



Evaluating the Effectiveness of Loyalty Programmes in the Fashion Industry: A Case Study of ASOS UK

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Abstract: In the fashion industry, consumers normally shop occasionally at a number of different stores and patronise multiple brands. In the wake of Brexit, however, UK consumers' purchasing power has been reduced. In such a competitive market, companies strived to earn a bigger proportion of consumer expenditures by implanting loyalty programmes. The aim of this paper is to evaluate the effectiveness of loyalty programmes in the fashion industry with a case study of ASOS. Questionnaire was used to collect primary data in order to analyse the effectiveness of ASOS' loyalty programme — "A-list" in terms of customers' behaviour and attitude towards the brand and its programme. And secondary data was obtained from ASOS' annual report to analyse the effectiveness in financial aspect. This study showed that long-term satisfaction (low price, wide variety and good after-sales service) with ASOS promote brand loyalty both behaviourally and attitudinally as shoppers expressed the view that they will continue to shop in ASOS and recommend the brand to their friends. However, customers do not develop programme loyalty; low reputation of "A-list" resulting shoppers perceive low engagement with the programme. Therefore, the presented study could be useful for marketing managers to design and implement loyalty programmes more effectively to increase programme loyalty in the future, and maximise customers' satisfaction to increase brand loyalty both behaviourally and attitudinally.

Keywords: fashion industry, brand loyalty, consumers' purchasing power

1. Introduction

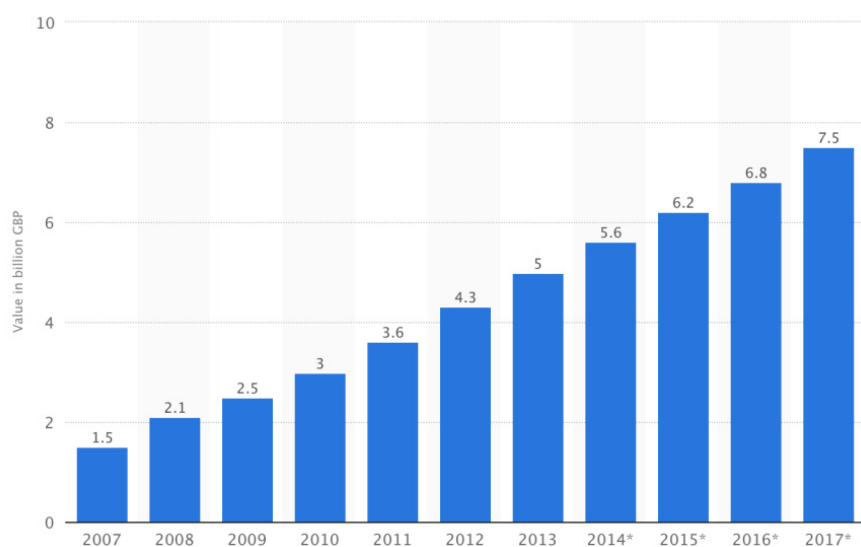
ASOS, the fashion company chosen as the focus of this study, reports annual sales of 1.15 billion GBP, according to FashionUnited (2015). The UK fashion industry is famous throughout the world, including ASOS (which ranks in the top ten of UK fashion companies) and undoubtedly makes a significant contribution to the UK economy. According to Oxford Economics (2014), the fashion industry accounted for 26 billion GBP flowing into the UK economy, a fact trumpeted by the British Fashion Council (BFC) at London Fashion Week in 2014.

The UK economy has continued to grow but at a slow pace. Inflation and interest rates remain very low, which has had a knock-on effect on the confidence of companies seeking to grow their markets overseas (Anton Dell, 2016). UK consumers are said to have a high level of personal debt, and have been warned by the Bank of England that Inflation will rise in the near future, and with it the cost of personal borrowing. This situation has negatively affected consumers' purchasing power which will worsen once Brexit is achieved, according to Anton Dell (2016), when it is anticipated that pound (£) will be devalued. The impending issue of Brexit (Britain exiting the European Union) is causing a considerable amount of commercial unease, particularly as the negotiations around likely trade deals and tariffs are far from certain. The fashion industry is not immune in this regard, with worries about likely increases in export costs following Brexit causing even more commercial uncertainty.

The advent of the internet has offered companies a golden opportunity to reach many more potential customers regardless of geographical location or time of day. According to Dealjoy.com (undated), approximately 27% of the global population shop via this means, making the internet the second largest retail platform in the world.

According to Statista (2017) the total value of the UK fashion industry rose from

1.5 billion GDP in 2007, to a projected 7.5 billion GBP in 2017 (see Figure 1), a five-fold increase in ten years. Furthermore, as Mintel (2015) reports, online fashion sales totalled 12.4 billion GBP in 2015, with the majority of purchases online being for clothes and shoes.



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Figure 1. Market size of the UK fashion industry (Source: Statista, 2017)

To be successful, managing and maintaining strong customer relations is essential for commercial organisations. Companies commit a significant level of financial investment to the process, as Keiningham et al., (2005) state, with businesses investing more than 35 billion US dollars annually. Consumers enjoy a wide variety of choice in the retail sector, and will often browse a number of sites (and/or visit a number of retail outlets) before making a purchasing decision. Thus, the market is extremely competitive and it makes good business sense for companies to offer added value to the consumers' shopping experience.

Therefore, in order to strengthen and extend their relationship with customers, retail fashion businesses are beginning to follow the lead of supermarkets, coffee shops and other outlets by offering some form of loyalty programme. Such programmes, otherwise known as reward systems, aim to offer customers a reward for loyalty while simultaneously boosting the company's profits through increased sales. These marketing strategies not only boost the ability to retain customer loyalty but also enable them to harvest detailed data about the type and number of goods that individual consumers purchase, information which then enables the company to offer a more personalised shopping experience in the future.

As previously discussed, loyalty programmes have been utilised in the general retail sector for many years. The maturity of this sector is illustrated by its 39% overall membership share (Colloquy, 2015). As fashion companies start to realise that reward schemes are likely to be of benefit to them, particularly when consumers feel personal financial constraints, more of them are rolling out loyalty programmes. Indeed, as Colloquy (2013; 2015) comments, membership of loyalty programmes specifically in the fashion retail sector has risen by 101% in the four years from 2010 to 2014. Furthermore, this trend is forecast to continue, as Mintel (2015) notes, suggesting that 419 million people will own a loyalty card from at least one fashion retailer by the year 2020.

In summary, this study aims to evaluate the effectiveness of loyalty programmes in general, and those pertaining to the fashion retail sector in particular; the specific focus of the case study is the loyalty programme "A-list", launched by the fashion retailer- ASOS.

The framework of this essay comprises:

The second part: A review of existing literature, particularly with reference to loyalty programmes including the different types of loyalty and loyalty programme, the advantages and disadvantages of such schemes, and the question opposed on its effectiveness;

The third part: The research methodology and data collection methodology are considered and an explanation offered about the appropriateness of the methods chosen to support this study;

The fourth part: Analysis of the research findings are presented;

The fifth part: The essay concludes by considering the implications of the research findings, both practical and theoretical, together with identifying any areas which may benefit from future research.

2. Literature review

2.1 Loyalty programmes

Loyalty, in conjunction with customer relationship management, has become an increasingly popular concept in marketing. Loyalty programmes have become an important part of customer relationship management attracting much business interest in recent years. They are now widely used in many different industries, such as drug stores, coffee shops, grocery shops, airline companies, and department stores (Baran, Strunk & Galka, 2008). Several researchers believed that loyalty programmes are a promotional marketing tool designed to reward repeat purchases with exclusive incentives (Leenheer et al., 2007; Sharp & Sharp, 1997). Uncles et al., (2003) stated that a loyalty programme has two main objectives. The first objective is to maximise sales revenue by increasing the number of purchases; the second objective is to retain customers through building a closer relationship between the brand and the consumers. As such, loyalty programmes can be conceptualized as a means for companies aim to increase revenue and retain customers by offering rewards and incentives for repeat customers.

There are two types of incentives: monetary and non-monetary. For monetary rewards, customers accumulate points depending on how much they spend, then the points can be either used immediately or converted into vouchers for later purchases. Boots' loyalty card, which is the third most popular loyalty card in the UK, offers points to be used as money in future purchases (Cox, J., 2016). For non-monetary rewards, customers gain recognition of higher status from the company. Furthermore, in some loyalty programmes, the higher the customers' status, the more the benefits they can earn. Taking Ibis' LE CLUB ACCOR HOTELS loyalty programme as an example, a customer's status rises from classic, to silver, to gold and ultimately platinum, based on the level of spending. At a lower status, customers enjoy benefits such as free Wi-Fi, early check-in, and late check-out. Achieving higher status unlocks additional benefits such as welcome drinks, room upgrade, and access to the Executive Lounge (Ibis.com).

2.2 Types of loyalty

According to Yi and Jeon (2003), customer loyalty has two distinct facets: loyal to the programme (programme loyalty), or loyal to the brand (brand loyalty). Moreover, customer loyalty is driven by customer satisfaction (Chiou & Droge, 2006; Anastasia Stathopoulou and George Balabanis, 2016), and the effectiveness of the loyalty programme is determined by the particular threshold of customer satisfaction achieved (Keh and Lee, 2006). Customer satisfaction, which defined by Johnson & Fornell (1991), "is the overall evaluation based on the total experience with a goods or a service over time". It is closely linked with customers' behaviour, such as decision-making of consumption, attitude change after consumption, and consideration of repeat purchases (Cronin & Taylor, 1992). Zakaria et al. (2014) claims that when customers are satisfied with the value they perceived from the programme, they become more loyal to that programme. According to COLLOQUY (2015), 44% of customers continue shopping with the same company because they are satisfied with the loyalty programme's reward. Similarly, a study on the effects of loyalty programmes on customer satisfaction found that only if the rewards meet customers' expectations are customers satisfied with the programme, hence, they become more loyal to the programme (Anastasia Stathopoulou and George Balabanis, 2016). Compared to Asian countries, loyalty programmes in the US and European countries are relatively mature (Steyn et al., 2010). Based on the data offered by Blackmore (2015), there are more than forty mainstream brands that are offering a loyalty programme in the UK, and most people have either deliberately registered with, or automatically joined, at least three loyalty programmes. Given that there is an excess of loyalty programmes in the market, customers are beginning to get bored with similar offers (Keiningham et al., 2005). According to the book *Loyalty Myths* (2005), the authors suggested that customers are tied to loyalty programmes by "the sunk-cost fallacy". In other words, customers continued patronizing the business only because they want to retain or use the points they have already accumulated in the loyalty programme. In this case, it is difficult to determine whether or not a loyalty programme creates customer loyalty. Moreover, given that customers often perceive value directly from the programme rather than from the actual products they consume, Dowling and Uncles (1997) believed that loyalty to the programme cannot transform into loyalty to the brand. However, this hypothesis was put forward many years ago. Moreover, as previously mentioned, one of the prime objectives of a loyalty programme is to maintain the engagement between the brand and customers, and therefore, loyalty programmes shape customers' behaviour through satisfaction. As such, it can be concluded that if customers are satisfied with their long-term interaction with the brand, they may well develop loyalty to the brand. In a study of cardholders' satisfaction with a specific loyalty programme, researchers found that cardholders become more loyal to the brand only where they are satisfied with the programme's rewards in the long term (Demoulin and Zidda, 2008). Hence, Nor Asiah Omar et al. (2011) concluded that programme loyalty is an important driver in promoting brand loyalty.

Furthermore, there are two dimensions of brand loyalty. Russell-Bennett et al. (2009) suggested that customers who

make repeat purchases with the same brand are behaviourally loyal. Customers who have a strong psychological commitment to the brand and would positively recommend it to their friends are described as attitudinally loyal (Pritchard et al., 1999; Jones and Taylor, 2007). In a number of previous studies, researchers only focused on customer loyalty in terms of a 'repeat purchasing' behaviour. However, this description fails to define true customer loyalty if the measurement depends solely on the degree of repeat purchasing. In terms of attitudinal loyalty, this motivation does not ensure that customers will purchase in the same brand next time, as they are not necessarily behaviourally loyal. Customer loyalty, a complex phenomenon, cannot be measured by a single dimension. Accordingly, in order to understand customer loyalty for the purposes of this study, it is conceptualized in the light of Dick and Basu's (1994) research, that customers show repeat purchase behaviour and a relative attitude towards a particular brand.

2.3 Benefits of loyalty programme

There are many benefits associated with loyalty programmes, both for the company and its customers. For the customers, a loyalty programme not only gives them special offers and/or rewards, but also, after a long-term engagement with the company, establishes a trust relationship which provides customers comfort in knowing what to expect, hence lowering purchase anxiety (Morgan, R., et al., 2015).

From the company's point of view, there are both economic and customer behaviour benefits. For the customer behaviour benefits, according to a statistic from ADAGE (2014), 20% to 50% of purchases are made as a result of word of mouth recommendation. Word of mouth marketing is now the most cost effective and powerful marketing tool; by spreading positive reviews from existing customers, new customers may join the business with trust (WordStream, 2015).

In terms of economic benefits, firstly, an increase in customer retention was noted by Sima G. Magatef & Elham F. Tomalieh (2015) in their study on the impact of loyalty programmes. According to a research by Bain & Company, a 5% increase in customer retention leads to a 25% to 100% increase in profitability (Anoop Kumar, 2009). Secondly, Lewis (2004) suggests that loyalty programmes promotes purchasing. According to the law of supply and demand, the company's revenue is proportional to their output; in other words, the more that purchases are made by customers, the more the revenue is earned by the company. Furthermore, loyal customers are less price sensitive and they have the potential to spend more.

Thirdly, it costs five times more to acquire a new customer than retaining an existing one (Harvard Business Review, 2014). Loyal customers who spread strong word of mouth recommendation help a company to reduce marketing outlay, such as promotion costs (Anoop Kumar, 2009). Fourthly, according to a research from Access Development, a loyalty programme leads to a 20% increase in market share (Sastry, N., 2014). Moreover, Bolton, Kannan and Bramlett (2000) state that customer loyalty has a positive influence on a company's financial performance, such as a rise in profits and total revenue. Starbucks, which started its loyalty programme in 2008, states that, in 2013, the loyalty programme helped to boost profits and total revenue by 26 percent and 11 percent respectively (Cawley, 2014).

Profitability, the ultimate goal that companies pursue, is one of the success metrics of a loyalty programme. Despite many scholars claiming that loyalty programmes show some positive influence on increasing purchase size, and increasing revenue; many fashion retailers including New Look, River Island and Zara, have not yet offered a loyalty programme. As studies on the loyalty programme in the fashion industry are scant, it is questionable whether or not a loyalty programme would be effective in the fashion industry.

2.4 Question on the effectiveness of loyalty programme

Kotler (2003) argues that conversely, loyalty programmes may generate negative effects on customer loyalty. 54% of customers stop buying from a company because they think the rewards are too hard to earn (COLLOQUY, 2015). This phenomenon is illustrated in the case of an airline company where customers who participated in the loyalty programme have to fly within two months, or the points they have already accumulated will be cleared to zero. Although the company started their loyalty programme with the intent of retaining customers and boosting sales, in practice, it has created adverse feelings in customers and ultimately, lost customer.

According to a survey in 2002, retention of customers and customer loyalty are the greatest challenges faced by CEOs worldwide (Keiningham et al., 2005). And, businesses spending over 35 billion dollars a year on customer relationship management in order to maintain the engagement between business and customers (Keiningham et al., 2005). In the US, the number of companies which have implemented a loyalty programme has grown by 40% from 2011 to 2014 (Colloquy, 2013,2015). On the other hand, a research report from McKinsey found that companies which spend more on loyalty programmes than their competitors have 10% lower profit margins (Nideau & Singer, 2014). Keiningham et al. (2005) argued that loyal customers may not necessarily generates great profit in the case of light buyers who do not extend their purchasing to the full range of product lines within the brand. To date, there are some scholars (eg. Keiningham et al., 2005;

Kotler, 2003) who oppose the effectiveness of loyalty programmes; they questioned whether or not, with multi-billion-dollar investments in the loyalty programmes, these schemes ultimately help the business to increase customer loyalty and increase the company's performance.

In order to bridge the gap, the aim of this study is to evaluate the effectiveness of loyalty programmes, in terms of analysing the increase in customer loyalty and business performance, in the form of a case study of ASOS' loyalty programme - "A-list". The objective of this paper is to improve theoretical and managerial knowledge about the effectiveness loyalty programmes, and make recommendations based on the findings.

3. Methodology

3.1 Background of ASOS

This study focuses on the fashion industry; therefore, the selected firm is considered to be a leader in the fashion industry and offers a customer loyalty programme. Launched in 2000, ASOS had only 5% market share while its competitor, Next, had 7% and was in a leading position (Hawkes, 2008). However, ASOS overtook Next and is now the largest independent online fashion retailer in the UK (Asosplc.com, 2016). ASOS has more than 85,000 branded and own-label products including womenswear, menswear, footwear, accessories, and beauty products. Through localized mobile and web experiences, the company delivers items from its centres in the UK, US and Europe to almost every country in the world (Asosplc.com, 2016). It is evident from the marketing on the website that ASOS is targeting fashionable young people aged from 16 to 34 years old.

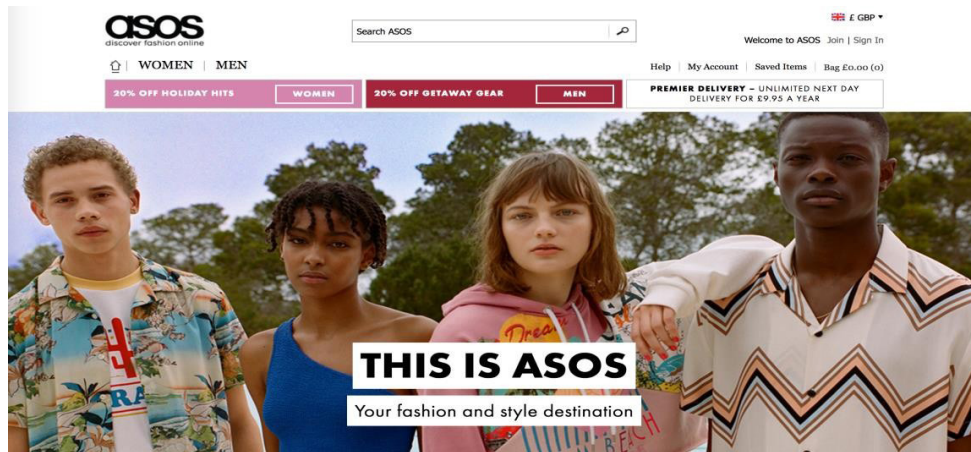


Figure 2. ASOS official website (Source: www.asos.com)

According to the Office for National Statistic (ONS), 91% of people aged from 16 to 24 are more active on social medias than any other age group. In addition, 90% of people aged from 25 to 34 are potential customers who spend most of their time online shopping (Ons.gov.uk., 2014). In order to establish a connection with these customers, ASOS invested significantly in technology. On social media, such as Instagram and Twitter, there were more than 7.4m and 1.5m followers respectively, as at August 2016. Moreover, there are more than 12m customers have shopped on online with ASOS in the past 12 months (Asosplc.com, 2016).

3.2 ASOS' loyalty programme — A-list



Figure 3. ASOS's loyalty programme advertisement (Source: www.asos.com)

In 2014, ASOS started its loyalty scheme trial called "ASOS Reward" with a small portion of customers in the UK. Only invited customers were able to access the programme and asked to give comments and recommendations for improvement. The trial successfully increased sales by 26% in two months (Vizard, 2014). Following the trial, ASOS launched their loyalty programme "A- list" in February 2016, but only on the UK website. When customers shopped on ASOS, they earned points that can later be converted into vouchers to spend on ASOS. Also, customers can move up a level depending on how many points they have earned. There are four levels; level 1, 2, 3 and finally, VVIP. Each level has special rewards, such as double points, birthday offers, free next day delivery codes and so on; the higher the level, the greater the rewards (Asosplc.com, 2016). Moreover, it is a new revolution for a fashion company to combine points and tiered levels of reward.

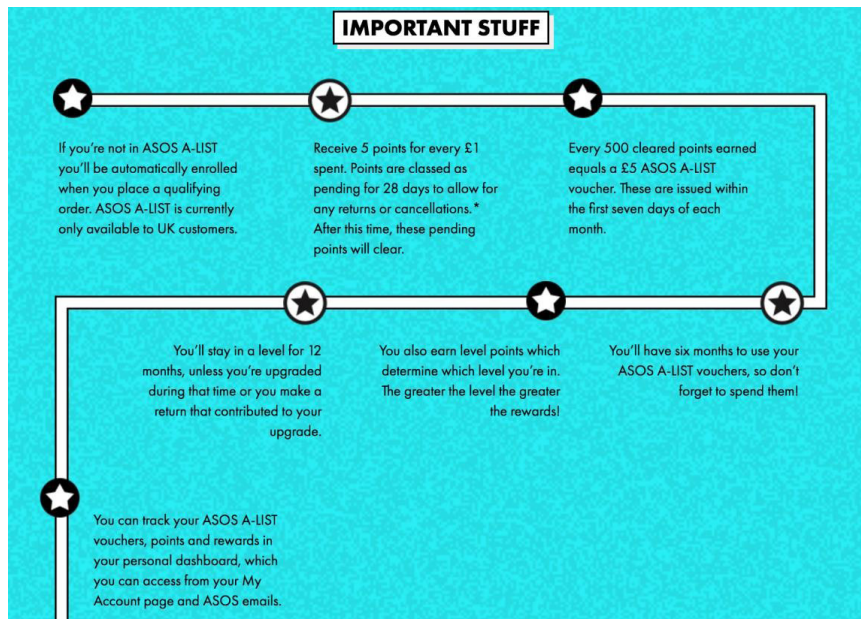


Figure 4. ASOS' loyalty programme scheme (Source: www.asos.com)

3.3 Data collection

In order to achieve the aim of this project, both primary and secondary data are used in this study. Primary data collection is a direct approach to collect information from interviews, surveys, and questionnaires with a specific subject (Joop & Hennie, 2005). There are two types of primary data, quantitative and qualitative. In this study, both quantitative and qualitative primary data are utilized in the form of a questionnaire to measure the specific research problem, i.e. the effectiveness of ASOS' loyalty programme. A questionnaire is not only a good way of collecting a large response in a short time, but also reduces interviewer bias (Joop & Hennie, 2005), thereby increasing validity. Sample questionnaires on the SurveyMonkey were used as reference to structure the questionnaire for this study. The questionnaire contains 23 questions in total. It is anonymous, and conducted in the English language for all the respondents to ensure reliability. The questionnaire was generated from Qualtrics, and it was valid for two weeks from 24 June to 7 July 2017, to allow time for response. After testing that the link worked, the questionnaire was delivered to participants through online platforms, such as Facebook and WeChat (the largest social APP in China). Participants are all UK-based consumers. Facebook are used to deliver the questionnaire mainly to British, European and Thai students, and WeChat are used to deliver the questionnaire to Chinese students who studies and/or lives in the UK. Therefore, there are no ethnicity bias. Quantitative data are obtained through close-ended questions, such as asking respondents to choose their gender group and ranking their feelings about the importance of quality, price and the variety of goods when they shop online, plus their overall satisfaction with ASOS based on a given scale. Meanwhile, the qualitative method is used to gain in-depth understanding of the collective responses (Bryman & Bell, 2007). This method uses open-ended questions followed by a multiple-choice question. For example, the questionnaire asks, 'Would you recommend ASOS to a friend/ family member?', followed by the open-ended question, 'If NO, why not?'. Moreover, there are more open-ended questions, such as 'What do you like/ dislike about ASOS?' which are asked to allow customers to express their own opinions and feelings about ASOS. Furthermore, new concepts can be added based on the data collected from the primary data questionnaire.

Secondary data collect information that is already available from sources such as the internet, journals, or in the form

of a company's records (eNotes, 2014). In this study, secondary data were collected from the company's annual report taken from the ASOS website in order to evaluate the effectiveness of ASOS' loyalty programme in terms of the financial aspect. Additionally, details of the questionnaire can be found in Appendix1.

4. Findings and analysis

In order to obtain a sufficient result, aiming at 100 responses, 130 questionnaires were sent out through online channels via Facebook and WeChat. 96 responses were received; however, of these, 10 were left blank; therefore, there were only 86 effective responses. With 86 useable responses out of 130, the response rate is 66.15%.

Additionally, detailed report of the questionnaire can be found in Appendix2.

4.1 Primary data analysis

Result of each questions are analyzed in detail as follow:

Q1: What is your gender?

This question was set as a warm-up question to determine the main respondents. Furthermore, it allows the researcher to determine if gender plays a role in response to some of the questions. In this study, out of 86 respondents, 44 are female shoppers and 42 are male shoppers.

Q2: What is your age?

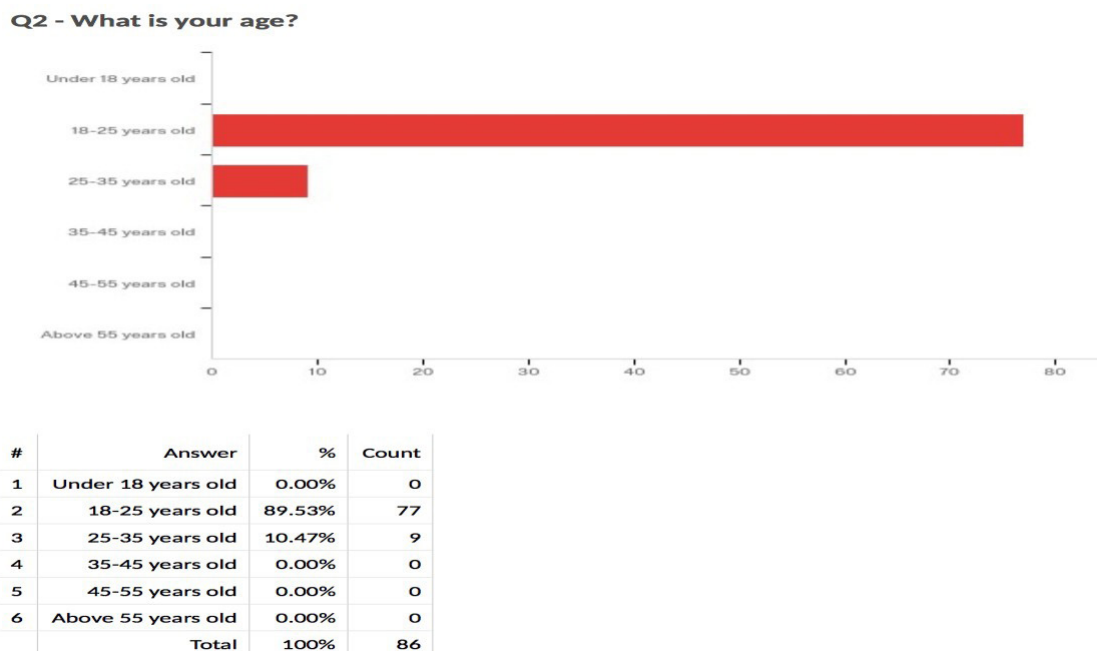


Figure 5. Result of Q1

From the Figure 5 above it can be seen that 89.53% of respondents are between 18 to 25 years old and 10.47% of respondents are between 25 to 35 years old. As mentioned in chapter 3 relating to ASOS' background, the company is targeting young buyers of fashion between 16 to 34 years old which reflects the fact that the respondents in this study are in line with the company's targeted customer base.

Q3: Have you ever used online shopping?

All of the 86 responses indicated that they had used online shopping.

With the rapid development of the internet, 44.7 million people in the UK are internet users (ONS, 2015); by shopping online people can get what they want without leaving home. The internet is the second largest platform for retailing noting that approximately 27% of the world's population now shop via the internet (Dealjoy.com, undated).

Q4: What types of products do you typically buy online?

Please enter below: This is an open-ended question that respondents can enter manually to express their online consumption preference. From the responses, clothing, shoes, bags, and accessories were summarized into one category as fashion; books, sports equipment, groceries, stationery, and gifts as others. In general, 65 out of 86 respondents said that they buy fashion products online, mainly clothing and shoes.

female shopper online shopping preference



Figure 6. Result of Q4 by female shopper

male shopper online shopping preference

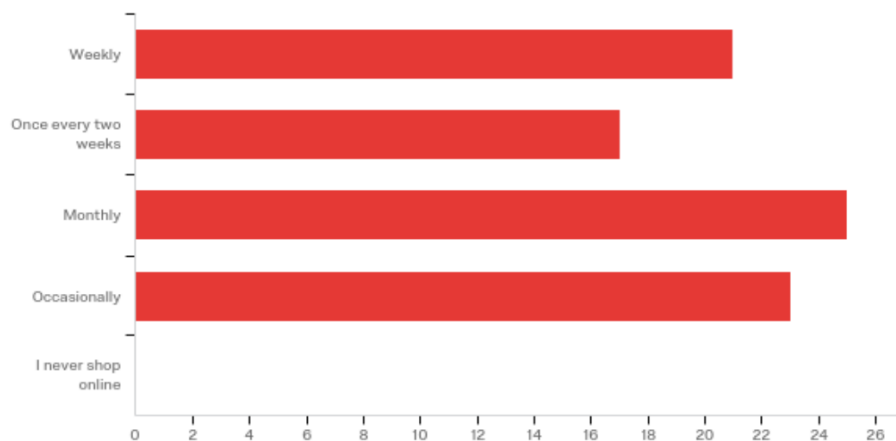


Figure 7. Result of Q4 by male shopper

By making a pie chart and differentiating by gender, it can clearly be seen that female shoppers shopping online mostly buy fashion and cosmetic products, while male shoppers normally buy fashion and other products such as games, sports equipment, and food.

Q5: How often do you shop online?

Q5 - How often do you shop online?



#	Answer	%	Count
1	Weekly	24.42%	21
2	Once every two weeks	19.77%	17
4	Occasionally	26.74%	23
3	Monthly	29.07%	25
5	I never shop online	0.00%	0
	Total	100%	86

Figure 8. Result of Q5

With the frequent use of the internet, we can see from the Figure 8 that 29% of respondents shop online monthly, and nearly 27% of respondents shop online occasionally.

		How often do you shop online?					Total
		Weekly	Once every two weeks	Monthly	Occasionally	I never shop online	
What is your gender?	Female	13	10	12	9	0	44
	Male	8	7	13	14	0	42
	Total	21	17	25	23	0	86

Figure 9. Result of Q1 and Q5 cross-tabulation

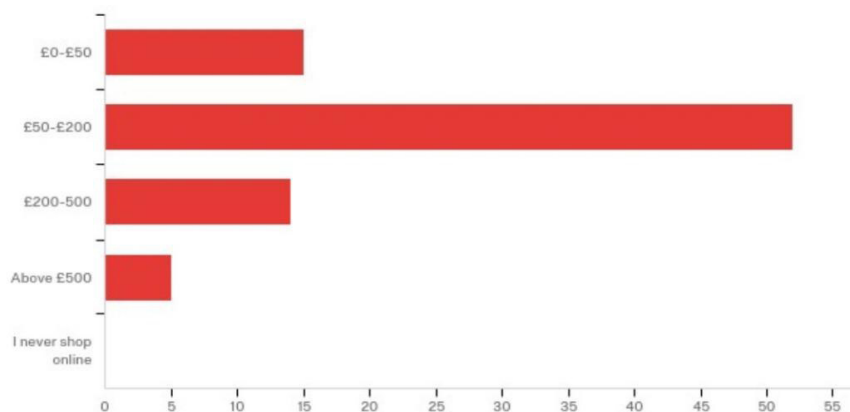
Specifically in to gender differences, female shoppers shop in the frequency of weekly or once every two weeks. However, male shoppers tend to shop occasionally. This is due to the purchasing behaviour difference in gender. Male shoppers' attitude towards shopping is often driven by a target (Rhian James, 2013). In other words, they set a target, locate it, buy it and then go away. The Business Insider Intelligence (2015) found that Menswear is expected to be the most fast-growing category in online sales, as male shoppers can find their target effortlessly by using the internet. On the other hand, women enjoy the process of shopping- looking around here and there, bargaining with the sellers, even if they do not buy anything (Addison Hoo, 2012); moreover, female shoppers sometimes find the internet could be frustrating (Business Insider Intelligence, 2015).

Q6: Which online retailers do you often shop with? Please enter below:

This is an open-ended question that respondents can enter manually to express their online consumption preference towards a particular brand. Besides ASOS, the most favourite brands among UK consumers are Zara (mentioned 9 times) and Topshop (mentioned 13 times).

Q7: How much do you normally spend on website shopping per month in GBP?

Q7 - How much do you normally spend on website shopping per month in GBP?



#	Answer	%	Count
1	£0-£50	17.44%	15
2	£50-£200	60.47%	52
3	£200-500	16.28%	14
4	Above £500	5.81%	5
5	I never shop online	0.00%	0
	Total	100%	86

Figure 10. Result of Q7

The results show that 60.47% of respondents normally spend £50 to £200 per month on online shopping. As most of the respondents are aged from 18 to 25 years old, they are either college students (as questionnaire mostly were sent to students) or have just entered the workplace, and have relatively low purchasing power. ASOS provides a wide range of brands, from Boohoo to Ted Baker, in different price ranges, in order to meet the needs of all the fashion enthusiasts. Young college students chase after fashion and have a stronger sense of identity brands. At the same time, ASOS also targets white-collar workers who have a stable income. Therefore, these people prefer to shop in ASOS because goods are affordable and there is a wide range of choice.

Q8: How important is the price of goods to you when shopping online?

Q9: How important is the quality of goods to you when shopping online?

Q10: How important is the variety of goods to you when shopping online?

Q11: How important is the after-sale services to you when shopping online?

Q8 - How important is the price of good to you when shopping online?

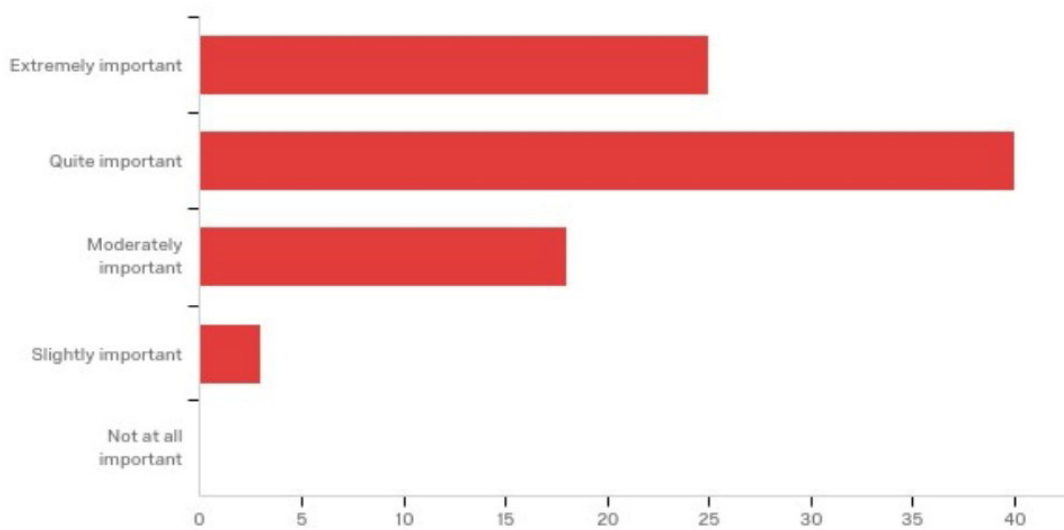


Figure 11. Result of Q8

Q9 - How important is the quality of good to you when shopping online?

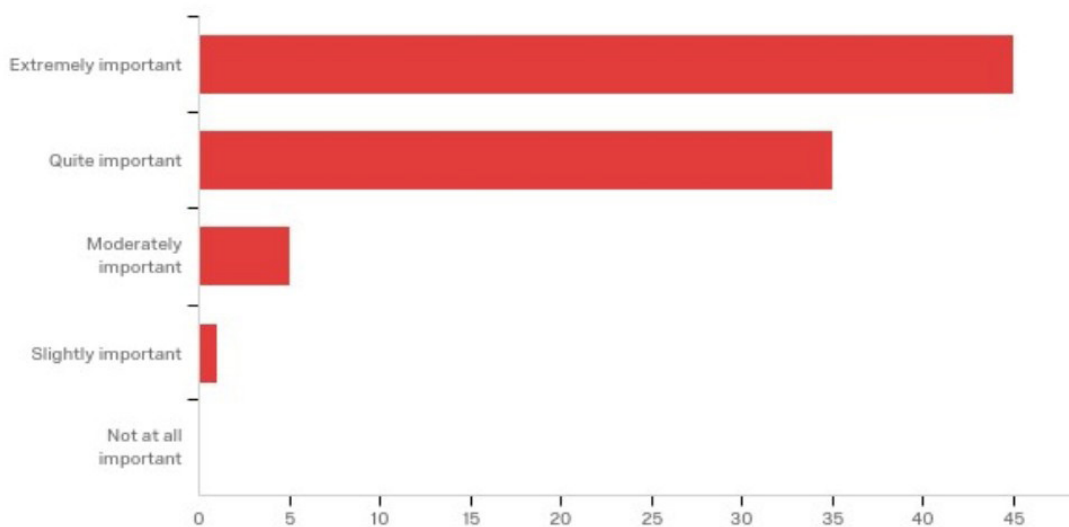


Figure 12. Result of Q9

Q10 - How important is the variety of good to you when shopping online?

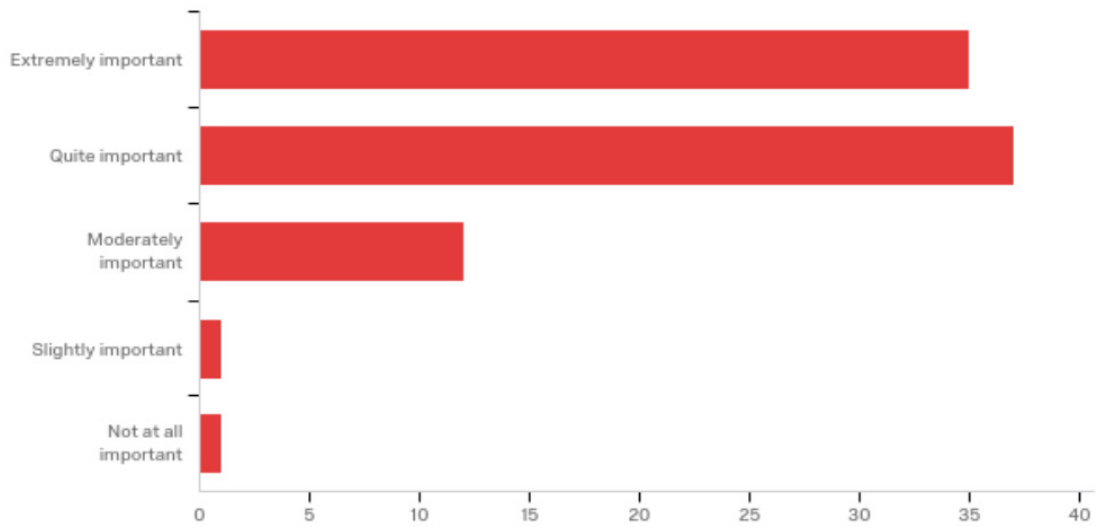


Figure 13. Result of Q10

Q11 - How important is the after-sale services to you when shopping online?

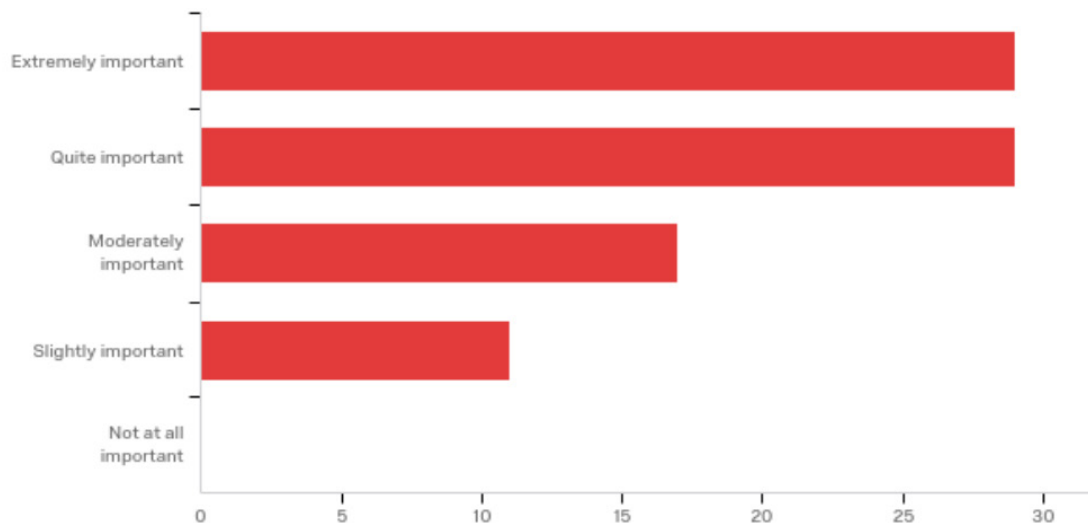
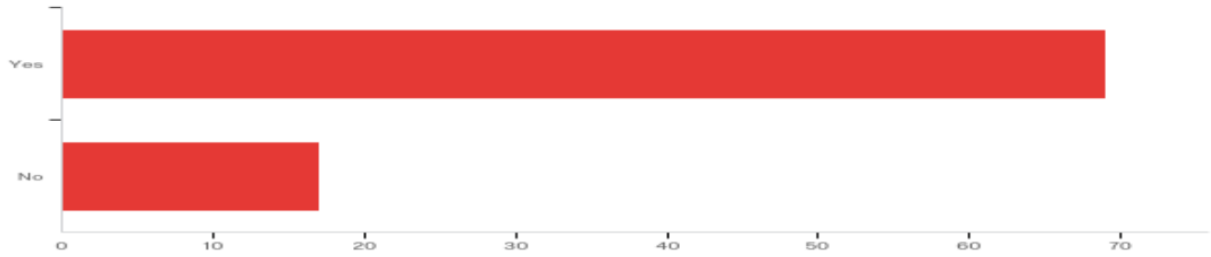


Figure 14. Result of Q11

Price, quality, variety of goods, and after-sales service are the most important factors influencing customer satisfaction on online business (Gilon Miller, 2012). As Sachdev & Verma (2004) suggest in their study that a five-point scale help to reduce the frustration of respondents and increase the quality of result. Also, it is easier for researchers to interpret the data. Therefore, four close-ended questions are set with 5 scales ranging from extremely important, quite important, moderately important, slightly important, to not at all important. Respondents choose the option which fits their perception of the price, quality, variety, and after-sales service when they shop online. By comparison, 92% of respondents think that the quality of goods is extremely or quite important, and 83% of respondents think that the variety of goods is an extremely or quite important factor; while 75% and 66% of respondents think that the price and after-sales service is extremely and quite important respectively. A recent study by Duke University found that 31 percent of shoppers said that quality is the biggest concern; in contrast, 16 percent of shoppers said price is the biggest concern (RetailPro.com, 2015). However, there has been a change from a study in 2013, where 22.7 percent of shoppers concern most with price and 21 percent of shoppers concern most with quality (RetailPro.com, 2015).

Q12: Have you ever shopped in ASOS?

Q12 - Have you ever shopped in ASOS?



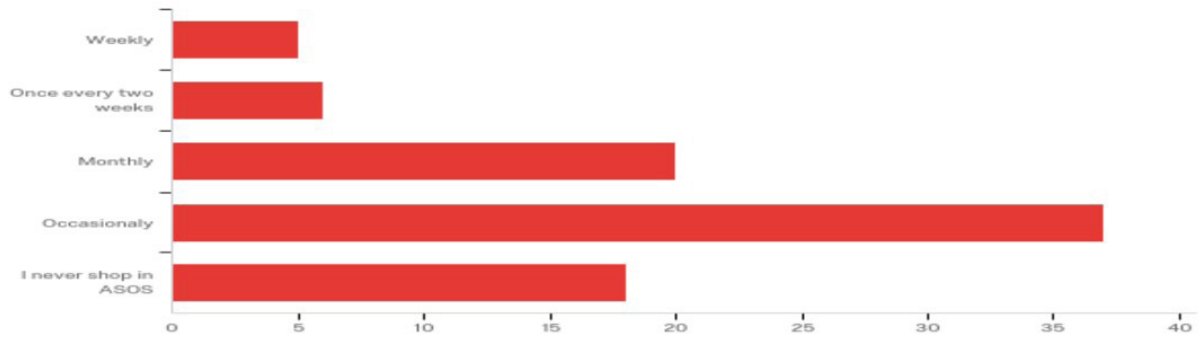
#	Answer	%	Count
1	Yes	80.23%	69
2	No	19.77%	17
	Total	100%	86

Figure 15. Result of Q12

80.23% of respondents have shopped in ASOS.

Q13: How often do you shop in ASOS?

Q13 - How often do you shop in ASOS?

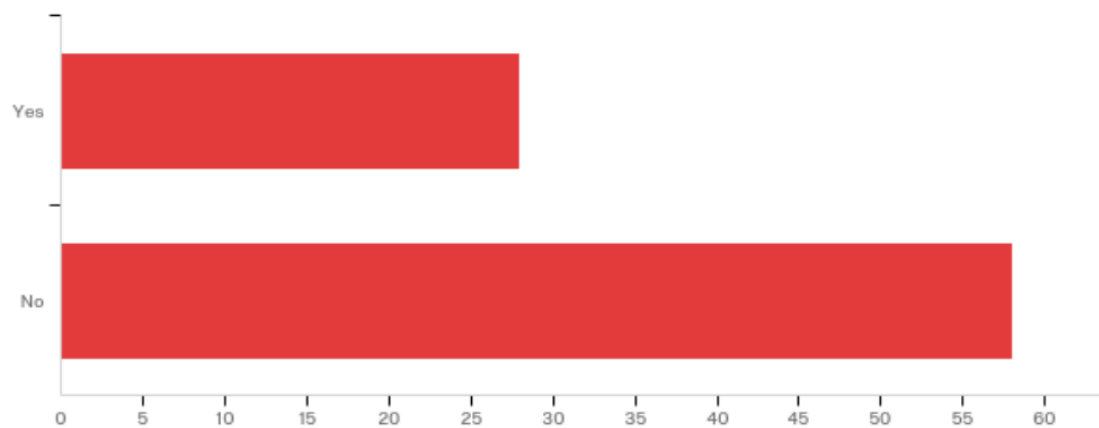


#	Answer	%	Count
1	Weekly	5.81%	5
2	Once every two weeks	6.98%	6
3	Monthly	23.26%	20
4	Occasionally	43.02%	37
5	I never shop in ASOS	20.93%	18
	Total	100%	86

Figure 16. Result of Q13

Of the 80.23% who have shopped in ASOS, 43% shop occasionally, and 23% shop monthly.

Q14: Are you aware that ASOS currently has a loyalty programme called the "A-list"?



#	Answer	%	Count
1	Yes	32.56%	28
2	No	67.44%	58
	Total	100%	86

Figure 17. Result of Q14

Surprisingly, most of the respondents do not know that ASOS currently has a loyalty programme, even though 80% of respondents have previously shopped in the ASOS. As consumers are registered automatically on the loyalty programme "A-list" when they shop online, there are no emails alerting them that they are on the loyalty programme; therefore, consumers may not be aware that they could potentially be enjoying a loyalty reward. Furthermore, on ASOS' website, there are no obvious "loyalty programme" signs. Instead, there are banners showing "student discount" and "free worldwide shipping".

Q15: If ASOS stop their loyalty programme, how likely are you to continue to shop in ASOS?

		If ASOS stop their loyalty programme, how likely are you to continue to shop in ASOS?					Total
		Extremely likely	Somewhat likely	Not sure	Somewhat unlikely	Extremely unlikely	
Do you aware that ASOS currently have a loyalty programme called the "A-list"?	Yes	10	7	8	3	0	28
	No	7	19	29	1	2	58
Total		17	26	37	4	2	86

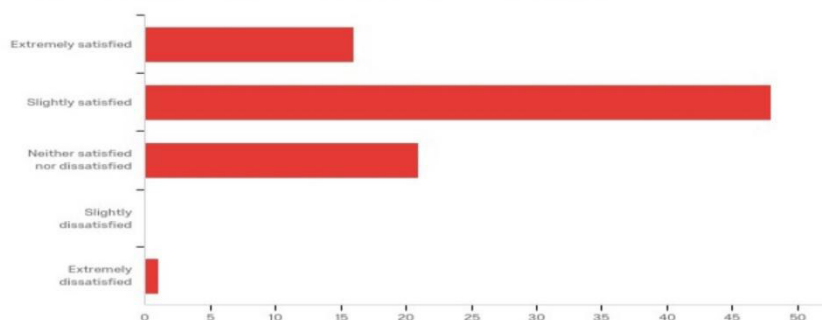
Figure 18. Result of Q15

From the cross-tabulation above, it can be seen that out of 58 respondents who are not aware of the existence of "A-list", 26 respondents expressed the view that they are extremely or somewhat likely to continue to shop in ASOS.

Most of the respondents are not aware of the loyalty programme which means that customers do not gain satisfaction from the "A-list", but they are still willing to shop in ASOS. In this case, customers may not sufficiently developed programme loyalty; however, increased loyalty attitudinally (strong psychological commitment to the brand) and behaviourally (continue to shop in the same brand) towards the brand after a long-term satisfied interaction.

Q16: How would you rate your level of overall satisfaction on with ASOS?

Q16 - How would you rate your level of overall satisfaction with ASOS?



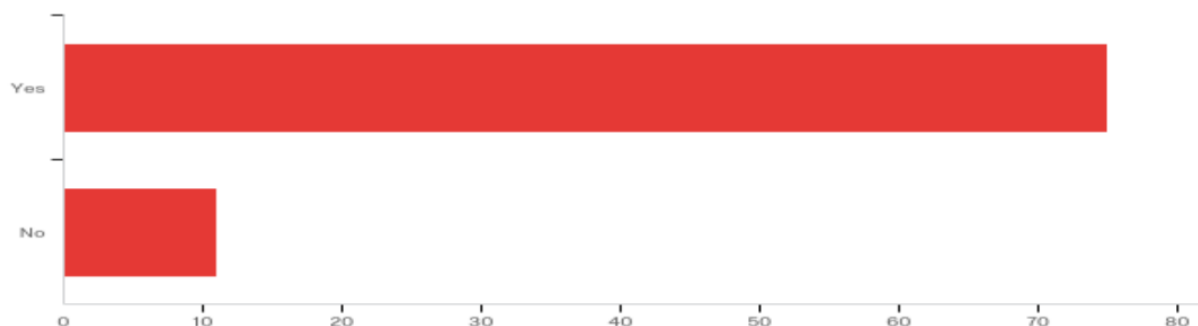
#	Answer	%	Count
1	Extremely satisfied	18.60%	16
2	Slightly satisfied	55.81%	48
3	Neither satisfied nor dissatisfied	24.42%	21
4	Slightly dissatisfied	0.00%	0
5	Extremely dissatisfied	1.16%	1
	Total	100%	86

Figure 19. Result of Q16

Most of the respondents are hardly dissatisfied with ASOS (18.6% of respondents being extremely satisfied and 55.8% of respondents being slightly satisfied). Looking back to Q15, after a long-term satisfied interaction with ASOS, customer loyalty towards ASOS increased.

Q17: Would you recommend ASOS to a friend/ family member? Q18: If NO, why not?

Q18 is an open-ended question which follows by Q17 to encourage respondents to express their view on why they would not recommend ASOS to a friend or family member.



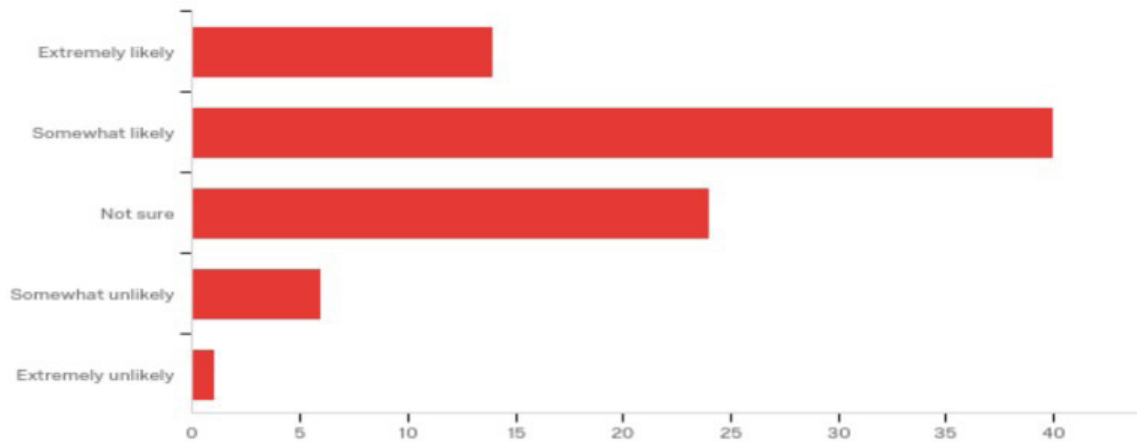
#	Answer	%	Count
1	Yes	87.21%	75
2	No	12.79%	11
	Total	100%	86

Figure 20. Result of Q18

From the Figure 20 above, 87% of respondents said that they would recommend ASOS to their friend and/or family member. For those 12% who chose not to recommend ASOS to their friends, they expressed the view in Q18 that this is largely due to the fact that they don't know much about ASOS (have not shopped there often enough to give a recommendation), or never used ASOS before. As mentioned in the literature review, customers who would positively recommend a brand to their friends are attitudinally loyal. Therefore, it can be concluded that customers who shop regularly in ASOS develop attitudinal loyalty towards the brand, as proven by the behaviour that they would recommend ASOS to their friends.

Q19: For your next purchase, how likely are you to purchase from ASOS?

Q19 - For your next purchase, how likely are you to purchase from ASOS?



#	Answer	%	Count
1	Extremely likely	16.47%	14
2	Somewhat likely	47.06%	40
3	Not sure	28.24%	24
4	Somewhat unlikely	7.06%	6
5	Extremely unlikely	1.18%	1
	Total	100%	85

Figure 21. Result of Q19

The result shows that 47% of respondents said that they are somewhat likely to shop in ASOS for their next purchase.

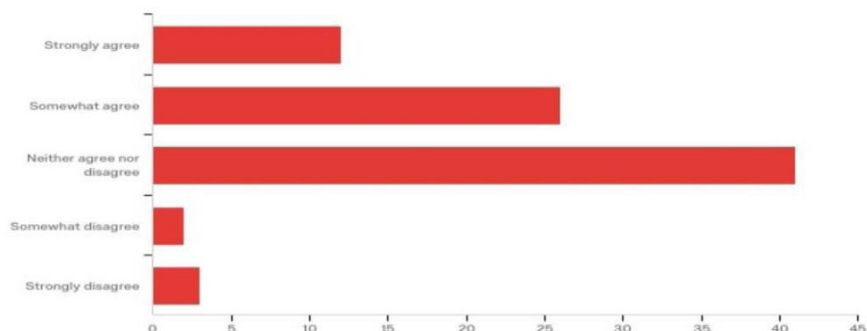
		For your next purchase, how likely are you to purchase from ASOS?					Total
		Extremely likely	Somewhat likely	Not sure	Somewhat unlikely	Extremely unlikely	
Have you ever shopped in ASOS?	Yes	14	39	13	2	1	69
	No	0	1	11	4	0	16
Total		14	40	24	6	1	85

Figure 22. Result of Q12 and Q19 cross-tabulation

From the cross-tabulation Figure 22, it can be seen that most of the respondents who have shopped in ASOS showed that they would continue to shop in ASOS next time. This means that there is a high customer retention rate. Customer retention rate is an indicator that not only shows the effectiveness of the loyalty programme being effective, but also that customer loyalty increased behaviourally.

Q20: How would you agree the statement: Over the last year, my loyalty to ASOS has grown stronger.

Q20 - How would you agree the statement: Over the last year, my loyalty to ASOS has grown stronger.



#	Answer	%	Count
1	Strongly agree	14.29%	12
2	Somewhat agree	30.95%	26
3	Neither agree nor disagree	48.81%	41
4	Somewhat disagree	2.38%	2
5	Strongly disagree	3.57%	3
	Total	100%	84

Figure 23. Result of Q20

48.8% of respondents neither agreed nor disagreed, with 45% of respondents considered themselves likely to remain loyal to ASOS.

Q21 - What do you like about ASOS?

Q22 - What do you dislike about ASOS?

Q23 - Besides ASOS, what are your next choice of fashion shopping websites? These three questions are open-ended questions in order to obtain a deeper knowledge about what customers think about ASOS. After all the answers had been sorted, the aspects of ASOS that respondents like most are the great variety of brands, student discounts, affordable prices and good after-sales service. By contrast, aspects that customers dislike about ASOS focus on poor quality of their own brand and difficulty in obtaining the appropriate size. Also, there are general online shopping problems, such as people get disappointed with the actual product being different from the picture. Dissatisfaction may lead to decrease in customer loyalty.

In voting by customers, Topshop and Zara are the most competitive rivals (both brands are mentioned 11 times). Managers of ASOS should focus on what customers like and dislike about ASOS in order to improve their service to maximise customers' satisfaction. As suggested by Chiou & Droge (2006) that customer satisfaction promotes customer loyalty, which helps ASOS to compete with its rivals in such a competitive online market.

Moreover, there were two respondents who expressed that they had heard positive reviews from their friends and they will try the site next time; thus, word- of-mouth marketing is working effectively for ASOS.

4.2 Secondary data analysis



Figure 24. ASOS' revenue analysis (source: ASOS' annual report and accounts, 2016)

According to ASOS' annual report and accounts (2016), the figure above illustrates that, after ASOS' loyalty programme was launched in 2014, the company's revenue worldwide from 2014 to 2016 is holding an upward trend. Specifically, in the

UK, sales revenue increased by 27% to 603.8 million GBP.

Evidently, research shows that loyalty programmes help to instil customer loyalty which may be reflected in brand loyalty, both attitudinally (recommend the brand to their friends) and behaviourally (continue to shop in ASOS). However, as the programme- "A-list" 's reputation is low (67.44% of respondents are not aware that ASOS currently has a loyalty programme), programme loyalty may not be sufficiently developed. Moreover, respondents who have not shopped in ASOS expressed the view that they would try ASOS for next purchase as they have heard good reviews about ASOS. Attraction of potential new customers who have trust from existing customers are the results from successful word of mouth recommendation. Retailer benefits from higher profits as ASOS' retail revenue in the UK has been on an upward trend from 2014 when the loyalty programme "A-list" was launched.

Additionally, unbeatable service (including after-sales service which customers mentioned the most in Q21 "what do you like about ASOS?"), low price, and a wide variety of products are all the factors contributing to satisfaction with ASOS.

5. Conclusion, implication and limitation

5.1 Conclusion

Uncles et al. (2003) suggests that the two main objectives of loyalty programmes are to retain customers and increase sales. Customer loyalty, as mentioned in the literature review, it is conceptualized in the light of Dick and Basu's (1994) research, that customers show repeat purchase behaviour and a relative attitude towards a particular brand. As shown in the result, shoppers who are willing to continue to shop in ASOS have developed brand loyalty behaviourally; and shoppers who would recommend to their friends have developed brand loyalty attitudinally. The study proves that long-term customer satisfaction (18.6% of respondents being extremely satisfied and 55.8% of respondents being slightly satisfied) drives brand loyalty as Chiou & Droge (2006) and Anastasia & George (2016) suggest. However, the degree of programme loyalty is low; it is not well developed due to low reputation (67.44% of respondents are not aware that ASOS currently has a loyalty programme) makes customers perceive less engagement with the programme. Thus, it cannot be concluded whether programme loyalty could transfer into brand loyalty as Dowling and Uncles (1997) suggest. Also, it is hard to conclude whether "A-list" generate negative effects on customer loyalty as Kotler (2003) suggest. ASOS can pay more attention to increase the A-list's reputation in the future to get more engagement with their customers.

From the financial perspective, ASOS' investment in technology with the purpose to increase interaction with customers is successful, as retail revenue increasingly grew by 27 percent.

Therefore, it can be concluded that ASOS' loyalty programme - "A-list" is effective in a certain extent. Online fashion business can invest in the loyalty programme to reap profits in the long run.

Additionally, there has been a change from price to quality. Although consumers' purchasing power has been lower, price is not the priority anymore when shopping online. Instead, customers are more concern about the quality than the price. In Q22 respondents also expressed the view that they dislike most is the bad quality of ASOS' own brand; customer loyalty may decrease in the long- term with dissatisfaction. As there has no studies on why is the case (concern is shifting from price to quality), further study can be made to investigate what are the most important factors when consumers shop online. And for the managers of ASOS, they need to pay more attention to the quality of their products in order to maximise customers' satisfaction, which helps to increase customer loyalty.

Because of the limitation of sending out the questionnaire, most of the respondents are college students, and the sample size is small. Therefore, age group is very limit. ASOS can conduct a survey about their loyalty programme by sending out emails to their customers in order to get a more comprehensive result.

5.2 Implication

Retail fashion is renowned for its seasonality and introduction of new trends, with the regular introduction of new items to satisfy continuous customer demand. Retail fashion companies are conscious of the need to maintain their existing customer base and attract new ones. From a theoretical perspective, this study enhances current knowledge in loyalty programme into fashion industry and confirms that fashion companies can use loyalty programme effectively to reap benefits from long-term outcomes such as high customer retention rates and increased profitability. Moreover, the study findings prove that long-term satisfied interaction with the companies significantly promotes brand loyalty. From a practical perspective, the study findings lend support to fashion companies design and use loyalty programme effectively. It is important for ASOS' marketing and communications managers to pay considerable attention to engagement with their customers through the maintenance of their company's loyalty scheme (increase the reputation of loyalty programme and increase customers' involvement in the programme), and maintenance of the overall satisfaction (target on the service and improve its product quality).

5.3 Limitation

Gender differences are apparent in consumer response as to how loyalty is satisfied. According to the Business Insider Intelligence (2015) that female shoppers are more easily persuaded by coupons and marketing campaigns than male shoppers. Hence, shoppers' satisfaction towards types of benefits may be different, and it needs to be specified into gender difference in future study. Furthermore, people from different countries have different cultures which affects their perception of benefits received. Therefore, the rewards offered should incorporate customers' perceived needs and cultural expectations. As Hofstede (2015) suggested that USA consumers are content to receive non-monetary rewards because the American culture is geared towards leniency and generosity. Thus, the UK consumers' preference on rewards need to be specified. It is therefore recommended that, in order to gain the maximum effectiveness from its loyalty programme, ASOS should determine the reward preferences of its UK customers, both by gender and cultural influence, and incorporate the knowledge gained to re-design the company's "A-list" loyalty programme.

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