



DEPARTMENT OF BUSINESS

*How retailer's customer loyalty program can
influence the channel power and the relationship
with manufacture*

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Master Thesis in Business

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Abstract

Title: How retailer's customer loyalty program can influence the channel power and the relationship with manufacturer

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Aim: The aim of this study is to investigate how retailer's customer loyalty program can influence the channel power and what relationship between retailer with manufacturer can be created when channel power changes.

Method: A case study was adopted, and a qualitative research and face-to-face interview were used to collect the fundamental data.

Result & Conclusions: The results exhibit that the customer loyalty program implemented by retailer can increase its channel power (both in basic power and market power) and create a dominant relationship with high channel conflict with its manufacturer. Based on the research of the case company, I found a close relationship with cooperation and trust could be developed based on the customer loyalty program between retailer and manufacturer to create benefit for the both.

Suggestions for future research: Only adopted one case and one interview in the research is the main limitation. Additionally, the limited sample size limited the research in some generalizations. It is difficult to use only one case to represent the whole situation of the market. In the further, a larger sample size adopted in research can increase the reliability of researcher's generalization.

Contribution of the thesis: The research discloses how retailer's customer loyalty program can influence the channel power. The drawbacks of the dominant relationship which caused by channel power rising have been researched. How to develop close relationship and what benefit it can bring to retailer have also been investigated in the end.

Keywords Customer loyalty program, Channel power, relationship.

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Chapter 1

Introduction

Since the retailer as an independent part took part in the market, the competition between it and manufacturer in the channel power has never stopped. In this chapter, the reader can know how power is shifting from manufacturer to retailer in the market; the previous researches in power; the activities retailer launched to gain power and how I generated the idea of this research.

1.1 Power is shifting

Forty years ago, the production-oriented school of thought seemed greatly affected many researchers in their economic analysis (John, 2000). The traditional thought was manufacturers made product and retailers sold, both of them work in a considerable independence and do their best to offer products to the consumers (Dawson, 2000). The productivity of manufacturer was low in that time; nevertheless, the huge products demand of customers still let product manufacturer grabbed majority channel power than the retailers and could control the whole supply chain. However, along with the improvement of production in recent years, the services as another factor have been highlighted in the whole market (John, 2000). Most customers no longer just buy the products from the manufacturers but the services from Retailers (part of services still from manufacture, but much less than retailer in store). In addition, there also evidences show that the purchase decisions of consumers are increasing in retailer's store, which reduces the control of manufacturer in the store marketing (Sandra, 1999). The perspective change of consumer has greatly created super retailers such as Wal-Mart, Toys "R" Us, Home Depot, Walgreen Drugs, Office Depot and Best Buy; they emerged as the symbols show the channel power is shifting from the manufacturer to large retailer in retail markets (Oliver and Farris, 1989; Corstjens and Corstjens, 1998; Burt and Sparks, 2003).

1.2 The researches about power

Power has been defined in various ways but all definitions essentially contain the idea of the control, influence or direction of one party's behavior to another (Cartwright, 1959). Power as the most popular topic in the supply chain has been researched by many authors. At the very beginning, the study of the power was launched by French and Raven (1959) who investigated the sources of power. Later the attributions of power also were studied (El-Ansary and Stern, 1972). And then researchers have changed their research direction to other issues, for example the exercise of social power in channel relationships (Gaski and Nevin, 1985) and how the operational behaviors used by channel members in power can influence their strategies (Frazier, 1983). Different to power researches above, the study of Rangan (2006) not studied all channel members' behaviors regarding power, but focus on the impact of power structure between manufacturer and retailer in the channel which he called market power. We discover both the manufacturer and retailer are compete to the market power in the vertical (manufacturer and retailer compete to each other) or horizontal (manufacturer compete to manufacturer, retailer to retailer) way. Because the more power you receive in the channel, the more profit you gain. The participant who holds little power always depends on the more power one (Dapiran and Hogarth-Scott, 2003).

1.3 The activities retailer implemented to increase power

Recent years, in order to maintain the control and gain power in the channel, super retailers have implemented large amount of activities. Firstly, concentration through mergers and acquisitions (M&A), and organic growth to gain more market share (Ailawadi, 2001). Super retailers have grown up as the international companies to capture the global and large-scale economic profit. It is becoming more and more difficult when manufacturer bargaining with retailer in the channel now. Secondly, the trade allowances and slotting fees asked by the retailer also decrease the profit of manufacturer. Slotting fees refer to the one time payments that manufacturer pay to

the retailer for initial placement of the manufacturer's product on retailer's store shelf or access to retailer's warehouse (FTC, 2003). Nowadays, the slotting fees have evolved into different forms; for instance the shelf-space fees, display fees, pay-to-stay fees, failure fees, etc. According to the study of Shaffer, (1991), he stated that although the slotting fees can improve the efficiency of retail industry, it also lead to the high retail prices in terms of consumers must pay more than before. This is because the fees have been added into the product by the manufacturers when they sell to the retailers at the very beginning. Furthermore, retailers now begin to develop their own retailer brand or private brand to gain the maximum profit and enhance the channel control (Corstjens and Lal, 2000; Ailawadi and Harlam, 2004). Retailer produces and sells the consumer products under its own name or trademark through its own outlet. Compared to the manufacturer's brand, retailer's brand would not good enough in the quality, packaging and advertisement, but it shows a great advantage in the price. The private brand not only brings a huge profit to retailer, but also the power advantage when it competes to manufacturer. The activities of retailer I described above result in the huge power imbalance between the manufacturer and retailer. Manufacturer becomes more and more depend on the retailer because the great power advantage retailer collects.

1.4 Connect customer loyalty program with channel power

Up to this point, a popular customer retention approach implemented by retailer recent years is called the customer loyalty program. Customer loyalty program dedicates to build the long-term relationship with customers and preserve the customer retention and intensifying purchase frequency (Sharp and Sharp, 1997). According to the success of loyalty programs, more and more researchers have been attracted to research it (e.g. Kivetz and Simonson, 2002; Roehm et al., 2002; Uncles et al., 2003). Most of their work focus on how the customer loyalty program can enhance the firm's financial and market performance, there only few investigations exist to show how it would influence the channel power. In addition, most of channel

power researches were focus on the tactics that utilized by retailer, for example M&A, trade allowances, slotting fees, and the retailer brand or private brand in retailers' store. They rarely related the new retailer's tactic-customer loyalty program with channel power in academic research greatly encourages me to make a research in this field. Additionally, the relationships between retailer and manufacturer in channel power change can be researched too.

1.5 Purpose and Research questions

The aim of this study is to investigate how retailer's customer loyalty program can influence the channel power and what relationship between retailer with manufacturer can be created when channel power changes.

Three research questions will be researched and examined with the aim in this research, they are presented in the below:

1. How can the customer loyalty program influence the retailers' channel power?
2. What relationships between retailer and manufacturer would be created by the change of channel power?
3. How can a retailer create a positive relationship with a manufacturer in customer loyalty program?

1.6 Limitation

The retailer ICA Maxi in the Swedish market is the case of this research. However, only adopted one case and one interview in the research is the main limitation. Because the sensitivity of the topic, it is hard to find retailers and manufactures who want to participate in the interview to answer the channel power questions in deep and real. Additionally, the limited sample size limited the research in some generalizations. It is difficult to use only one case to represent the whole situation of the market.

Chapter 2

Theoretical framework

In this chapter, the definitions and knowledge of the customer loyalty program, channel power, relationship and the theories related to the research topic are exhibited. In addition, a conceptual framework is developed in the end to clear how I utilized these theories to explore my research.

2.1 Customer Loyalty program

In recent years, most retailers have a perspective that there exists a shift from “finding customer” to “keeping customer” in how to increase their sales. And the reason of the shift has been interpreted by researchers is - investing in programs that designed to foster the retention of customers is less costly than acquiring new customers (Myron, et al, 2008). In addition, researchers also stated that the sustaining customers are essential to retailer’s long-run success; the marginal and transient customers only help retailer satisfy near-term goals, not long-term goals. According to the reasons above, retailers become to separate their customers who spend most money and have the high repurchase rate from the others and define them as their loyalty customers. In order to sustain the loyalty customers in the store and transform more customers become loyalty, more retailers have launched the customer loyalty programs that have been long used by the travel industry (e.g. airlines and hotel).

In generally, the retailers’ customer loyalty programs provide a wide range of “hard” and “soft” benefits to their customers so that they can become frequent buyers and increase their purchases which in the end become their loyalty customers (Lowenstein, 1995). Hard benefits are generally economic, for instance the special discounts, coupons or rebates for past purchases or produce savings for the customer on future purchases. Soft benefits are not always an economic nature. They are the special benefits that beyond the formal economic providing. For example, the exclusive

merchandise's information and technology that used to facilitate the purchase in retailers' store; the invitation for some loyalty customers' to party and entertainment; and even the store's future development meeting of retailers.

In nowadays, the importance of customer loyalty program for retailer is gradually increasing. The reasons are not just it can maintains the old customers or attract new customers from their rivals (through the word-of-mouths of loyalty customers), but also it can captures more value information from customers, which helping them to plan new ways of measuring and managing their business and their customers' experiences.

2.2 Control and dependency in channel power

There are various definitions in power, but by coincidence, most of them come down to use the term control and dependency to describe the relationship between the participants of who got power and who not. According to the study of (Dapiran and Hogarth-Scott, 2003), we know the term control has been described in two ways: direct or indirect control. Direct control refers to a coercive and commanding influence implemented by the powerful channel member to control the decisions and another. Usually, direct control can produce the overt compliance by the influenced party and always include certain negative sentiments. On the contrary, indirect control refers to a non-coercive influence that the powerful channel member can through internalized norms and values to affect the other. Mostly, the compliant behaviors of the influenced party are likely to include positive, cooperative sentiments. In some extend, the direct and indirect control could refer to the explicit and implicit power. When we talk about the term dependency, it is important to aware that power is a feature of social relationships, both individual and group, and is not an attribute of a social actor (Emerson, 1962). If the power of one party over another; we could say the later has dependence on the former. In other words, the dependence of party A on party B means the motivational investment in goals of party A could be influenced by

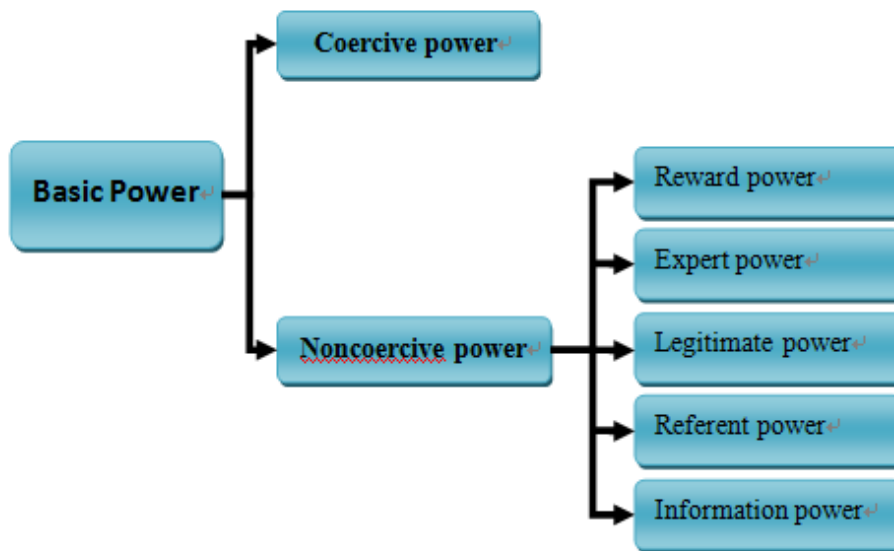
B, the level of the dependency is decided by to what extend A can conduct and achieve the goals without the B. In conclusion, dependency is key source of the power, it emerge in both explicit and implicit power.

2.3 The basic power

The theory of control and dependency we describe above are just from the uni-dimensional point of view to explore the power, we discover a multi-dimensional point of view was presented by French and Raven (1959) who stated power is from the relationship that each participant in it has brought their certain resources. According to their explanation, the participant who occupies more resources in the relationship can gain more power, in other word; the basic power of an individual member in the channel was derived from its power in resource.

In the book of French and Raven (1959), five power bases were presented: they are Reward power, Coercive power, Legitimate power, Referent power and Expert power. Through the continuing study, professors Raven and Kruglanski (1970) added a new information power beside those five measures. Some researchers have combined these channel power forms into a coercive-noncoercive dichotomy. The classifying and definitions of the powers are showed below (figure 1):

Figure 1 Coercive-noncoercive Power



Source: Developed by author

Coercive Power

Coercive Power is based on the ability of one channel member to punish another channel member, it also called the threat approach. On the channel comprised by the manufacturer and retailer, the coercive power holed by retailer means it can threaten to discontinue the manufacturer's line unless they increase its discount structure. On the negative side, continual and frequent threat can force the threatened party to pursue a legal action or switch to supply the competitors, so it also a high cost and risk approach.

Noncoercive Power

There are several powers include in noncoercive power, they are Reward power; Legitimate power; Referent power; Expertise power and Information power:

Reward power also can called promises power, it is a channel member can reward another who conforms to the channel member's desires. The channel member can get some profit from the power party in terms of compliance. So the reward power is reverse to the coercive power

In Legitimate power, a channel member realizes that another channel member has a clear right to exercise power over it. This legitimate power functions when the contract about the power allocation among parties in the channel has been signed. The legitimate power can maintain in a long time if the contract clearly specified power arrangement.

Referent power exists when one channel member confers power on another channel member based on other brands carried or based on the channel member's overall image. The power often received by the party who have the high prestige that can as the exclusive member to other party in the channel.

Expertise power is based on knowledge that one channel member attributes to another member. Nowadays, when the retailer becomes more and more professional in dealing with customer, manufacturer must rely on its expertise power.

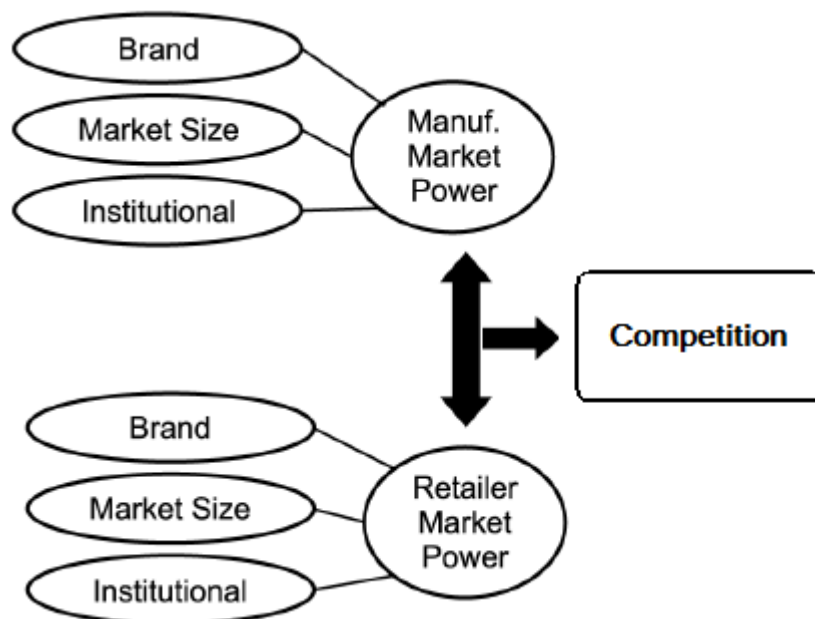
Information power is derived by a channel member having access to factual data. Compared with manufacturer, retailer in the store are more close to the customer which let it more understand the demand of the customer. Rests on the information of consumer, retailer is showing stronger than manufacturer in information power now.

2.4 Market power

From an economists' perspective market power is the ability to price at levels that secure a profit exceeds normal profit in terms of abnormal profit; from a legal perspective the market power is the ability to raise prices above those that would be charged in a competitive market (Smith-Hillman, 2007). There are four sources of market power presented by Rangan (2006). The first source of market power is the size or market share of the firm. Manufacturer and retailer with large market shares often have power advantage over their adversaries in the horizontal or even in the

vertical competition. The second source of market power is unique brand. To enhance the impact of brand that in order to gain brand power, manufacturer usually through R&D, technology, product design, engineering and branding. However, retailer in the market also tries to do the same to brand its retail outlets. Emerging with the private label and private brand in the store of retailer, its brand power is dramatically rising. The third form of market power relates to institutional and legal protections through specific trading norms and informal business practices that exist in certain industries. The last source of market power is the ability to sell to (or buy from) alternative sources. However, because lack of data in the last source of market power, it cannot be researched in this study. The market power competition always happens between retailers in the same market. However, the competition also can happen between the manufacturer and retailer in the brand, market size and institutional (figure 2).

Figure 2 The competition between retailer



Source: Adapted from Rangan, 2006, p. 289

2.5 Type of relationships

Relationship is a process that two or more than two participants to form strong and extensive social, economic, service and technical ties over time; this process can

greatly reduce the costs and increases value among the participants which finally achieving mutual benefit (Anderson and Narus, 1991).

A matrix of four relationship types was developed by Donaldson and O'Toole (2000) in Figure 3. This classification of relationship is based on the relationship strength which used to measures the underlying motivation guiding the relationship and the intensity of interaction between the parties. The close relationship type refers to the form that both the belief and action components are high between participants. In close relations, partners cooperate for mutual advantage characterized by openness in communication, trust and strategic collaboration. Where belief is low but action is high, the relationship type is called dominant (or hierarchical) relationship. In dominant relationship, the dominant partner uses its power to control the relationship and force weaker partner to follow its lead. In other case, the relationship that the belief is high but the need for committed action is low is said to be recurrent relationship. Recurrent relationship is a hybrid form of close relationship. Compare to close relationship, the investments in recurrent relationship are designed to improve service or operational efficiency rather than be a strategic function. Finally, where there is low belief in the value of a relationship and a low action component, the relational form is called discrete transactions. The discrete relationship is the lowest in the relationship strength metric.

Figure 3 The relationship matrix

		ACTION COMPONENT	
		High	Low
BELIEF COMPONENT	High	CLOSE	RECURRENT
	Low	DOMINANT PARTNER (Hierarchical)	DISCRETE

Resource: Donaldson and O'Toole, 2000,

2.6 Channel conflict

Channel conflict is tightly connected with the channel power; in generally, the imbalance of power in channel can influence the channel power. Channel conflict is the channel member's perception that its goal attainment is being impeded by another, with stress or tension the result (Barry, 1996).

There are two classifications of channel conflict can be used in this research. One is conducted by Joseph (1955), who distinguished among three different types of channel conflict: Horizontal, intertype, and vertical. Horizontal conflict occurs among similar firms in the same level in a distribution channel. Vertical conflict stems from competition among different levels within a channel of distribution. The intertype conflict results among different types of intermediaries at the same levels in the channel. In this paper, the intertype conflict cannot be researched because the main research objects are manufacturers and retailers. The model of total degree of conflict between a manufacturer and retailer presented by Allan and Kenneth (1988) can be also used to research. There are three dimensions to determine the total degree of conflict (low, medium, or high). The intensity of conflicts dimension can range from minor flare-ups that are easily forgotten to major disagreements that are characterized

by terminations, lawsuits, and so on. Conflict frequency can range from sporadic disputes and occasional disagreements to protracted, bitter relations. The last dimension is conflict importance, which reflects a channel member's perception of the importance of a particular dispute.

2.7 Cooperation

Channel cooperation is the joint striving of channel members toward individual and mutual goals (Barry, B.1996). Manufacture and retailer, being cooperate with each other, dependent on each other to meet their desired goals. Channel cooperation is the opposite of channel conflict, which is predicated on each channel member having compatible goals and values.

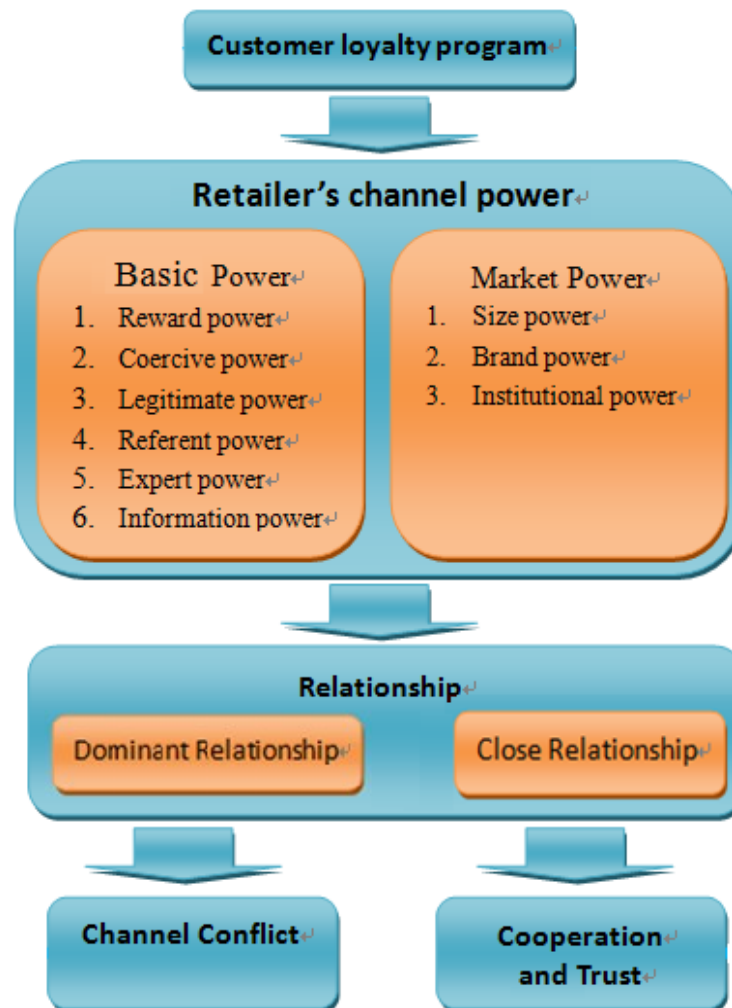
There are many kinds of cooperation can be launched between the retailer and manufacture. For instance: the joint promotional program, joint inventory management assistance, exclusive products, training and information sharing. In cooperation, a win-win attitude is pervasive rather than the dominant.

2.8 Conceptual framework

In order to clear the logic of my study, a conceptual framework is made below (figure 4). Firstly, the customer loyalty program of retailer was researched. Based on the information collected from the case company, I explored how it operated and managed its customer loyalty program. Secondly, I investigated the influence of their customer loyalty program in basic power and market power. The impact of customer loyalty program on basic power was showed in six kinds of power resource; they were Reward power, Coercive power, Legitimate power, Referent power, Expert power and information power. The impact on market power was exhibited in three aspects which are Size power, Brand power and Institutional power. Furthermore, the relationship created by the channel power change of retailer was researched. The relationship matrix was used to explain the relationship created between retailers and

manufacturers when the power of retailer was changing. Generally, the dominant relationship is along with the high channel conflict and the close relationship along with the cooperation and trust.

Figure 4 Conceptual frameworks



Resource: Developed by author

Chapter 3

Methodology

In this chapter, research method used by me is presented. This research is a qualitative research, and it complimented by the case study and interview methods. The validity and reliability of the study is discussed in this part, and then followed by interpretation how I presented my data and analysis.

3.1 Qualitative methods

There are two popular methods in doing a research which are the quantitative and qualitative. In quantitative research, you must depart from the data and then from a rational perspective to collect, calculate and summary these data which in order to seek out the ‘how’ of the object you want to research (Williams, N., 2005). However, qualitative research on the other hand emphasize the researchers must immerse themselves in the data and then discover the phenomena and inconsistencies they interested, and then base on the knowledge they got in the research to generate new concepts or enrich the knowledge that have existed (Williams, N., 2005). Williams stated in his book that the data collected by the qualitative research are the ‘soft’ data, which are the human’s feelings and emotions, and rather than ‘hard’ data from quantitative research. The qualitative research explores why the actions of people are took place and create a new way to solve the problem. The most popular approaches used in qualitative research are face to face interview, telephone interview, group discussion and literature review.

3.1.1 Choice of method

The qualitative research has been used in my study is because its qualitative methods can help me to reach my study purpose and find out the answers for my research questions easily. The secondary data have been collected by a board literature review at very beginning. It give me a better background understanding of the target market,

and the knowledge of channel power, market power and customer loyalty program. The knowledge from wide variety of books, data bases, journals step by step helped me to generate the idea of this research. In addition, the face to face interview in the research has collected the primary data for me. Because the complexity and sensitivity of the topic I chosen, the quantitative research seems hard to disclose the real thinking for the retailer. Compare to the quantitative research, the face to face interview in qualitative research give me a chance to get a deep contact with retailer and disclose its real thinking. All in all, I think the qualitative research is the most suitable method to construct my study here.

3.2 Case study

Case study has been defined as a method which researches the problem in detail, which comprises a variety of methods and which also needs a long research period (Creswell, 1994). The detail in research for case study refers to the deep understanding of the case's background and the problem you want to investigate. Further, the case study is not a single method but a multiple one, which comprised by the questionnaire, survey, interview, participant observation and so on. In the end, the case study always needs a considerable long period which in order to discover the situation in reality and add solutions to solve the problem.

3.1.1 Choice of case study

In my research, a single case study has been chosen as a method to investigate the Maxi store of Swedish retailer ICA and its customer loyalty program. In the very beginning, retailer and manufacturer in the retail market had been chosen as the research objects because the obvious confrontation existed between them in channel power. However, because the sensitivity of topic, I discovered few or even no manufacturers want to participate in this research. This lack of data forced me have to ignore the perspective of manufacturer in channel power and concentrated on retailer's point of view. Several retailers in the Swedish for example ICA, Coop and

Willy:s were chosen because the highly developed of its retail market. However, the great success created by ICA's customer loyalty program and ICA's leading position in the market incented me to make a sole investigation of it. In addition, I believe the single case in the research can get information in depth, which better than select several cases. Finally, because ICA Maxi is the biggest supper market of ICA, more researches were designed for it to collect data.

3.3 Interview

Interview has been wide utilized by researchers as a flexible tool to question the peoples who regard with the research subject; and there are always two main interview approaches, they are: face to face interview and telephone interview (Williams, N., 2005). Nowadays, the e-mail interview becomes more and more popular because the cheap in conducting and multi-targets reaching. Additional, an interview guide or a questions list that should be prepared before interview to obtain more information in details and make the conversation fluently has been suggested by Cassell and Symon (2004).

3.3.1 Choice of Interview

The face-to-face interview has been used as main method to collect primary data in my research because it can get more information from the interviewee in real and deep. The main manager Magnus Wingses of the ICA Maxi store that located in Gavle had participated in the one hour's face-to-face interview. The main manager Magnus has worked for ICA Maxi for many years, so he is the most qualified person who can give me the important information about channel power and ICA Maxi's customer loyalty program. In addition, the other reason why I choose the face to face interview as a qualitative research method is because it can be used to collect the information in sensitive topics (Williams, N., 2005). Through the sufficient and correct preparation of the question list, I have successfully obtained the channel power information from the interviewee. The questions in the question list were formulated before the interview and all the questions are close relate to research questions in order to get the

answer in a better way (see appendix): For example the general questions were to get a better understand of ICA Maxi and its customer loyalty program; the basic and market power questions which adapted from Barry, B. (1996) is for helping me to measure the power influence that provided by retailer's customer loyalty program.

3.4 Validity and reliability

Validity is consisted by two parts which are the internal validity and external validity: internal validity states what author intended to investigate has been investigated in the research; external validity means the results measured by author in one research also valid in other researches (Williams, N., 2005). In my research, the question list used to guild the interview was base on the research questions to formulate. All results from the interview have answered the questions in an accurate way. In addition, before I make conclusion to the questions I want to research, the data I collected from the interview have been analyzed again and summarized, which on the other hand increase the validity when transferring my results to analyze the other researches.

Reliability on the other hand refers to the degree that whether the results of research can be trusted or not (Williams, N., 2005). In my research, a structured face to face interview has been made to increase the reliability of the study. Firstly, all questions in the interview are base on the theories to formulate. Secondly, the all questions have been categorized into different categories that to accurate the analysis and conclusion. Finally, I not only made notes during the face to face interview, but also made a record. These prevented me missing any valuable information in the interview and made the data reliable.

3.5 Data interpretation and analysis

In the empirical study part, I presented all the primary and secondary data that I collected from the interview, ICA's annual report and literature. In order to make my data presentation easier, a simple introduction is conducted here:

-
1. The background information of the case company is presented first in the next chapter (Secondary data from annual report);
 2. The information regarding ICA's customer loyalty program is followed (Primary data from interview and secondary data from annual report);
 3. The interviewee's answers for the general questions, which include the manager's thinking about its customer loyalty program and other related questions, is showed in this part (Primary data from interview);
 4. The answers about the basic power, which comprised by Coercive power, Reward power, Legitimate power, Referent power, Expertise power and Information power (Primary data from interview);
 5. The answers about the market power, which comprised by Size power, Brand power and Institutional power (Primary data from interview).

In the data analysis chapter, I connect the data with the theories to investigate the research questions I made for this research. For the first research question, I find the retailer's customer loyalty program can increase its channel power and separately show how the basic power increases and how the market power increases. The theories regarding the basic power and market power are connected with data from interview. For the second research question, the theory of relationship matrix helps me to measure what the relationship between retailer and manufacture is. In addition, the theories like the model of total degree of conflict, the characters of the channel conflict are combined with the data to show the negative effect of dominant relationship. For the last research question, the knowledge of the cooperation and trust help me to summarize the ICA Maxi's successful experience in how to create close relationship with manufacturers in customer loyalty program.

Chapter 4

Empirical findings

The purpose of this chapter is to present the background knowledge of the case company and the data I got from the ICA Maxi's manager during the face to face interview.

4.1 The background of the case company

The ICA Group is one of the Northern Europe's leading retail companies, with around 2,200 of its own and retailer-owned stores in Sweden, Norway and the Baltic countries. The Group includes ICA Sweden, ICA Norway, Rimi Baltic and Real Estate as well as ICA Bank, which offers financial services to Swedish customers. ICA was started in Sweden in 1917 by Hakon Swenson when he started "Inköpscentralen Hakonbolaget". His original business idea was that the corporation would enable separate shop owners to do collective purchases, establishments and marketing. Nowadays, ICA AB is a joint venture 40 percent owned by Hakon Invest AB of Sweden and 60 percent by Royal Ahold N.V. of the Netherlands. The vision of ICA AB is "We make every day a little easier" and the mission is "We want to be the leading retailer with a focus on food and meals". (ICA, 2009)

Nowadays, ICA AB has 1 397 stores in Sweden which are divided into four different types; ICA Nära, ICA Supermarket, ICA Kvantum and MAXI ICA Stormarknad. Maxi ICA Hypermarket is the biggest store compare to other kind of ICA stores. Everything is at a good prices just under one roof. ICA Maxi has wide variety of foods and non-foods such as housewares, sporting goods and garden supplies. This store is designed for creating convenience for the customers who own cars, so the parking lot is bigger than others and has a extended store hours (ICA, 2009).

In 2009, the global recession has been a challenge for every country and every

business. ICA also affected by this global recession, the markets of ICA in Baltic countries has been the hardest hit, and then follow by the market in Norway and Sweden. In the Swedish market, a declining krona kept pressure on food prices during the year. At the same time, price was becoming a sensitive factor to customers. All the surveys conducted by ICA showed that many customers felt ICA was expensive. However, when facing the tough economy situation, the net sales of ICA is still increasing which amounted to SEK 94.651 million and show an increase of 4.1 percent compared to 2008. And the net sales in Sweden amounted to SEK 59.003 million which gave a strong support to the whole increase. In addition, ICA Maxi in Sweden showed an excellent performance and gave a great contribution to ICA's success (ICA, 2009). What makes ICA so successful during the turbulent economy situation has become an interesting question for all ICA's competitors and also for me.

4.2 The customer loyalty program of ICA

The history of the customer loyalty program of ICA could be traced back to 20 years ago. Credit cards issued by banks were becoming increasingly prevalent in the early 80th century, and it was wide used by grocery stores. However the inconvenience and high cost were not accepted by the customers and retailers. In order to solve this problem, ICA as the first grocery store launched its own credit card which called "ICA Card" to the customers in 1990. The mission of ICA Card was to reduce the extra fees and make purchase more flexible, but not as an instrument to increase the customer loyalty in the very beginning. However, after the ICA Card had been launched, many ICA stores' managers found the customers who hold the ICA Card shows a high purchase frequency in ICA than the other cash customers. This discovery has greatly promoted the progress of ICA Card's development in increasing the customer's loyalty. Special price to the ICA Card holder was the main vehicle to create the customer loyalty during that time.

The relationship built on special price between the retailer and customer is very weak,

because your competitors could follow you easily in providing low price. After ICA understand this, a program that giving special ICA magazine to the card holder had been launched since 1995. The name of the magazine is called “Buffé”. It still publishes nowadays and has become Sweden’s largest monthly magazine. The Buffé leads the customers to live more health and usually give great recipes to teach customers how to make different meals. Furthermore, around 1999, a new customer loyalty program that gave bonus to reward its true loyal customers started. The more the customers shop in ICA, the more bonuses they receive. As a customer of ICA, you can get more discounts on products when you have collected enough bonuses. Nowadays, ICA has cooperated with large amount of companies to extend the customers’ benefit. The most loyalty customers always get good card rates and discounts on entertainment and travel with your Card ICA.

In 2009, ICA launched a new program called “Mina varor”, which customizes discounted offerings based on each customer’s buying habit. The ICA card holder can get deals on the brands that they household purchases and the ICA in collaboration with their brand manufacturers, which can give them the discount. The discounts are normally charged to customers’ ICA card and direct when they pay at the counter. This program not only offers customers good prices but also build the high customer loyalty. In 2010, personalized new-product offerings will be added as well. During the interview, the manager also indicated the next step of the customer loyalty program is around the internet to extend.

4.3 Answers for the General questions

Information about the history of ICA’s customer loyalty program and how the different program worked in different period have been showed partly before, and they are all the secondary data I collected from its annual report and its web site. In this part, I show more primary data given by the main manager in the face to face interview.

ICA's value chain always begins and ends with the customer, so the manager thought the goal of ICA's customer loyalty program is continue create the value for customers at every level. He said the successful customer loyalty program should base on close contact with the end-customers. He said ICA is always doing its best to achieve this goal.

When I asked what advantage ICA gained from the customer loyalty program, the manager said was the knowledge without hesitation. He emphasized the customer loyalty program that ICA launched had collected a great amount of useful information of its customers. This information had let ICA more understand its customers and became its unique knowledge and advantage when competing with its other competitors.

According to previous survey, the manager said 80% of Maxi ICA's profit came from its 30-35% most loyalty customers. The outcome greatly encouraged ICA to continue improving their customer loyalty program. So far, the manager admitted there were still problems in ICA's current customer loyalty program. For instance, some customers still complained the ICA's customer loyalty program is too complex. It's hard to understand or inconvenience to receive the benefit that ICA gave to them. In addition, the customer private data protecting is another problem. The more close the customer participant in loyalty program means the more private information can be known by the retailer. On account of private date protecting, some customers are fear to become the member or any this kind of customer loyalty program.

The manager said he was proud that ICA had a good relationship regardless customer loyalty program with its manufacturers now. Most of ICA's manufacturers like the win-win situation when they cooperating with ICA. When I discussed the relationship problem with the manager, he reminded a bad relationship with the big soft drink company-Coca Cola in ICA history. Because could not reach a consensus on the price

of Coca Cola's product, ICA removed all Coca Cola's product from its shelves for 2 years. This competition didn't bring any benefit to both ICA and Coca Cola; on the contrary, it greatly damaged their sales in the market. In these two years, ICA also found it lost many loyal customers which just because ICA could not fulfilled their need. For then on, ICA took more attention in building good relationship with its manufacturers so that it could satisfy the customers in a better way. Although ICA commits itself to build a good relationship with its manufacturers, thinking from the customer's perspective is still what ICA most concern. ICA just gives the best offer to its best manufacturers.

The managed admitted there were more manufactures want to do their own trade promotions in the store. These trade promotions can regardless the retailers' customer loyalty program to provide low cost to any customers. This can increase the conflict between the manufacturers and retailers in some areas. So ICA usually don't prefer to this kind of manufacturers' loyalty program. The manager said control was still the most important vehicle to operate their business.

4.4 Answers for the questions of Basic power

The manager stated the cooperation of manufacturers in the ICA Maxi's customer loyalty program would be favored on some other occasions in their store. The cooperation of manufacturers refer to the manufacturers should take active in ICA Maxi's customer loyalty program. For instance, give the special price to the loyal customer usually; work with ICA to implement same trade promotion campaigns; or design special product which just for selling in ICA Maxi. If the manufacturers show an active cooperation, the manager said they would considered to give them better location in the shelf or special product space in the store; the high profit and large volume offering; or product introduction in ICA magazine and newspaper.

Generally, most of ICA Maxi's manufacturers admire the way how it run the business

and customer loyalty program, and they want to follow the lead of it. However, the manager also emphasized a larger number of manufacturers always had their own idea about their product and ICA's customer loyalty program. For instance, some manufacturers also doing their own trade promotion in store which regardless the retailer's control. But the manager said this situation was rare in ICA Maxi's store, because he thought the holistic control by the retailer was very important; the retailer would have more knowledge in selling product to the end customers.

Like the situation I told before, manufacturers usually had their own opinion when they chose to trust the retailer's judgment in customer loyalty program. However, because of the huge successful of ICA Maxi's customer loyalty program, almost every manufacturers trust it.

ICA Maxi always sign contracts with its manufacturers which in order to formulate the rule during the cooperation. But now the manager said they more prefer to sign the long contract with ICA Maxi's manufacturers. Because this long term contract can let ICA Maxi formed a more efficient strategy during a long period.

The manager convinced ICA Maxi's customer loyalty program gain the knowledge advantage. The useful information of every customer can be easy and systemic collected by the ICA Card and finally help ICA to improve the services and enrich the variety of different products. Every manufacturers of ICA Maxi eager to know this knowledge and information, but the manager said they were not and would not show or sell this information to anyone which because that information is ICA Maxi's core competence in the market.

The manager said ICA Maxi could influence its manufacturers if they don't follow its suggestions in customer loyalty program. The customer is always in the first place of ICA's business and ICA puts all its concentration on creating the customer's value and fulfill the customer's need. So the ICA negotiates with its manufacturers to strive for

more profit for its loyal customers. ICA gives more profit to the manufacturer who also thinks the customer first. On the contrary, it can take actions to reduce the profit of the manufacturer who don't follow it. For example, relocating the manufacturer's product to a bad shelf or do not give any promotion campaigns in the store.

4.5 Answers for the questions of Market power

The manager said ICA's customer loyalty program dramatically increased its market share. In the last ten years, the market share of ICA Maxi in Gavle had increased from 33% to 50%. In the 2009, the financial crisis and global recession had affected all ICA's markets share in Sweden. Many people lost their jobs during the year, which mean they are more sensitive in the price of the products they usually buy. In addition, surveys of ICA showed that many customers felt ICA was expensive, even though it offers everything from private label discount products to delicacies and exclusive brands. The manager said the tighten budget of customers and high price of ICA Maxi caused a great market share losing for it. However, when facing the challenge, ICA Maxi implemented a number of price-cutting campaigns and launched the new customer loyalty program to fight for the bad economic. These changes greatly helped ICA Maxi to earn back or even more market share in Gavle market. However, the manager admitted the tax cuts of the Sweden also made commitment in ICA's success in the turbulent year.

“The creative customer loyalty program of ICA- “Mina varor” in 2009 had attracted more new customers shopped in ICA Maxi” the manager said. The new program took more account of individual customer's shopping habit which provided them low price in the products they usually shop and increase the convenience during the shopping. It is an innovation in the retail market and attract more customers want to experience it.

The customer loyalty program of ICA increases the customer's favor of ICA brand. The manager emphasized because the brand power of ICA, more and more

manufacturers and entertainment companies wanted to cooperate with ICA. The wide and various benefits the customers of ICA can receive also enhance the ICA brand power on the contrary.

The successful private label or private brand of ICA also enhanced the power of ICA. Generally, the product of ICA's private brand is 10% price lower than the product of exclusive brand (A brand), but get the same or better quality. The good price and good quality of ICA's private brand in some products have let it become the A brand in the market now.

The manager in the interview also said the customer loyalty program enriched ICA's approached or strategies in selling products. For example the magazine "Buffé", by introducing the new recipes and guiding the healthy live, it has increased customers' products demand to ICA. In addition, the useful and feasible internet customer pages had let the customers easier to manage their shopping.

Chapter 5

Analysis and discussion

In this chapter, I connect the primary and secondary data that I collected to the theories to discuss and analyze the results.

5.1 Retailer's channel power increases

5.1.1 The customer loyalty program affect basic power

Through the empirical study, I discover the customer loyalty program implemented by retailer can dramatically affect its basic power. The six different basic powers (French and Raven, 1959) are analyzed below.

In the interview, the manager said if the manufacturer more cooperate with ICA in its customer loyalty program, they would be favored on more other occasions. This occasion include the good location in the shelf or more in-store advertisements. This situation proves the retailer's customer loyalty program increase the reward power to itself. The manufacturers become more and more compliance.

The referent power of retailer also rises when the customer loyalty program's wildly utilized in the market. ICA Maxi's customer loyalty program not only creates a large number of loyal customers, but also expands the influence power of brand ICA. So the manufacturer who doing business with ICA Maxi always with the respect and admiration. This respect and admiration let manufacturer want to follow the ICA Maxi's lead in the market. There are also some manufacturers always have their own ideas in how to sell their products, but follow ICA is their best choice that they can make now.

Because ICA Maxi's customer loyalty program has got a huge success in the market, it has more advantages and experiences when compare to other retailers. For example

how to do the promotion of the new product; how to keep the continue purchase of the customers and how to satisfy customers. All these advantages and experiences have greatly increased its expertise power to manufacturers.

Legitimate power is the only one power does not show a high increase in the basic power during the study. Although some contracts were signed base on the customer loyalty program, it still has few mandatory rules to stipulate the manufacturers' obligations.

The customer loyalty program dramatically enhances the retailer's information power. The one of the important functions of customer loyalty program is to collect customer's data. The retailer could through analyze the data to discover and understand the purchase habit of customer. When the customer loyalty program becomes more and more clever and accurate, the information power hold in retailer's hand is increasing. The manufacturers now have to rely on retailers in the information power to sale their products to the end customers.

Compare to the five noncoercive powers I analyzed above, the impact of coercive power on the relationship between retailer and manufacture is much stronger. According to the answer of the interviewee, the customer loyalty program tremendously increases the coercive power of the retailer. There are several ways ICA Maxi could influences or punishes its manufacturers through the customer's loyalty program. For instance, giving less trade promotion to the particular product of manufacturer to reduce its Sales Volume; attaching low bonus to manufacturer's product when customer buy it; and no any introduction in the magazine or newspaper to isolate manufacturer's product with customer. All these punishments can hit manufacturer's sales and profit strongly. On the other hand, private label of the retailer can in coordination with the customer loyalty program to increase the coercive power in advance.

5.1.2 The customer loyalty program affects market power

The market power consists of Size power, Brand power and Institutional power (Rangan, 2006). From the finding I discover the customer loyalty program implemented by retailer can affect its market power.

In terms of size power, the ICA Maxi's loyalty program has attracted more and more customers and increased its market share. ICA has created a large amount of most loyal customers to it. These customers not only consistent contribute a high purchase volume, but also as advertisers who persuading others by word of mouth to let them become the new customers of ICA. The increasing number of customer in the end raises the ICA Maxi's market share in the local market. This high market share has gained more power to ICA Maxi when it competes with the other retailers and negotiates with its manufacturers.

On the same time, the brand power of ICA is also increasing along with its customer loyalty program. The convenient and low price created by the program has enhanced the influence power of brand ICA. More and more companies want to take part into this program which also enriches the way how ICA rewards its loyal customers. ICA pay attention to develop its private brand also enhances the brand power. In some products, customer become realize ICA's private brand as the A brand which better than the other exclusive brand in quality and price. On the contrary, customer's increasing favor of the brand ICA also result in the high sales of its private brand.

The institutional power is the only one power which doesn't show a high increase. Although ICA enriches its approach to sell the products by implementing customer loyalty program, just few trading norms have set up to stipulate the obligation of its manufacturers.

5.2 Relationships are forming when power increases

After we knowing the customer loyalty program implemented by retailer can increase its channel power, the effect caused by the power rising is the next question I want to research. Gradually, increases the channel power is the goal of all channel members that striving for. The power rise can create profit or benefit for the holder. In this research, the benefit for retailer emerges in different ways. For instance, the retailer could easier to control the channel by holding the power. Through the channel control, retailer can greatly reduce the purchase average cost from the manufacturers. Secondly, the lower purchase average cost allows the retailer to sell the good in a cheaper sales price in the store. The price advantage can be the strongest weapon to help retailer compete with its rivals. It lets the power holder grabs more market share or even punch the competitors out to receive monopoly profit.

When retailer's channel power increases, the dominant relationship (see the relationship matrix in chapter 2, Donaldson and O'Toole, 2000) can be easy created between the manufacturer and retailer. This relationship always along with strong channel conflicts and showed a negative effect to both participants.

5.2.1 Dominant relationship with strong channel conflict

When retailer's power rising, I find out manufacturer always show the high belief and low action in the relationship with retailer. Compare to the matrix of four relationship types developed by Donaldson and O'Toole (2000), the relationship between retailer and manufacturer is the dominant relationship. In this kind of relationship, the high action is created because the manufacturer in the weak part has to yield to the retailer; and the low belief of manufacturer is because of the dissatisfaction in position. Under this tough relationship, more channel conflicts emerge and dramatically create negative effect to the channel members. In the research, I used the model of total degree of conflict between a manufacturer and retailer presented by Allan and Kenneth (1988) to measure the channel conflict. It could accept a low channel conflict

between the retailer and manufacture. Form the empirical study, ICA Maxi always has the low conflict with its manufacturers in the purchase price problem. However, when the conflict exploded, the fight between Coca Cola and ICA in ICA's history happened. According to Allan and Kenneth's model, there existed a major intensity of dispute; frequent disagreement; and a very important dispute between the Coca Cola and ICA in 15 years ago. This high channel conflict showed a huge damage to both companies. For ICA, it lost many customers who favor the Coca Cola's products, and showed a decrease in the profit after lost a well sale brand in the store. For Coca Cola, without the help of lead retailer in Swedish market also frustrated it sales and influenced the image of its brand in Swedish customers' mind.

How channel conflict emerge in customer loyalty program and the negative effect

When retailer's market power and basic power rising, the channel conflict (see theory 2.6) between retailer and manufacture easily show up. In the retailer's market power. Firstly, the increasing size power makes manufacturer more and more difficult to negotiate with the retailer. Larger and larger size of the retailer has created the monopoly power. The dependence of manufacturer on retailer's monopoly power has enhanced their dissatisfaction and greatly encourages them to start fight with retailer to capture a better situation. Secondly, the implement of customer loyalty program and emerge of private label not only increase retailer's brand power, but also enhance the dissatisfaction of manufacturers and result in channel conflict. The manufacturers who took part in the customer loyalty program found the customer's favor of their product is shifting to the retailer's brand. All discounts provided by manufacturer finally only increase the customer's loyalty of retailer but not its products. Besides, the mature of retailer's private label is threatening the exclusive brand in the market share and price. Participating in the product making procedure let retailer more understanding the cost in manufacture, which make the price negotiation become more difficult to manufacturers and reduce their extra profit.

The increasing basic power also extends the confrontation between retailer and manufacturer. Through guiding the loyal customers in daily purchase, the customer loyalty program gives retailer a new vehicle to enhance its coercive power. This increase coercive power finally restricts the manufacturers in their profit and strategy. Secondly, the increase expertise and information power gradually isolating the manufacturer from the customer. In order to reach the end customers, they have to depend more on the retailer. Furthermore, due to the success of retailer's customer loyalty program, the rewards given by the retailer has become more attractive to the manufacturers. For getting better reward from retailer, nowadays the manufacturer has to scarify a larger amount of profit. Finally, although the referent power also showed a sharp increase in the research, I realized the conflict between retailer and manufacturer still stayed in an acceptable area. And to the legitimate power, few contracts were signed with regard to customer loyalty program, so no obvious channel conflict was found in research.

5.2.2 Close relationship with cooperation and trust

The dominant relationship can be easy created in customer loyalty program when retailer's channel power increases. However, according to the research, I found retailer can also created a close relationship with its manufacturer. Compare to the dominant relationship, there are more cooperation and trust (see theory 2.7) between retailer and manufacture in close relationship that which can finally create positive effect to both of them. In close relationship, retailer can gains not only higher social belief but also higher positivity in action from its manufacturer. However, just few retailers actually do it in reality to cooperate with manufacturer, especially in the customer loyalty program.

How to create close relationship in customer loyalty program and the positive effect

In this research, ICA Maxi as a huge successful example exhibited the way how to

cooperate with its manufacturers. After the large conflict happened with Coca Cola, ICA Maxi paid more attention in cultivating the close relationship with its manufacturers. A plan of actions launched in last decade. Firstly, it cooperated with its manufacturer to provide the exclusive product for customer. Compare to the regular product, this kind of exclusive product is cheaper and more special. It attracted more customers to shop in ICA, which not only increase the customer's loyalty but also extend the sale volume of its manufacturer. Secondly, this win-win situation also was created by ICA's new customer loyalty program which called "Mina varor" in 2009. The goal of this new program is order to create value to its customers and increase loyalty. But it also contributed in declining the channel conflict between ICA and its manufacturers. In this program, the habit of ICA Maxi's customers can be recorded when they shopping with their ICA card. And then, ICA regards with customer's habit to negotiate with manufacturer and provide special offer to the product that the customer regular shop. The new customer loyalty program gave more benefit to its real loyal customer and dramatically reduced the channel conflict in commitment. In the channel, the manufacturers always complained what they committed in price cutting only increase customer's favor in retailer's brand but not their products. The unfair in commitment greatly reduce manufacturer's interest in participating into the customer loyalty customer program and influenced the relationship with retailer. However, in the new program, manufacturer can give more benefit to its real product loyalty customer. The right promotion and endeavor to the right target customer make manufacturer's commitment more effective and higher in reward. Furthermore, by increasing the information sharing in the new customer loyalty program, the ICA not only give suggestions to its manufacturers but also receive suggestions from them, which greatly help both to improve their daily work. In addition, through providing more soft profits to the customers, ICA has really reduced the channel conflict with its manufacturers. In ICA Maxi's previous customer loyalty program, the hard profit was always chased to their loyalty customers. However, this hard profit which relied on economy always enhanced the confrontation between retailer and manufacturer in terms of price. Nowadays, ICA Maxi more prefer to provide the soft profit to its

customer, for example: using the computer technology to provide individual product information to its customer; cooperating with more entertainment companies to reward entertainment discount or information. Finally, ICA is requiring the manufacturers to implement the same customer centricity strategy like them. This customer centricity strategy makes both the retailer and manufacturer concentrate on how to provide more higher quality products or services to the end customer, which remove the focus away from price bargaining and reduce the conflict.

Forming the close relationship with manufacturer can cost retailer a long time, so it requires patience and carefulness. In the research, I discover the trust is the priority that the retailer should consider when building the close relationship. Firstly, begin with the contract to create foundational trust with its manufacturer would be easier. When the trust gradually increases, a trust in emotion can be treated as success and finally built the close relationship.

Chapter 6

Conclusion

In the final chapter, I answer the research question. The reflection of this study and the contribution of this research also is summarized here. Moreover, the suggestions for how to improve the research in the future and interesting research topics are given in the end.

6.1 Retailer's customer loyalty program increases channel power

According to the research of the case company ICA Maxi, I discovered the customer loyalty program implemented by retailer can increase its market power and basic power. In the market power, the size and brand power showed an increase. More customers take part into this program because of the convenience and low price it provided. The satisfied customers became loyal and continued creating the word of mouth to their customers. It extended the retailer's brand power and created high profit. For example, companies wanted to cooperate with the retailer, the sales of retailer's private product had received a high grow. However, to the institutional power, because no trading norms have been set up by retailer to stipulate the obligation of its manufacturers, it didn't show an increase.

In basic power, the legitimate power of retailer didn't show an increase because no specific contracts have been signed between the retailer and its manufacturer. On the contrary, the other five aspects all showed an increase. Firstly, the reward power increased because the customer loyalty program has become a new vehicle of the retailer to reward or punish its manufacturer. Secondly, the customer information collected by the customer loyalty program increased its information power, which let the retailer can better understand its customer. Thirdly, the expertise of retailer in communicating and dealing with customers increased its expert power. Furthermore, the customer loyalty program increased retailer's brand influence by recurring new

customers, so the referent power of the retailer also increased. Finally, through giving manufacturer less trade promotion, attaching few bonuses to manufacturer's product and isolating manufacturer's products out of retailer's magazine and newspaper, the coercive power of retailer also increased. The manufacturer must depend on the retailer to increase volume of sales or even survive in the market.

6.2 The two relationships when channel power increases

When the power rising, I found the dominant relationship can be easy created between retailer and manufacturer. The dominant relationship along with high channel conflict and. According to the conflict between ICA Maxi and Coca Cola in the case, I found if the channel conflict continues increase, it can influence both parties' profit. However, after the study of the case ICA Maxi, I found the close relationship could also be developed between the retailer and manufacturer when channel power increased. In this relationship, the retailer and manufacturer show high believe to each other and more positivity in action because of the cooperation and trust between them. In the research, I discovered ICA Maxi increased its profit and its customer's loyalty by creating the close relationship in its customer loyalty program.

6.3 The close relationship in customer loyalty program creates success

My research shows there are several ways for the retailer who wants to create close relationship with its manufacturer in customer loyalty program. Firstly, retailer can introduce the exclusive product into the store. Because of the specificity, the channel conflict caused by the exclusive product can be reduced in price, space and promotion. Customers become loyal to retailer and continue extend their purchase to manufacturer's product. Providing soft profits to customer also lower the contradiction between retailer and manufacturer.

Secondly, retailer can enhance the information sharing with its manufacturer in

customer loyalty program. Giving the necessary information to manufacturers in their product would not let retailer lose its core market advantage. On the contrary, it increases the trust and finally creates profit to both.

Furthermore, both the retailer and manufacturer implement the customer centricity strategy. The same goal in their daily work decreases their confrontations and extends their efficiency.

Finally, as I understand if the retailers can continue innovation in its customer loyalty program, they can create the close relationship with their manufacturers. The success of ICA Maxi proved the retailer can create the win-win situation through a better cooperation with its manufacturer in customer loyalty program.

6.4 Research Contributions

This research contribute to: firstly, I proved retailer's customer loyalty program can increase its channel power. In the previous researches, only the M&A, trade allowances, slotting fees, and private brand of retailer can influence retailer's channel power. However, in my research, I discover the customer loyalty program that implemented by ICA Maxi can increase its basic power and market power. I proved retailer's customer loyalty program can increase its channel power. Secondly, I found the increasing channel power of retailer can create the dominant relationship with its manufactures. This kind of relationship along with high channel conflict, it can reduce the retailer and manufacturer's profit if the confrontation continue increase. So the suggestion to create a close relationship between retailer and manufacture in customer loyalty program was made. Compare to the dominant relationship, the close relationship can through the cooperation and trust to reduce the channel conflict between retailer and manufacturer. Finally, four ways for retailer to create the close relationship with its manufactures in customer loyalty program were given. They are: developing the exclusive product; enhancing the information sharing; implementing the customer centricity strategy and continuing innovation.

This research is valuable to all the retailers and manufacturers in the retail market. For retailers, this research warn retailer to use the customer loyalty program carefully because it can create the dominant relationship and increase the channel conflict. Additionally, four ways to create a close relationship were showed to help retailers to cooperate with its manufacturers. For manufacturers, this research provided a chance to them to realize the thinking of the retailer. It is also a good time for them to reconsider their relationship with retailers and concentrate to provide value to the end customer.

6.5 Reflection on my study

In the beginning of my research, the broad literature review in the retailer's customer loyalty program, channel power and the relationship between retailer and manufacturer has inspired me to construct this study. According to the aim and research questions of this study, many related theories have been found and helped me to investigate my purpose. However, the limited in the sample frustrated the research in deep. Only one case and one interview in the research limit the research in some generalizations. So in the further research, the quantitative research could be adopted to conduct an in-depth study. I can improve the sample by adding more other retailers and the manufacturers' perspective regarding my research topic to verify the accuracy of my results.

6.6 Further research

This is a unilateral research, because I only analyzed how the customer loyalty program can influence the channel power from retailers' point of view but not research from manufacturers' point of view. I discover most of the manufacturers in the market are afraid to discuss their real thinking about the channel power issue because the high power of the retailers. For further research, including the perspective of manufacturers in retailer's customer loyalty program and channel power can

contribute in exploring the situation in reality and how to create the close relationship between retailer and manufacturer.

In addition, the backlash of the close relationship in retailer's customer loyalty program is also interesting. By disclosing what advantages that cooperation and trust could provide to the efficiency of retailer's customer loyalty program, more retailers can start to create close relationship with its manufacturer.

Appendix

The question list for the face to face interview

Mr. Magnus Wingses, Thank you for giving time to participate in this interview. The goal of my study is to research how retailer's customer loyalty program can influence its channel power. It's known your company is the leader in Swedish retail market, and has lots of experience in how to operate a customer loyalty program.

GENERAL QUESTIONS

Questions for retailers

1. When you begin to launch the customer loyalty program to your customers? In which year? What it looks like?
2. Does your current customer loyalty program different from the old one? What is the difference? Can you describe you current customer loyalty program to me? The structure, how it working? The goal of your customer loyalty program is?
3. Does your customer loyalty program gain advantage for you? Whether you know how much money you get from you loyal customers and from normal customers?
4. Whether you will continue improve your loyalty program?
5. Are customers satisfied with your current loyalty program?
6. Can you describe your relationship with your manufacturers in your loyalty program? Do your manufacturers support it? What they think about your customer loyalty program?
7. Whether there exist differences between your main manufacturers and others about the relationship in customer loyalty program? What are the differences?
8. Do you cooperate with your manufacturers to improve your customer loyalty program? How?
9. Do your manufacturers also doing their own brand loyalty program to the customers? What kind of product always has its brand loyalty program (for example the food, personal care product)?
10. What is your opinion about your manufacturers' brand loyalty program? Does

your manufacturers' brand loyalty program have conflict with your customer loyalty program?

MARKET POWER

About the effect of customer loyalty program on retailers' market power:

Size power

1. Does your customer loyalty program increase your market share? In what degree? Why?
2. Does your customer loyalty program increase the number of your customers? In what degree? Why?

Brand power

1. Does your customer loyalty program increase customers' favor of your brand? Does it increase the influence power of your brand in the market?
2. Does your customer loyalty program increase the sales of your private label or private brand in the market? How? Your private brand is focus on what kind of product?

Institutional power

1. Does your customer loyalty program enrich the approaches or strategies that you utilize to sell your product? What are they?
2. Do you set trading norms (For example the contract that stipulates the obligation of you manufacturer) in your customer loyalty program when you doing business with manufacturers? Can you give me some example about the trading norms?

POWER

The questions for measuring the retailers' power

1. If your manufacturers along with the customer loyalty program which implemented by you, they would be favored on some other occasions?
2. Whether your manufacturers admire the way how you run the business and customer loyalty program, and they want to follow your lead?
3. Whether your manufacturers trust your judgment in business that which base on your customer loyalty program?
4. Whether you have signed some contracts with your manufacturers in customer loyalty program?

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5. Whether your customer loyalty program has collect useful information to you, and whether your manufacturers are eager to know this information?
 6. Whether you could influence your manufacturers if they don't agree to your suggestions in customer loyalty program?
 7. Whether you could take some actions in your customer loyalty program that would affect your manufacturers' profit?

Question in the end

1. In your perspective, how shall the customer loyalty program to be developed in the future?
2. Do you want to add something I missed?

Reference

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