

Customer Preferences for Reward Programs in Casual Restaurants: A Case Study in Kota Kinabalu, Sabah

Khalida Kadhim Mansor

Faculty of Food Science and Nutrition, Universiti Malaysia Sabah, 88400 Kota Kinabalu, Sabah, Malaysia

Abstract

This study aimed to identify customer's preference for time rewards (immediate or delayed/accumulated) and their preference for types of rewards (monetary or non-monetary) as well as to determine the factors that motivate consumers of joining casual restaurant reward programs. Study was conducted on 400 respondents from Kota Kinabalu. Results showed that the majority of respondents prefer immediate reward compared to delayed or accumulated rewards. Majority respondents were also found to favor monetary rewards as compared to non-monetary rewards. Monetary savings and quality are identified as the main factors which motivates consumer to join casual restaurant reward program while exploration was found to be the least important factor. This study is able to help the restaurant industry that is working to build reward program for their restaurant.

Keywords: Customer preference, reward program and casual restaurant.

Introduction

Customer loyalty is very valuable in today's competitive restaurant industry. In order to create a sustainable competitive advantage, the restaurant industry focuses on managing customer relationships by offering frequency programs (Park et al., 2013; Wu and Wang, 2012; Chen et al., 2012). With the increasing trend of dining out, customer loyalty is an important element of a restaurant in an increasingly competitive industry (Jang and Matilla, 2005). Despite the popularity of reward programs in the restaurant industry, little is known about the attractiveness and effectiveness of the program especially in the context of casual restaurants in Malaysia. The rewards program implemented so far may not be effective or competitive in acquiring new customers or retaining old customers. In addition, the cost of implementing this program is high (Agota and Olsson, 2014). Therefore, the objective of this study is to:

1. Determine the tendency of a casual restaurant customer towards the time of reward (immediate or delayed) and the type of reward (financial or non-financial).
2. Determine the factors that encourage casual restaurant diners to participate in restaurant reward programs.

Literature review

Casual restaurant is defined as restaurant that offers affordable food with a relaxed atmosphere and comprises a market segment between fast food restaurants and luxury restaurants (Sumarjan et al., 2014). Examples are Nando's, Kenny Roger's Roaster, Secret Recipe, Upperstar, and Lucy's Kitchen. To retain customers and increase the level of product and service usage, some restaurants have adopted a marketing strategy by using reward programs (Kivetz and Simonson, 2002). In definition, reward program also known as loyalty reward or frequency reward program is a reward incentive given to customers to cultivate customer loyalty and repeat purchase (Meyer-Waarden, 2015; Yi and Jeon, 2003; Palmer et al., 2000).

Rewards can be awarded immediately or delayed (Crofts, 2011). Examples of immediate rewards are immediate discounts or cash rebates. While an example of a delayed program is a program that allows members to accumulate rewards based on the amount of money spent on the company. Members can redeem rewards such as free products with reward points collected after point accumulation reach the required points (Dreze and Hoch, 1998). According to Jang and Matilla (2005), 83% of respondents favored the immediate rewards compared with the reward of the point-gathering system which offered a more rewarding reward after reaching the threshold set.

In terms of rewards, it can be categorized into monetary and non-monetary (Jang and Matilla, 2005). Monetary rewards include cash rebates, discounts, cash vouchers and lucky draws with monetary prizes while non-financial rewards are like priority turn, priority seats, and lucky draws with items such as cars, flight tickets or hotel accommodation (Ng, 2009). In the context of restaurants, respondents favor the monetary rewards rather

than non-monetary rewards, but monetary rewards are the least preferred payoffs by restaurant owners (Jang and Mattila, 2005; Park et al., 2013).

Among the factors that encourage customers to participate in reward programs are monetary saving, convenience, value expression, exploration and entertainment (Chandon et al., 2000). However, money saving is the highest rated attribute among consumers when joining any reward program.

Methodology

A total of 400 respondents participated in this study by using convenience sampling. Respondents were approached in high traffic areas around Kota Kinabalu namely 1 Borneo Hypermall, Suria Sabah, and Centrepoint. These locations offers a number of casual restaurants such as Secret Recipe, Kenny Roger's Roaster, and Nando's just to name a few.

The questionnaire consists five parts: Part A designed to identify respondents' patronage of casual restaurants; Part B and C to identify respondents' preference for time and type of rewards; Part D to identify factors that motivates respondents to join a reward program; and Part E is on respondents demographic.

Results and discussion

Tendency towards time of rewards among casual restaurant customers

Respondents are required to choose between two situations: Program A (1) and Program A (2). In Program A (1), respondents will receive immediate cash discount of 10% from total spending. In Program A (2), respondents will receive cash voucher of RM15 after collecting 100 points (1 point for every RM1 spent).

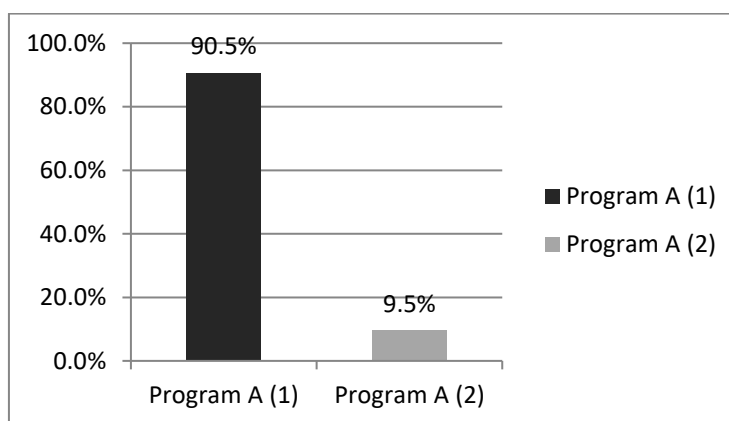


Figure 1: Tendency of respondent's towards time of rewards

The findings reveal that there is significant difference ($p \leq 0.05$) between the respondents tendency towards Program A (1) and Program A (2). Up to 90.5% choose immediate 10% discount as compared to 15% discount after collecting 100 points (1 point per RM1). The findings of this study are consistent with the study by Jang and Mattila (2005) where 85% of respondents favor immediate rewards rather than the point system which offers even more rewarding rewards after reaching the stipulated conditions.

According to Marzuki et al. (2012), Malaysians are eager to eat in new places recommended by friends or relatives. Therefore, they are more likely to choose immediate reward because they prefer to try different types of foods at different restaurants and are not interested in trying different types of food at the same restaurant many times for more valuable rewards.

Tendency towards type of rewards among casual restaurant customers

Respondents are required to choose between two situations: Program B (1) and Program B (2). In Program B (1), respondents will receive cash discount of 10% with every spending of RM100. In Program B (2), respondents will receive a dessert with the value of RM10 (10% of RM100) for every spending of RM100.

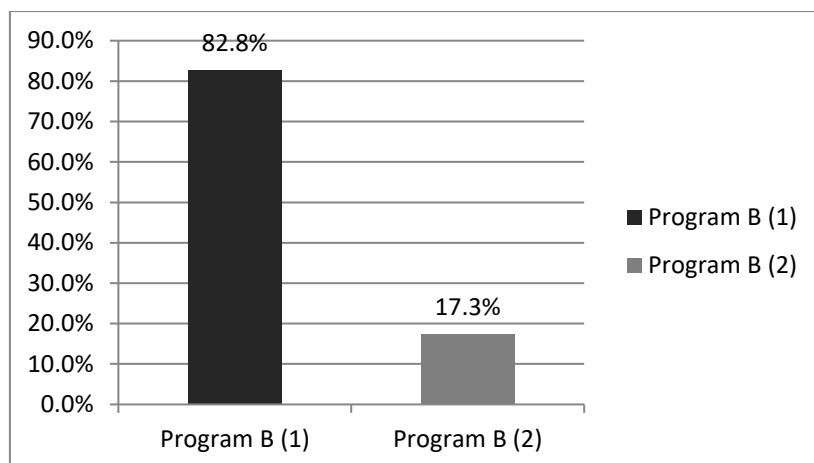


Figure 2: Tendency of respondent's towards type of rewards

The results showed a significant difference ($p \leq 0.05$) between the respondents' tendency toward both programs. A total of 82.8% of respondents chose monetary rewards instead of non-monetary rewards. The results of this study are consistent with the findings of Jang and Matilla (2005) where majority respondents (93%) in their study choose monetary rewards such as discounts or cash rebates from non-monetary rewards such as VIP seats or luxury desserts.

Harunavamwe and Kanengoni (2013) state that the needs of someone at lower levels such as physiology requirements according to Maslow hierarchy will be more attracted to monetary rewards. Therefore, most respondents who are more likely to be in favor of monetary rewards may be more concerned with their physiological needs that can be achieved with monetary rewards.

Factors that encourage casual restaurant diners to participate in restaurant reward programs

The findings show that most respondents (85%) feel that money saving factor is the main drivers for participating in the reward program. In addition, the quality factor was also chosen as the first and second priority for most respondents. Exploration factor is identified as factor that does not affect respondents participating in reward programs at casual restaurants.

Table 1: Factors that encourage reward program participation

Factors	Ranking					
	1	2	3	4	5	6
Money saving	85 (60.7%)	32 (22.9%)	10 (7.1%)	5 (3.6%)	6 (4.3%)	2 (1.4%)
Quality	31 (22.1%)	39 (27.9%)	28 (20%)	20 (14.3%)	12 (8.6%)	10 (7.1%)
Convenience	11 (7.9%)	30 (21.4%)	44 (31.4%)	33 (23.6%)	14 (10%)	8 (5.7%)
Value	9 (6.4%)	23 (16.4%)	22 (15.7%)	20 (14.3%)	17 (12.1%)	49 (35%)
Entertainment	2 (1.4%)	11 (7.9%)	20 (14.3%)	42 (30%)	46 (32.9%)	19 (13.6%)
Exploration	2 (1.4%)	5 (3.6%)	16 (11.4%)	20 (14.3%)	45 (32.1%)	52 (37.1%)

Saving money is the most important benefit in explaining the user's satisfaction with a reward program (Mimouni-Chaabane and Volle, 2010). Respondents of this study chose the money saving factor as the main driver of potential joining reward programs as they wanted satisfaction with the savings and could reduce the inconvenience or uncertainty when paying (Blattberg and Neslin, 1990).

Conclusion

Study found that there is a significant difference in respondents' preference towards reward programs. Respondents preferred instant as opposed to delayed rewards and monetary than non-monetary rewards. Findings also revealed that the main factors for joining any reward program is monetary savings and the quality of the rewards. The least reason for joining the program is exploration.

Acknowledgements

This research is sponsored by UMS Research Grant Scheme: SGPUMS SLB0101-SS-2015.

References

- [1] Agota and Olsson, 2014. Designing customer rewards programs for repeated purchase using optimization methods. Blekinge Institute of Technology. Master Thesis.
- [2] Blattberg, R. C. and Neslin, S. A. 1990. Sales promotion: concepts, methods, and strategies. Englewood Cliffs, New Jersey: Prentice Hall.
- [3] Chandon, P., Wansink, B. and Laurent, G. 2000. A benefit congruency framework of sales promotion effectiveness. *Journal of Marketing*.
- [4] Chen, H. G., Liu, J. Y. C., Sheu, T. S., and Yang, M. H. 2012. The impact of financial services quality and fairness on customer satisfaction.
- [5] Crofts, C. R. 2011. An exploratory study of casino customer loyalty programs. University of Nevada. Master Thesis.
- [6] Dreze, H. and Hoch, S. J. 1998. Exploiting the installed base using cross-merchandising and category destination programs.
- [7] Harunavamwe, M. and Kanengoni, H. 2013. The impact of monetary and non-monetary rewards on motivation among lower level employees in selected retail shops. *African Journal of Business Management*. 38 (7): 3929-3935.
- [8] Jang, D. and Matilla, A. S. 2005. An examination of restaurant loyalty programs: what kind of rewards do customers prefer? *International Journal of Contemporary Hospitality Management*. 17 (5): 402-208.
- [9] Kivetz, R and Simonson, I. 2002. Earning the right to indulge: effect as a determinant of customer preferences toward frequency program rewards. *Journal of Marketing Research*. 39 (2): 155-170.
- [10] Marzuki, S. Z. S., Hall, C. M., and Ballantine, P. W. 2012. Restaurant manager and Halal certification in Malaysia. *Journal of Foodservice Business Research*. 15 (2): 195-214.
- [11] Meyer-Waarden, L. 2015. Effects of loyalty program rewards on store loyalty. *Journal of Retailing and Consumer Services*. 24: 22-32.
- [12] Mimouni-Chaabane, A. and Volle, P. 2010. Perceived benefits of loyalty programs: Scale development and implications for relational strategies. *Journal of Business Research*. 63 (1): 32-37.
- [13] Ng, H. C. I. 2009. Credit card reward program in Singapore. Blekinge Institute of Technology. Master Thesis.
- [14] Palmer, A., McMahon-Beattie, U., and Beggs, R. 2000. A structural analysis of the hotel sector loyalty programmes. *International Journal of Contemporary Hospitality Management*. 12(1): 54-60.
- [15] Park, S. B., Chung, N., and Woo, S. C. 2013. Do reward programs build loyalty to restaurant? The moderating effect of long-term orientation on the timing and types of rewards. *Managing Service Quality: An International Journal*. 23 (3): 225-244.
- [16] Sumarjan, N., Zahari, M. S. M., Radzi, S. M., Mohi, Z., Hanafiah M. H. M., Bakhtiar, M. F. S., and Zainal, A. 2014. *Hospitality and Tourism: Synergizing creativity and innovation in research*. London: Taylor & Francis Group.
- [17] Yi, Y. and Jeon, H. 2003. Effects of loyalty programs on value perception, program loyalty and brand loyalty. *Journal of the Academy of Marketing Science*. 31(3): 229-240.
- [18] Wu, L. and Wang, C. Y. 2012. Satisfaction and zone of tolerance: the moderating roles of elaboration and loyalty programs. *Managing Service Quality*. 20 (3).