



Analysis of Loyalty of Individual Customers to Increase the Customer Focus of the Cargo Carrier



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ABSTRACT

The customer focus of cargo carriers plays an extremely important role in the highly competitive market of transport and logistics services, influencing the willingness of companies to be flexible in the pricing policy and other parameters of provision of services when forming a personalised offer to a customer, allowing to attract a range of new customers, to expand the pool of regular customers based on their brand loyalty. One of the modern tools intended to achieve this goal is the customer loyalty program.

The objective of the article is to review and summarise the research and series of recent publications [1–4] by the author and other researchers to substantiate provisions of the customer loyalty program based on analysis and assessment of motives and wishes of customers themselves. To achieve this objective, besides the method of monographic analysis of publications on this topic, the practical part of the research was based on a customer survey.

The object of the study was the RZD-Express service for transportation of groupage cargo provided by JSC RZD Logistic company, the subject of the study was the loyalty of private consignors. The task of survey of respondents was to study consumer preferences and motives for choosing such a service, to analyse their willingness to recommend this service to their entourage, the intention to maintain long-term relations with the company, as well as customers' expectations from interaction with the company.

The interpretation of the results of the survey shows the interest of respondents in availability of such a marketing tool as a loyalty program.

The study permitted to suggest a system of indicators for the assessment of loyalty program, as well as to put forward proposals for formation of provisions of the loyalty program to improve quality of transport services.

Keywords: transport, haulage, customer loyalty, customer focus, quality of transport services.

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INTRODUCTION

A company’s customer focus, its willingness to be flexible in pricing policy and other parameters of provision of transport and logistics services, plays an extremely important role in formation of a personal client proposal in a highly competitive market of transport services. This allows attracting a pool of new customers, expand the range of loyal customers based on their brand loyalty. Customer loyalty program is among modern tools to help achieve this goal. The issue of expediency of developing such a program has been studied by the author earlier [1].

Previous publications of the author [1–4] contained the results of a survey of consignors who had used RZD-Express service. Based on a one-hundred-point scale, the respondents assessed quality of the service from the point of view of customer focus according to the proposed system of criteria, as well as evaluated the significance of the criterion of customer focus itself for them [1–4]. «The survey made it possible to understand that there are a number of «bottlenecks» in the operations in terms of cooperation with individuals when forwarding goods, and the customers indicated the lack of a loyalty program among those gaps» [3].

The *objective* of the research described within the framework of the article is to substantiate the provisions of the customer loyalty program based on analysis and assessment of motives and wishes of the customers themselves. To achieve it, the author used the *method* of monographic study of publications on this topic, as well as the customer survey in the practical part.

RESULTS

Practices and Efficiency of Introduction of Customer Loyalty Programs

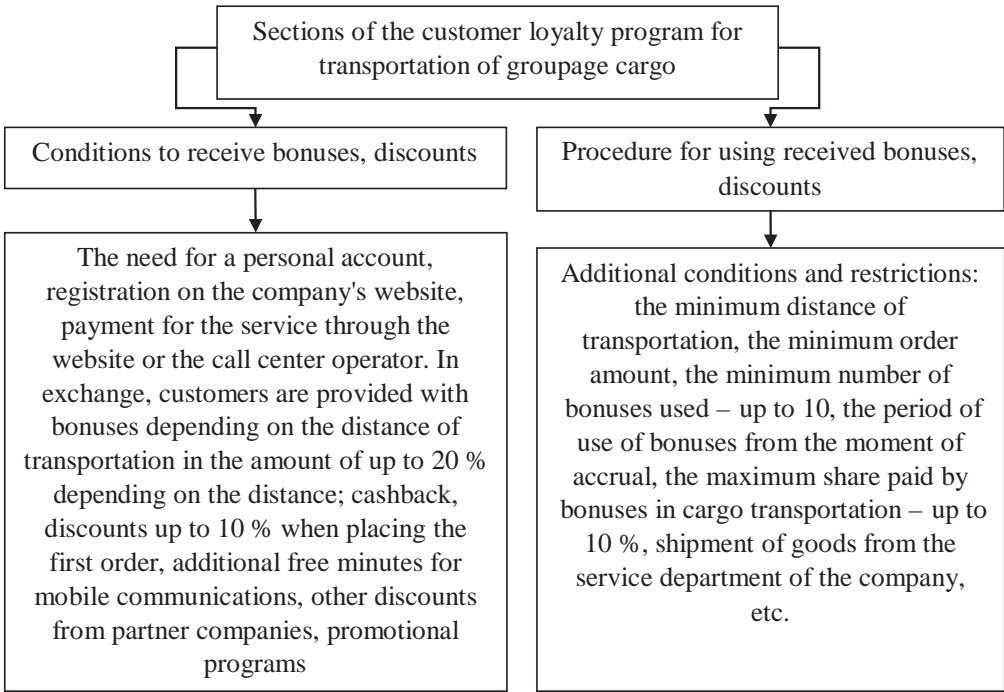
There are at least two weighty arguments in favour of development of such a program.

The first argument is, as it was previously indicated, that «customer loyalty programs, as an effective tool, are used in the practice of transport and logistics companies at domestic and international level» [3].

The author studied the conditions of loyalty programs of such freight carrying companies as TK YAN, Vozovoz, Gruzovickhoff, DHL.

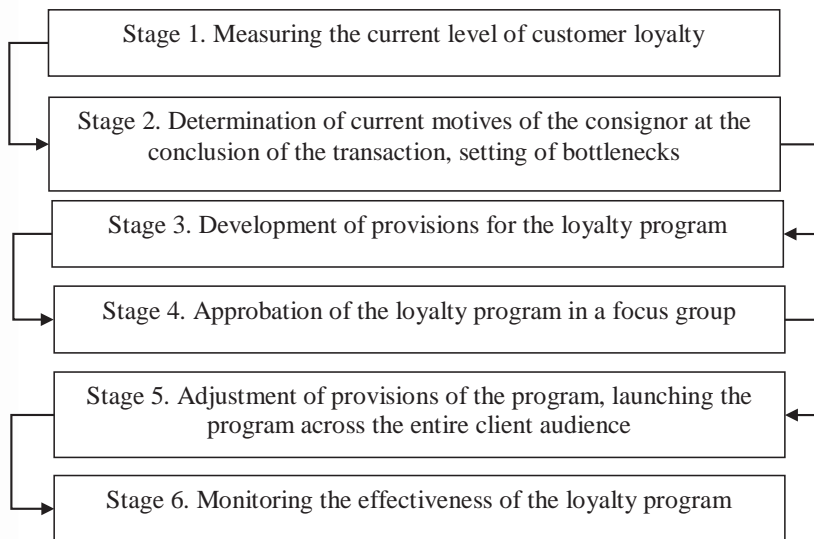
Following the study, the author found that there is a certain accepted template for the content of this program. Besides general provisions, it provides two main sections (Pic. 1).

A detailed study of the conditions of the programs confirms significant duration of their application in



Pic. 1. Sections of the customer loyalty program of a transport and logistics company (compiled by the author).





Pic. 2. Algorithm for development and implementation of a loyalty program in a transport and logistics company (compiled by the author [4]).

the practices of cargo carriers, and, therefore, proves feasibility of such an application.

The second additional argument in favour of introducing a customer loyalty program is the existence of a similar marketing tool in the field of passenger transportation.

Most known are numerous loyalty programs implemented by air companies. They were subject to many scientific (e.g., [5–7]) and consulting researches and publications in business media, on websites of carriers and program partners, as well as to compilation to ranked lists of carriers offered to customers according to divers systems of set criteria.

If we take the immediate example of railway transport in Russia we may mention the «RZD-bonus program, thanks to which, over the course of nine years, passengers have been exchanging accumulated bonuses for travel on trains and in rail coaches of JSC Federal Passenger Company (FPC), on Sapsan and Allegro trains» [3]. «The number of participants in the program is increasing every year» [3] and, according to the latest data, has exceeded the mark of three million people, who have made more than two hundred thousand premium trips over the last five years. The positive experience of the RZD-Bonus program suggests that it is advisable to use a similar tool when building contractual relations with private consignors [3]. It is worth reminding that from the marketing standpoint, RZD-Bonus is a multi-component «product that combines various tools: emotional (competitive and festive events), material (discounts,

promotions, bonuses) «, and information one (promotional videos launched in waiting rooms and trains) [3]. «Thanks to the collected data, the company is able to conduct a comprehensive analysis and assessment of the level of passenger satisfaction» [4].

Approaches to Development of Loyalty Programs Intended for Private Persons during Transportation of Groupage Cargo

Development of an effective loyalty program when interacting with individual customers under contracts for transportation of groupage cargo «becomes possible only with consecutive implementation of logically interrelated stages, and not with spontaneous implementation of certain promotions, or copying marketing products of competing companies» (Pic. 2) [4]. Anarchic actions can cause losses for the company, loss of brand credibility, customer base, and the uniqueness of the RZD-Express service in the eyes of consignors.

The first step involves measuring the current level of customer loyalty to the company. Here, the ratio method is the most popular one among all analysis tools. The educational, monographic and periodical literature contains a wide list of coefficients, ratios, indexes; the results of their systematisation have allowed the author to compile the Table 1.

The argument in favour of anticipating the development of the program by calculating the coefficients presented in the Table 1 is associated with the need to form the vision of the current level of loyalty. The calculation of the coefficients

Table 1

**The system of coefficients (ratios) for analysing the customer loyalty
(compiled by the author) [3]**

Indicator name	Calculation mechanism	Economic content
C1 – consignors' turnover coefficient	Ratio of the number of consignors who terminated cooperation with the company during the estimated period to the total number of clients at the beginning of the period	Share of the lost client audience in the client base. It can be calculated both for the company as a whole and for individual offers, for one or several periods
C2 – coefficient of consistency of consignors	Ratio of the number of active clients during the estimated period to the total number of clients at the beginning of the period. $C2 = 1 - C1$	Percentage of consignors who maintained relations with JSC Russian Railways during the estimated period, in the total number of customers at the beginning of the period
C3 – coefficient of retention of consignors	Ratio of the number of consignors who re-used the RZD-Express service to the total number of consignors in the previous period	Percentage of consignors who re-used the RZD-Express service in the total number of customers during the previous period
C4 – average term of cooperation with a consignor	Ratio of the sum of periods of cooperation with each client to the total number of individual consignors	The ration reflects duration of cooperation with customers. The coefficient can be calculated both for the company as a whole and for individual offers, for one or several periods
C5 – coefficient of stability of the client base	Ratio of the customer dropout during the estimated period to the sum of the number of existing customers at the beginning of the period and of the customers attracted during the estimated period.	The ratio illustrates stability of the customer audience. Theoretically, the ratio should tend to 1 (or 100 %)
C6 – average cost of purchased cargo transportation services	Ratio of the sum of all cargo transportation contracts with individuals to the number of individual consignors during the estimated period	The ratio shows the average amount of monetary assets paid by a single consignor
C7 – coefficient of repeated purchases (re-purchases) by consignors	Ratio of the number of contracts for transportation of goods with individuals for the estimated period to the number of individual consignors who have signed a contract for transportation during the estimated period	The ratio shows the number of transactions per consignor

after implementation of the program is needed to «understand the current state of the customer base to track its changes and factors that can influence it in the future» [3].

The author did not directly determine the numerical values of C1–C7 for JSC Russian Railways due to the absence of disclosed data necessary for their calculation.

The results of calculation and analysis of coefficients indicated in the Table 1 may serve the basis for an in-depth study of factors that influenced the obtained values. Thus, the factor analysis of the reasons for turnover of consignors (C1) involves setting of a list of reasons due to which the consignors did not proceed with a repeated transaction. They may comprise cooperation with competing companies, dissatisfaction with the additional services within the main RZD-Express service, with quality of the service, with the conditions of providing guarantees to the client.

In addition to calculating the stability coefficient of the client audience (C5), it is possible to calculate the number of cargo transportation contracts paid for by one customer

(quotient from dividing the number of concluded cargo transportation contracts by the total number of all customers during the estimated period, persons) [3].

INTERPRETATION OF THE RESULTS OF THE SURVEY

The most common indicator in marketing research practice is called the Net Promoter Score, NPS, which is customer loyalty index. To calculate it, a questionnaire is carried out, based on the results of which it is determined to what extent the company's clients are ready to recommend it to their entourage [8–20].

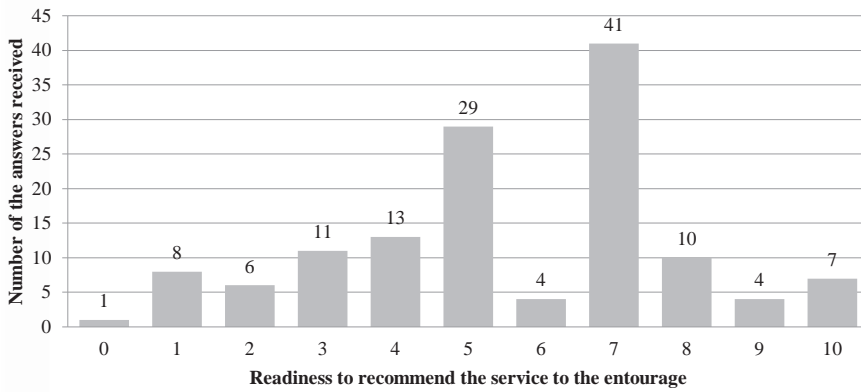
To calculate the value of NPS index, a survey was conducted using Google-form in the global network among individual consignors who transported their goods with RZD-Express groupage cargo service in March–April 2021.

The efficient number of respondents was 134.

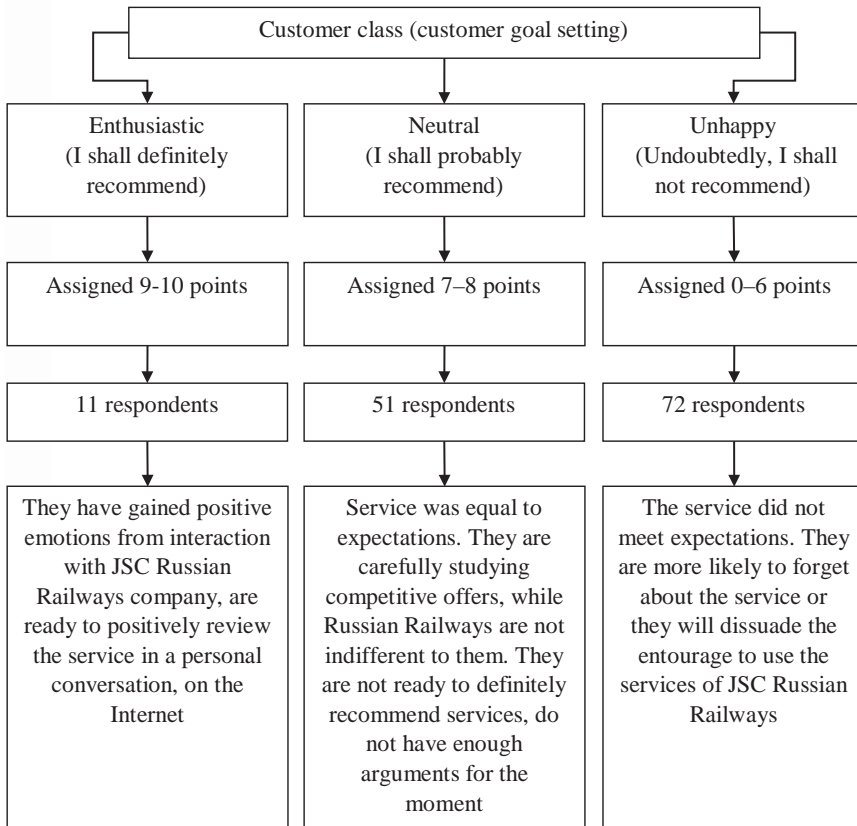
The respondents were asked the following questions:

1. Please evaluate the degree of your readiness to recommend the RZD-Express service to your friends and acquaintances, using a ten-point scale





Pic. 3. The respondents' assessment of the degree of readiness to recommend the RZD-Express service to their entourage (compiled by the author on the basis of a survey).



Pic. 4. Assessment of loyalty of JSC Russian Railways customers who have used the RZD-Express service (compiled by the author based on a survey [3]).

where 0 is the lowest probability of a recommendation, and 10 is the highest probability.

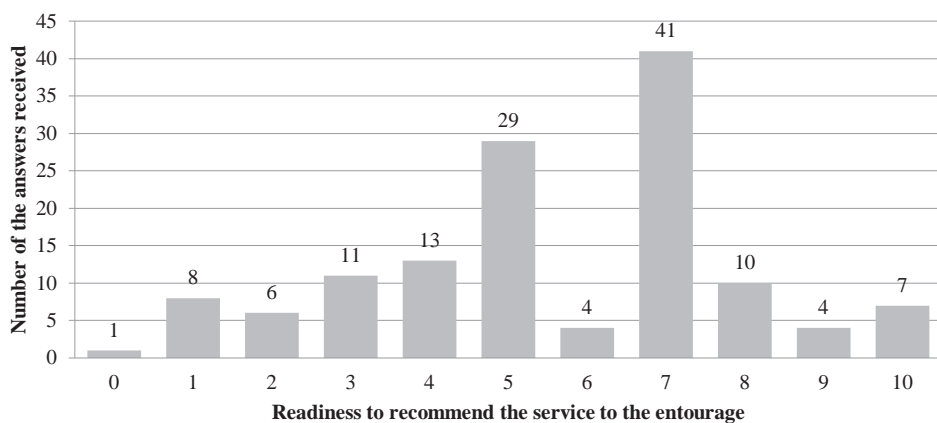
2. Please evaluate, how will the availability of a loyalty program affect your loyalty to the Russian Railways brand, using a ten-point scale where 0 means no impact, 10 means significant impact» [3].

The results of the questionnaire regarding first question are presented in Pic. 3.

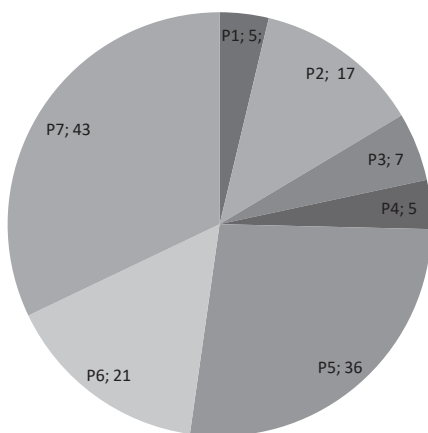
As it can be seen, the answers of the respondents differ markedly. According to the results of the given assessments, the respondents were divided into ten groups.

Upon receiving a point score, clients were assigned one of three classes (Pic. 4) [3].

Using the results of the survey, we determined [3] (considering reservations below) the loyalty index (NPS):



Pic. 5. Assessment of significance of availability for customers of the loyalty program of JSC Russian Railways (compiled by the author based on the survey).



Pic. 6. Reasons that influenced the choice of the RZD-Express service by individual consignors (compiled by the author based on the survey).

$$NPS = d_{ec} - d_{uc},$$

where « d_{ec} – share of enthusiastic customers in the total number of customers, %;

d_{uc} – share of unhappy customers in the total number of customers, %.

Thus, for the RZD-Express service this index will be» [3]:

$$NPS = 8,2 \% - 53,7 \% = -45,5 \% [3].$$

The result regarding the first question has a negative value, but it could not be used to obtain the general assessment of satisfaction of customers considering online form of survey and the sample of respondents based on the voluntary nature of answering the suggested questions. First, the customer sample was not representative. Second, the features of conducting questionnaires based on voluntary samples, and this completely applies to marketing studies in different sectors, implies risks of unproportionable representativeness of persons with long-held opinion either negative, or

positive. This problem is beyond the study described in the paper and presents special study area^{1,2}.

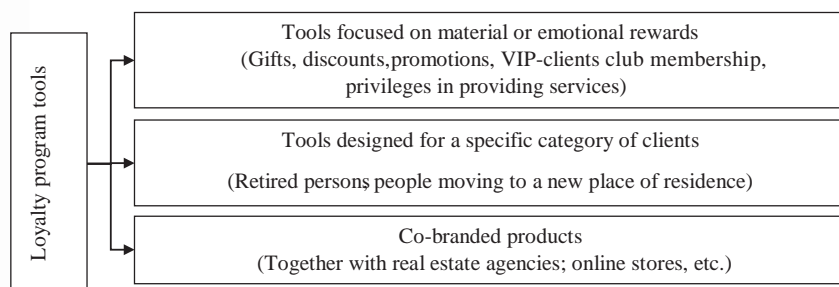
At the same time the obtained data, being insufficient for reliable calculation of NPS, afford ground for assessment of potential attractiveness of loyalty programs for different classes of respondents.

For this purpose, at the next stage the responses to the second question allowed to measure the degree of significance of availability of loyalty program for individual

¹ Please see, e.g.: Glen, Stephanie. Voluntary Response Sample in Statistics: Definition» From StatisticsHowTo.com: Elementary Statistics for the rest of us! [Electronic resource]: <https://www.statisticshowto.com/voluntary-responsesample/>. Last accessed 30.05.2021.

² Please see, e.g.: Online Surveys: Data Collection Advantages & Disadvantages. [Electronic resource]: <https://www.cfrinc.net/cfrblog/online-surveys-advantages-disadvantages>. Last accessed 30.05.2021.





Pic. 7. Groups of tools of a loyalty program developed by cargo carriers (compiled by the author).

consignors within each group using ten-point scale (Pic. 5).

The survey results lead not only to a direct conclusion about segmentation of respondents into three groups based on their level of satisfaction with the service (and, as you can see, the most numerous was the group of those who were unsure of their readiness to recommend the service to their entourage), but also to the conclusion on the presence of a large base of customers who are potentially close to brand loyalty. These include respondents with estimates of 8–6 points, accounting for 41 % of the respondents. The survey has shown that the availability of a loyalty program for customers motivates them to «develop long-term relationships with the company (the average value for these groups is at around eight points)» [4] that confirms that JSC Russian Railways has within this activity «a reserve for building up a permanent customer base, including through a loyalty program» [3].

APPROACHES TO DEVELOPMENT OF LOYALTY PROGRAM

When developing the provisions of a loyalty program, it is advisable to consider similar programs of competing companies for two reasons:

1. For the purpose of benchmarking to further use the best practices to increase the customer focus of JSC Russian Railways.

2. To minimise the likelihood that because of the use of standard marketing tools, the RZD-Express service will lose its uniqueness, becoming a familiar service for the consumer, along with competitors' products.

The loyalty program should be based on the preferences of customers themselves, derived from the motives for choosing the service. To identify them, the respondents were asked a third question. It consisted in request to indicate the reasons for concluding a contract with the

company. The author proposed seven reasons (R1–R7). A single, the main one reason should have been chosen. Descriptive characteristics of the reasons are presented below:

1. Lack of alternative (R1): the consignor believes that JSC Russian Railways has no competitors. In such a situation, there is no need not only to develop consumer loyalty programs, but also, more generally, to identify the customers since the position of a monopolist allows the company not to worry about the attitude of customers.

2. Habit (R2): a stereotyped consumer behaviour that does not speak of either his satisfaction or loyalty, respectively, if there is such a motive, one should not count on an increase in sales.

3. Material savings (R3): the benefit expected by the client, which he receives when using the services of JSC Russian Railways, in that case the client assumes (subjectively or objectively) that the company's services are cheaper than similar services provided by competitors.

4. Prestige (R4): a feeling of satisfaction, pride, and self-importance when contacting JSC Russian Railways. In situations where this motive takes place, it is possible to be sure that the client will re-purchase the company's services.

5. Trust (R5): confidence in professional skills of personnel capable of providing services of the required quality.

6. Randomness (R6): «the consignor contacted the company spontaneously (for example, while on a business trip, being in the immediate vicinity of the company's office, etc.)» [4].

7. Quality of service (R7): this indicator may include «various characteristics of a service: usefulness, waiting time, comfort, etc.» [3].

The question was answered by the same 134 respondents mentioned above who used the



Pic. 8. Screenshots of the RZD-Express service pages on the Internet.

RZD-Express service. The results (considering reservations above) are shown in Pic. 6.

Previously, main results were published in [4]. According to them, «the largest number of respondents considered quality (R7) as the main reason why they had chosen JSC Russian Railways as a carrier for transportation of groupage cargo. It is interesting to note that after the service had been provided, many of the customers were not ready to recommend the service to their entourage due to the feeling that expectations that had not been fully met. This reason should be taken into account when developing a loyalty program (more details on assessing quality of a service from the perspective of customer focus were given in the author's previous publications [1–4]). Highly qualified staff (R5) is ranked as second popular reason for respondents. Leveraging this fact to intelligently set the focus of the loyalty program will invariably help to expand the customer base» [4].

Let us remind that «besides favourable ones, some of the reasons for the choice have a neutral connotation including implementation of a choice due to the lack of (in consignor's opinion) alternatives (R1), habit (R2), randomness (R6). In addition, the reasons why only a small part of respondents are confident in the existence of material savings when buying a service (R3) and in its prestige (R4) should be subjected to detailed analysis. The inversion of consumer attitudes through the tools of the loyalty program will help to neutralise the influence of risks or of potentially negative facts» [4].

«Five respondents opted for the service due to the lack of an alternative (R1), being convinced that JSC Russian Railways has no competitors. It should be borne in mind that such a choice can be easily changed under the influence of random factors, for example, aggressive advertising of competitors. At the same time, the existence of this reason, as a motive for consumer choice, can be used by JSC Russian Railways to strengthen long-term relations with the consumer through the tools of the loyalty program, by supporting the customer's vision of the company as of the largest market actor capable (thanks to the scale effect) to provide a wide range of customers with real, not nominal, discounts» [4]. «The choice of 17 respondents was made under the influence of habit (R2), which also indicates the inert attitude of the consumer. Thanks to the loyalty program, a positive impetus can be created, transforming a habit into a conscious loyalty to the brand, through accumulation of discounts, bonuses, membership in a privilege club, etc.» [4].

«The perception of corporate pricing policy by customers as of uncompetitive also affects the company's image destructively. Only 7 out of 134 respondents believe that making a choice in favour of RZD-Express helps money saving (R3). A loyalty program can be here an excellent tool since the customer thanks to bonus points, discounts, promotions, forms a favourable attitude regarding the cost of the service» [4].

Typical marketing tools that can form the basis of a loyalty program can be classified into three main groups (Pic. 7).



It is generally accepted to categorise the client audience in terms of financial position:

- Highly solvent (they prefer purchasing turnkey services, maintaining the status).
- Low paying (they prefer to save on price).
- Clients with an average paying capacity (they prefer to weigh material and non-material parameters).

CONCLUSIONS

The growth in proceeds from sales of the RZD-Express service to individual consignors will correspond to how precise the adjustment of the loyalty program tools will be in accordance with customer requests. Before large-scale implementation of the program in the company's activities, it is advisable to diagnose its effectiveness in focus groups, and then to analyse and evaluate the results (according to Table 1) to adjust the composition of marketing tools. In the long term, a positive consequence of using a loyalty program is not only an increase in the cost component, but also a decrease in consumers' sensitivity to higher prices for services.

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