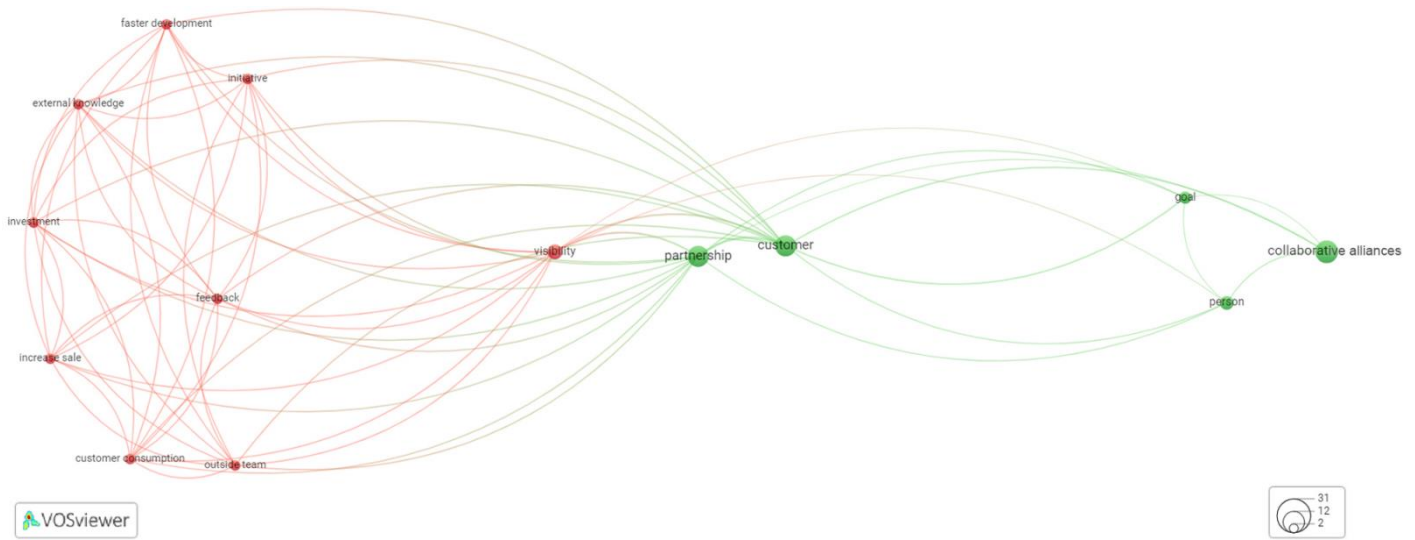
Figure 8 – P8: Main Themes and Connections

Table 9 - P9: Term´s Relevance

ID	Term	Occurrences	Relevance Score
	P9: Business Analytics		
1	Initiative	3	1.8249
2	Success	3	1.8249
3	New Idea	4	1.6323
4	Agility	5	1.5657
5	Action	5	1.5374
6	Best Promotion	4	1.5374
7	Adjustment	4	1.2831
8	Relevant Insight	4	1.2831
9	Transactional Information	4	1.2831
10	Area	3	1.2234
11	Good Database	3	1.2234
12	Advantage	10	1.1535
13	Value	5	1.1503
14	Brand	3	0.5571
15	Competent Team	3	0.5571
16	Contact	3	0.5571
17	Data Analytics Team	3	0.5571
18	Offline	4	0.5571
19	Purchase Behavior	3	0.5571
20	Relationship	3	0.5571
21	Algorithmic Model	4	0.5264
22	Software	5	0.4983
23	Intelligence	4	0.4579
24	Data	22	0.0955
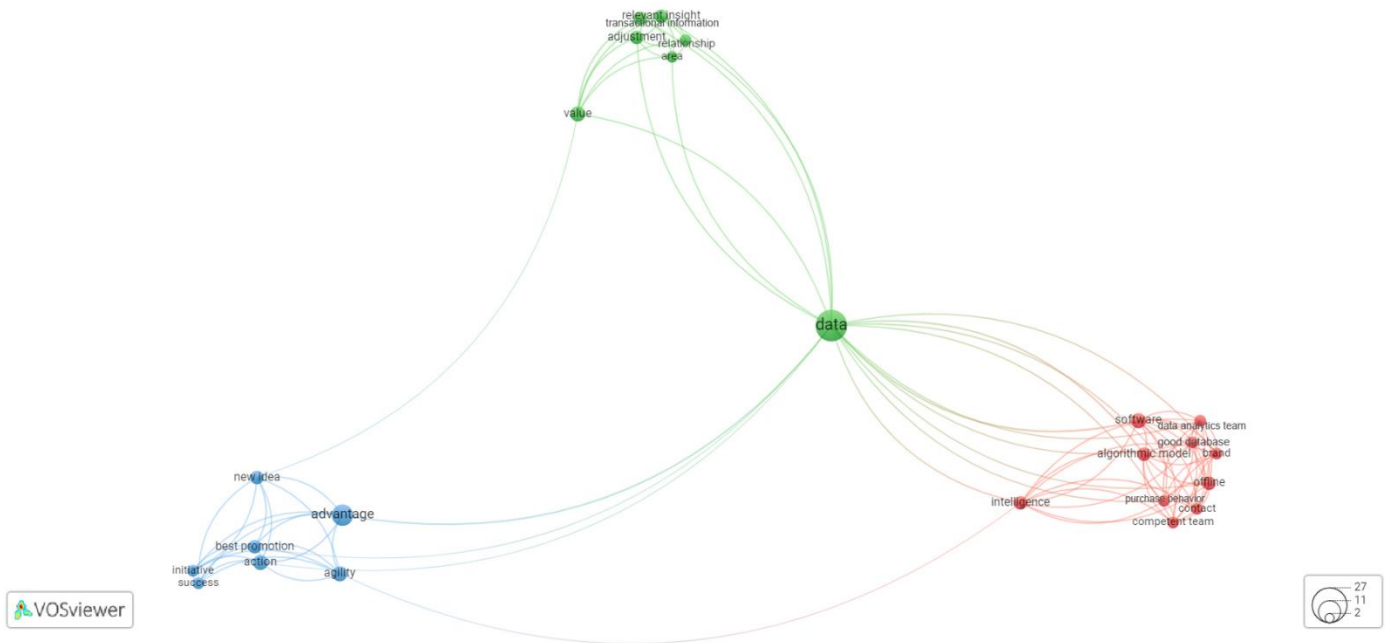
Figure 9 – P9: Main Themes and Connections

Table 10 – P10: Term´s Relevance

P10: Platforms			
ID	Term	Occurrences	Relevance Score
1	Communication Channel	3	1.7534
2	Digital Presence	3	1.7534
3	Level	3	1.7534
4	Moment	3	1.7534
5	Public	3	1.7534
6	Relationship	3	1.7534
7	Service	3	1.7534
8	Future	4	0.5867
9	Importance	4	0.5867
10	Probability	4	0.5867
11	Strategy	4	0.5857
12	Value	6	0.5857
13	Customer Capture	3	0.571
14	Promotional Activity	3	0.571
15	Satisfaction	3	0.571
16	Advantage	9	0.535
17	Store Team	4	0.5193
18	Experience	9	0.0276
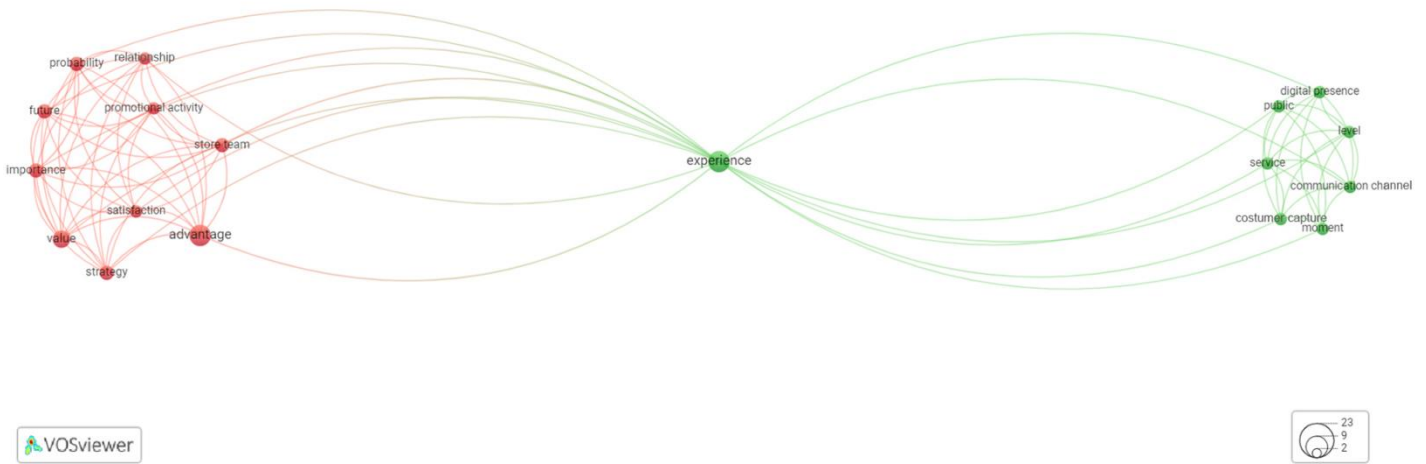
Figure 10 – P10: Main Themes and Connections

Table 11 – P11: Term´s Relevance

ID	Term	Occurrences	Relevance Score
P11: Corrective Actions			
1	Corrective Action	22	3.6139
2	Program	8	2.9343
3	Plan B	10	1.9533
4	Agility	6	0.8866
5	Customer	6	0.8244
6	Change	5	0.743
7	Process	5	0.6924
8	Collection	3	0.4836
9	Customer Data	3	0.4836
10	Implementation	3	0.4836
11	Importance	3	0.4836
12	Investment	3	0.4836
13	Project	3	0.4836
14	Situation	3	0.4836
15	Small Alternative	3	0.4836
16	Team	3	0.4836

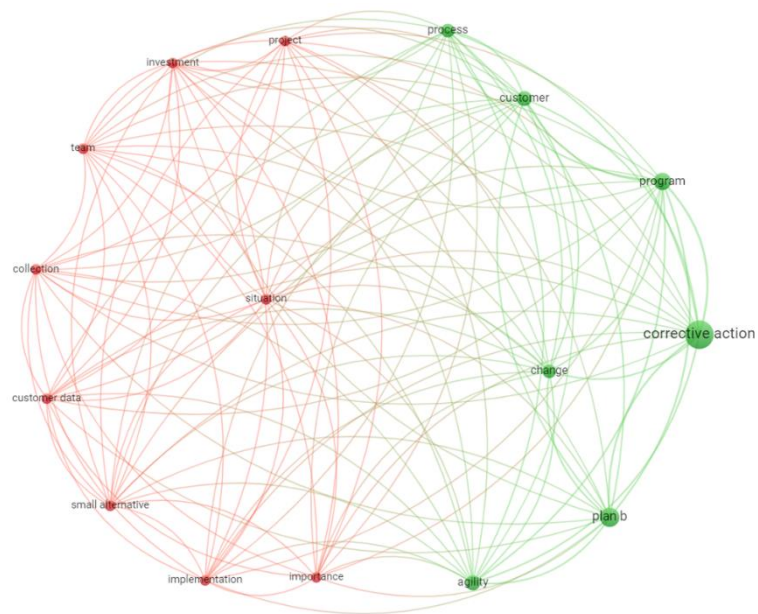Figure 11 – P11: Main Themes and Connections

Table 12 – D.T& L.P: Term´s Relevance

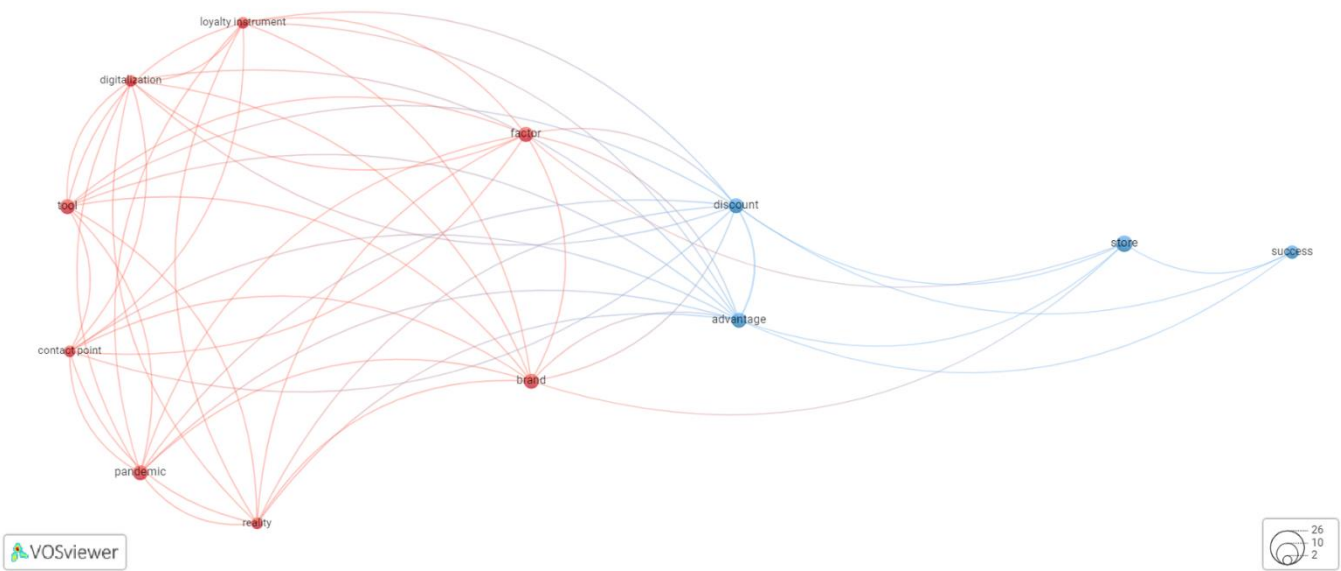| Digital Transformation & Loyalty Program			
ID	Term	Occurrences	Relevance Score
1	Success	4	0.2789
2	Store	6	0.2423
3	Brand	5	0.1562
4	Factor	5	0.1562
5	Advantage	5	0.1557
6	Discount	5	0.1557
7	Contact Point	3	0.1542
8	Digitalization	3	0.1542
9	Loyalty Instrument	3	0.1542
10	Pandemic	5	0.1542
11	Reality	3	0.1542
12	Tool	5	0.1542

Figure 12 – D.T & L.P: Main Themes and Connections