

UNDERSTANDING THE RELATIONSHIPS OF PROGRAM SATISFACTION, PROGRAM LOYALTY AND STORE LOYALTY AMONG CARDHOLDERS OF LOYALTY PROGRAMS

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ABSTRACT

Loyalty programs have increasingly attracted interest in both academic marketing research and practice. One major factor that has been increasingly discussed is loyalty. In this study we examine the influence of cardholders' satisfaction on loyalty (program loyalty and store loyalty) in a retail context, namely, in department stores and superstores. Data were collected from 400 cardholders of a retail loyalty program in Klang Valley, Malaysia via the drop-off-and-collect technique. Structural modelling techniques were applied to analyze the data. The results indicated that program satisfaction is not related to store loyalty (share-of-wallet, share-of-visit and store preference). However, loyalty to the program (program loyalty) plays a crucial intervening role in the relationship between program satisfaction and store loyalty. The study underscores the principal importance of program loyalty in the retail loyalty program.

Keywords: loyalty program, loyalty card, satisfaction, program loyalty, store loyalty, retail

INTRODUCTION

Loyalty programs have become an increasingly sophisticated marketing strategy in recent years, particularly to the firms that believe they loyalty programs are becoming an important strategic mechanism for companies to increase revenue growth and the key component of Customer Relationship Management (CRM). Based on the realisation that it is much less expensive for a business to retain its existing customers than it is to acquire new ones (Buttle, 2004), most companies are adopting loyalty programs to retain their existing customer base. For example, the United States (U.S.) loyalty marketing industry has more than 2000

loyalty programs and 90% of Americans are enrolled in at least one loyalty program (Berman, 2006). It is reported that members of loyalty programs deliver distinct advantages to a firm such as increased revenue (Bolton, Kannan, & Bramlett, 2000), satisfaction (Stausse, Chojnacki, Decker, & Hoffmann, 2001) and loyalty (Noordhoff, Pauwels, & Odekerken-Schröder, 2004).

The retail environment in Malaysia has undergone a continuous and marked change over the past decade. The rapid expansion of the Malaysian economy over the last ten years (despite the economic crisis of 1997/1998), combined with external economic and social influences, have led to a retail boom in the country, which in turn has encouraged the entry of new players and aggressive approaches by existing retailers such as the introduction of new retail formats and competitive price wars (Ahmed, Ghingold, & Dahari, 2007; Ahmad, Mohd. Nor, Abd. Rahman, Abd. Moen, & Che Wel, 2008). The government is continuously encouraging large foreign retailers, such as department store and superstore operators, to set up operations as part of an effort to boost the tourism industry and to promote Malaysia—and Kuala Lumpur in particular— as shopping paradise. There are around 400 outlets (hypermarkets, supermarkets and superstores) in Malaysia (From Beijing to Budapest, Winning Brands, Winning Formats, 2005/2006). The rise and expansion of retailers in Malaysia has contributed to high competition among retailers, which leads to the growth of loyalty programs as a structured marketing effort used to retain customers. Moreover, the financial crisis in 1997/1998 has made Malaysians more cautious shoppers who are concerned about value for money and who are more focused on buying what is needed. Thus, this change has also encouraged retailers to offer loyalty programs to their customers as a method to deliver value for money and as a tool to build and strengthen relationships with their valued customers. Research by the consulting firm Frost & Sullivan revealed that the loyalty program business in Malaysia is currently worth RM2.4 billion and is projected to grow to RM3.5 billion by 2010 (Ganesan, 2006). According to Steyn, Pitt, Strasheim, Boshoff, and Abratt (2010), loyalty programs have matured in the U.S. and Europe whereas Malaysia and most countries in the Asian Pacific are experiencing a new wave.

Loyalty programs are different from normal sales promotions because they adopt a long-term perspective in shaping customer behaviour. There is also some evidence that devoted members tend to have positive attitudes toward their relationship with the program. A few prior researchers such as Dowling and Uncles (1997) and Yi and Jeon (2003) suggest that customers become loyal to the program rather than to the company or the brand behind the program. The value perception of the loyalty program does not necessarily transform into brand loyalty as customers may derive value from the loyalty program rather than from a product or service (Dowling & Uncles, 1997). Similarly, in the retail sector,

Mauri (2003) raises the question of whether cardholders are loyal to their programs if they use the promotional inducements. A recent study by Sunny, Huang, and Chen (2010) of the lodging industry suggests that a loyalty program affects customer loyalty only to the extent that the program provides value to the customer.

The present study draws on Demoulin and Zidda's (2008) conceptual framework of loyalty programs that is based on cardholders' satisfaction with the loyalty program. This study suggests that when cardholders are satisfied with the reward scheme of the loyalty program, they are more loyal towards the store and less price sensitive than unsatisfied cardholders. However, according to several researchers (i.e. Rothschild & Gaidis, 1981; Sunny Hu et al., 2010) the incentive obtained by a loyalty program may induce loyalty to the program (deal loyalty) rather than to the core product or firm. A customer can have loyalty towards more than one alternative, leading to polygamous loyalty. According to Sunny Hu et al. (2010), if polygamous loyalty is a reasonable assumption, then customer loyalty could be classified into program loyalty and brand loyalty. Hence, the objective of this paper is to investigate the extent to which cardholders' satisfaction with loyalty programs affects loyalty.

To carry out this analysis of behavioural loyalty among participants of loyalty programs, we distinguished two aspects of loyalty: loyalty towards the program (program loyalty) and loyalty towards the store (store loyalty). Given the increased importance of cardholder satisfaction, the question that begs our attention is whether improvements in cardholder satisfaction lead to store loyalty directly. Cooley (2002) posits that, although many companies that had adopted customer satisfaction programs saw increasing satisfaction scores, the customers were still leaving their business. In this study we would like to address the issues of whether cardholder's satisfaction with the loyalty program affects store loyalty directly and/or indirectly through program loyalty. We also examine the relationship between program loyalty and store loyalty. We present the loyalty concept in accordance with Dick and Basu (1994), i.e., loyalty is conceptualised in terms of repeated patronage and relative attitude.

LITERATURE REVIEW

Satisfaction, Program Loyalty and Store Loyalty

Satisfaction has often been perceived as the ultimate outcome of all activities carried out during the process of purchase and consumption. Satisfaction has always been described as processes and outcomes that have been identified as a key determinant for loyalty, particularly in the retail context (Bloemer & de

Ruyter, 1998). When it comes to satisfaction, consumers may not think about the process aspects and instead may focus solely on the outcome (Parker & Mathews, 2001). A few researchers (e.g. Johnson & Fornell, 1991) suggest that customer satisfaction is the overall evaluation based on the total experience with a good or service over time. Although previous authors have found a diversity of definitions for satisfaction, some common themes can be found.

First, consumer satisfaction is a response (emotion or cognition). For example, Swan and Oliver (1985) describe satisfaction as a specific affective/cognitive post-purchase orientation that focuses on the evaluation of the product in terms of its "performance in use". Second, the response pertains to a level of specificity at product level (Oliver & Swan, 1989), with service (Cronin & Taylor, 1992), with club (Stausse et al., 2001) and with consumption experience (Bearden & Teel, 1983). Third, consumer satisfaction occurs within a specific duration, such as after the choice to purchase, consumption and accumulated experience.

There is increasing recognition that the ultimate objective of customer satisfaction measurements should be customer loyalty (Sivadas & Baker-Prewitt, 2000; Sondoh Jr., Wan Omar, Abdul Wahid, Ismail, & Harun, 2007). Extensive empirical evidence has noted that satisfaction is a major outcome of marketing activity and links the processes of decision-making and consumption with post-purchase phenomena such as attitude change, word-of-mouth, repeat purchase, purchase intention, and brand loyalty (Cronin & Taylor, 1992; Oliver & Swan, 1989). However, a few previous researchers (Bennett & Rundle-Thiele, 2004; Egan, 2000; McIlroy and Barnett, 2000) suggest that satisfaction is a necessary but not a sufficient condition for loyalty, as even satisfied customers may defect if they believe they can get better value and/or quality elsewhere.

According to Keh and Lee (2006), loyalty programs are designed to enhance loyalty where their effectiveness and relevance become more evident when a certain level of satisfaction threshold is achieved. In Demoulina and Zidda's study (2008), the authors examined the extent of customers' satisfaction with loyalty program and how this affects the effectiveness of a loyalty program in the retail food industry. They found that when cardholders are satisfied with the reward in the program, they are more loyal and less price sensitive. As consumers can have loyalty toward the program rather than toward the store offering the program (Sunny Hu et al., 2010; Yi & Jeon, 2003), we posit that a cardholder's satisfaction with the program leads to program loyalty and store loyalty.

Hence, the following hypotheses are proposed:

- H_{1a}: A cardholder's satisfaction with the loyalty program (PS) has a positive relationship with program loyalty (PL)

- H_{1b}: A cardholder's satisfaction with the loyalty program (PS) leads to larger share-of-wallet for the store (SoW)
- H_{1c}: A cardholder's satisfaction with the loyalty program (PS) leads to larger share-of-visit for the store (SoV)
- H_{1d}: A cardholder's satisfaction with the loyalty program (PS) leads to higher preference for the store (SP)

Program Loyalty and Store Loyalty

Loyalty is a primary goal of relationship marketing and is sometimes equated with the relationship-marketing concept itself (Sheth, 1996). Consumers who are considered loyal do much more than merely continue to purchase from a particular firm. According to Harris and Goode (2004), besides buying more, loyal customers reported they would recommend the retailer to others, would shop for a variety of products, would forgive occasional mistakes and would not shop from the competitor. One of the goals of a loyalty program is to achieve a higher level of customer retention, particularly in profitable segments, by providing increased satisfaction and value to certain customers (Bolton et al., 2000). Uncles, Dowling and Hammond (2003) note similar sentiments suggesting that two aims of customer loyalty programs stand out. One is to increase sales revenues by raising purchase/usage levels and increasing the range of products bought from the supplier. A second aim is to maintain the current customer base by building a closer bond between the brand and current customers.

In essence, a loyalty program is also seen as a brand extension aid that encourages card members to buy products they would not normally buy from that provider (Uncles et al., 2003). There is also some evidence that loyalty programs are becoming a potential aspiration of relationship marketing. Customers who participate and use the loyalty program develop a feeling of belongingness and ownership toward the firm (Hart, Smith, Sparks, & Tzokas, 1999). In fact, Chen (2004) suggests the behavioural dimension of loyalty (e.g., repeated participation) is represented through program members' desire to participate in all program functions. It was highlighted that devoted members tend to have positive attitudes toward their relationship with the program rather than toward their relationship with the store. As customers can have loyalty toward more than one alternative, it would be possible to distinguish between program loyalty and store loyalty in the conceptualisation of customer loyalty (Sunny Hu et al., 2010). In the Sunny Hu et al. (2010) study, the authors tested the causal relationship between program loyalty and customer loyalty. The results of their study revealed that program loyalty affects customer loyalty. Similarly, Yi and Jeon (2003) pointed out that loyalty is determined, to a large extent, by program loyalty.

Nevertheless, it has also been widely documented that the store that offers loyalty programs to its customers is likely to enjoy the benefits of store loyalty and/or brand loyalty (Noordhoff et al., 2004). Hence, the empirical evidence highlights the need to understand and examine the link between a cardholder's loyalty to the program and store loyalty.

We therefore postulate that:

H_{2a}: Loyalty to the program (PL) has a positive effect on share-of-wallet for the store (SoW)

H_{2b}: Loyalty to the program (PL) has a positive effect on share-of-visit for the store (SoV)

H_{2c}: Loyalty to the program (PL) has a positive effect on preference for the store (SP)

Our conceptual model, based on an extensive and critical literature review, is presented in Figure 1.

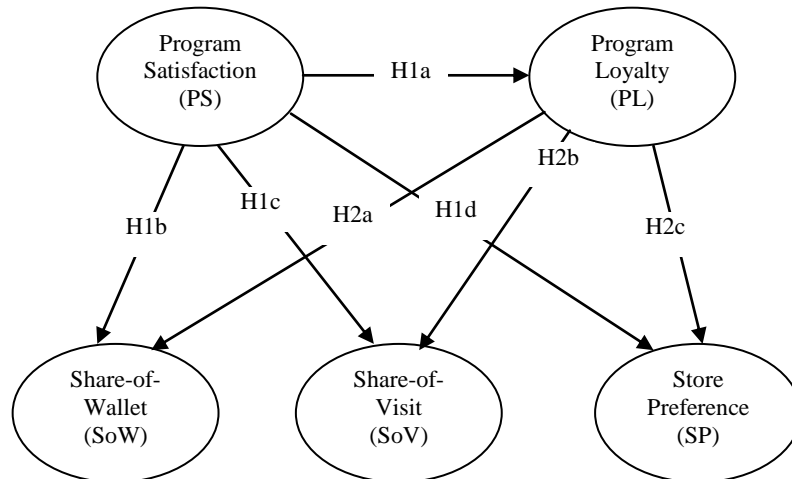


Figure 1. Conceptual model

First, the proposed model simultaneously examines the relationships of program satisfaction, program loyalty, share-of-wallet, share-of-visit and store preference. The model suggests that the variable of program loyalty is consequent to program satisfaction. Second, we propose that both program satisfaction and program loyalty serve as antecedents to store loyalty (share-of-wallet, share-of-visit and store preference).

RESEARCH METHODOLOGY

Sampling Design, Subjects and Procedures

The data for this study was collected by using self-administered questionnaires distributed via the "drop off and collect" technique. The target population comprised those who live or work within Klang Valley, Malaysia. Klang Valley is where the capital of Malaysia is situated. It was reported that most of the modern retail establishments in Malaysia are located in the Klang Valley (Euromonitor International (Asia) Pte. Ltd., 2001). Using the "drop off and collect" technique, a sample of 400 survey respondents was obtained via the quota sampling technique. This study used gender and age as the key mechanism to control the composition of the sample. The ratio of men to women in the sample was set at 1:3. The decision to use this ratio was based on a few studies which suggested that women make up a significantly larger percentage of purchasers and are more likely to have used a retail loyalty program than any other price reduction methods (Harmon & Hill, 2003; Omar et al., 2007; Vesel & Zabkar, 2009).

In order to ensure that all potential respondents fell within the sampling quota, we selected the sample carefully to ensure that we would not select the participants based on perceived friendliness or other characteristics that might influence the researcher's selection. To avoid such bias, the authors personally contacted the key personnel in several organisations to negotiate access to their staff. They explicitly explained the criteria to the respondents. Upon agreement from the key personnel and before an appointment was set for delivery of the research instrument, the authors requested a list of names of those who were interested in participating. Each respondent was instructed to select a particular department store or superstore loyalty program of which he/she is a member and on which he/she would like to focus in the questionnaire. Overall, 400 out of 460 participants completed the questionnaires, representing a response rate of 87%.

Measures

The survey instrument was a self-administered questionnaire consisting of three sections. Section 1 consisted of questions that frame the respondent's program and store usage. Respondents were asked to consider the loyalty programs they had been a member of for at least a year and to focus on the one they considered their favorite. We specifically chose the respondents with at least a year's membership since it is a sufficiently long period to facilitate quitting from the program in case of disappointment or regret. Moreover, this duration of membership (at least a year) was reported to be sufficient to regard respondents as experienced cardholders, a factor that contributes to the validation of data

(Morais, Dorsch, & Backman, 2004). Section 2 consisted of questions that measured respondents' satisfaction, program loyalty and store loyalty. All of the items in Section 2 of the questionnaire were based on previous literature and were measured on the five-point Likert scale from (1) "strongly disagree" to (5) "strongly agree," except that program satisfaction was measured by 5 semantic differential scales (see Table 2). The Likert scale approach is favoured because it maintains the interval-level scale properties (Allen & Rao, 2000).

We conceptualise program satisfaction as the overall feeling towards the retail loyalty program that respondents chose to focus on in this study. Five semantic differential scales, commonly used in satisfaction studies (Oliver & Swan, 1989), measured overall satisfaction. However, program loyalty measures were operationalised by asking respondents to respond to the five statements related to cardholder attitude and behaviour towards a particular loyalty program. Three items presented in the construct were adapted from Yi and Jeon (2003) and two new items that were appropriate for retail loyalty programs were developed and incorporated in the study. Program loyalty was operationalised as the cardholder's drive to continue and maintain a relationship with a loyalty program accompanied by the cardholder's willingness to make additional efforts.

Finally, we assessed store loyalty based on composites of attitudinal and behavioural measures. The attitudinal aspect of loyalty was measured by respondents' relative attitude toward the store, such as store preference. The behavioural aspects of loyalty were measured by the two behavioural dimensions of number of visits and likelihood of spending at the store. We conceptualised store loyalty as high positive attitudes towards a particular store and repeat purchase behaviour. In accordance with the literature, this study used three measures of store loyalty: two behavioural measures, – share-of-visit and share-of-wallet - and one attitudinal measure – store preference. These statements were adopted and adapted from Dick and Basu (1994), and Yi and Jeon (2003). The statements were measured on a nine-item scale, measured by a five-point Likert-type scale with 1 indicating "strongly disagree" and 5 indicating "strongly agree". Section 3 elicited demographic details of the respondents.

RESULTS

Profile of Respondents

The descriptions of the sample shown in Table 1 indicated that 75% were female and 40% of the respondents had a household income of between RM4000 to RM5999. In terms of age, the highest proportion of respondents fell into the 30 to 39 years of age group. They accounted for 41% of the total number of

respondent. By membership duration, 25% of the respondents were members of the retail loyalty program for two years, while 20% of the respondents had three years membership. The majority of the respondents (51%) were married while 36% were single. In addition, 54% of the respondents used the loyalty program every time they made their purchases and 41% of the respondents participated in more than one loyalty program.

Table 1
 Descriptions of the respondents (n=400)

Demographic variables	Research sample (n = 400)		
	Number of respondents	%	
Gender	Male	100	25.0
	Female	300	75.0
Marital status	Single	142	35.5
	Married without children	52	13.0
	Married with children	202	50.5
	Widow/Divorce/Separate	5	1.3
Age	Less than 20 years old	4	1.0
	20–29 years old	157	39.3
	30–39 years old	162	40.5
	40–49 years old	55	13.8
	50–59 years old	19	4.8
	60 years old and above	3	0.8
Ethnic background	Malay	208	52.0
	Chinese	128	32.0
	Indian	52	13.0
	Others	12	3.0
Highest academic achievement	Primary school or below	5	1.3
	PMR/SRP	6	1.5
	SPM/STPM	70	17.5
	Certificate/Diploma	55	14.0
	Bachelor Degree	142	35.5
	Postgraduate Degree	75	19.0
Household monthly income	Professional	47	11.7
	less than RM1000	32	8.0
	RM1000–RM1999	78	19.5
	RM2000–3999	82	20.5
	RM4000–5999	160	40.0
	RM6000–7999	27	6.8
	RM8000–9999	13	3.3
Above RM10,000	8	2.0	

(continued)

Table 1 (continued)

Demographic variables	Research sample (n = 400)		
	Number of respondents	%	
Work sector	Private sector	268	67.0
	Government/Semi-government	81	20.3
	Own business	8	2.0
	Student	30	7.5
	Not working	4	1.0
	Others	9	2.3
	Number of loyalty program membership	1 retail loyalty card	236
2 retail loyalty cards		132	33.0
3 retail loyalty cards		28	7.0
4 retail loyalty cards		4	1.0

Data Analysis and Results

A two-step approach was employed; examination of the measurement model was followed by an examination of the structural model used to test the hypothesized relationships (Anderson & Gerbing, 1988). The Structural Equation Modelling (SEM) procedure enabled us to evaluate how well a proposed conceptual model that contains observed variables and unobservable constructs fits the collected data (Bollen, 1989). A confirmatory factor analysis (CFA) was conducted to test the robustness and reliability of the scales via AMOS (Analysis of Moment Structures) and the maximum likelihood estimation technique, to confirm the factor loading of the five constructs (i.e., program satisfaction, program loyalty, share-of-wallet, share-of-visit and store preference) and to assess the model fit. The model adequacy was assessed by the fit indices suggested by Hair, Black, Babin, Anderson, and Tatham (2006). Also, Hair et al. (2006) stated that convergent validity of CFA should be supported by construct reliability and average variance extracted.

Prior to conducting the CFA, the data were tested for normality, linearity, outliers and homoscedasticity as suggested by Hair et al. (2006). Reliability and validity tests are important to standardise the measurement scales, and to demonstrate whether they truly measure what they are supposed to measure. Table 2, presents factor loading, Cronbach's alpha reliability coefficients, composite reliability and average variance extracted for each factor. Cronbach's alpha, which was utilised to test for internal consistency for all dimensions, was above the minimum acceptable score of 0.70 (Gerbing & Anderson, 1988), and ranged from 0.782 to 0.873 (see Table 2). The composite reliability and variance extracted were calculated by using Fornell and Larcker's (1981) formula. Composite reliability

should be greater than 0.7 and variance extracted (AVE) > 0.5 to indicate reliable factors (Hair et al., 2006).

The composite reliability and variance extracted for all critical factors greatly exceeded the minimum acceptable values. This indicated that the measures are free from error and therefore yielded very consistent results (Zikmund, 2003). Moreover, the correlations among factors are low to moderate (refer to Table 3). This implies that discriminant validity was attained (Churchill, 1995).

Table 2
Results of CFA for measurement model

Construct	Internal reliability cronbach alpha	Factor loading	Convergent validity	
			Composite reliability ^a	Average variance extracted ^b
Program Satisfaction	0.873		0.920	0.741
1. Dissatisfied 1 2 3 4 5 Satisfied		0.800		
2. Unpleasant 1 2 3 4 5 Pleasant		0.798		
3. Unfavourable 1 2 3 4 5 Favourable		0.813		
4. Displeased 1 2 3 4 5 Pleased		0.805		
Program Loyalty	0.853		0.908	0.713
1. I have a strong preference for this retail loyalty card program.		0.657		
2. I would recommend my friends to be a member of this retail loyalty card program.		0.581		
3. I would immediately renew my membership with this retail loyalty card once my membership expires.		0.757		
4. I consistency use this retail loyalty card program every time I make a purchase from the store.		0.769		
Store Loyalty				
Store preference	0.799		0.864	0.761
1. I would recommend this retail store to others.		0.803		
2. I have a strong preference for this retail store.		0.665		

(continued)

Table 2 (continued)

Construct	Internal reliability cronbach alpha	Factor loading	Convergent validity	
			Composite reliability ^a	Average variance extracted ^b
Share-of-visit	0.850		0.892	0.733
1. I visit this store more frequently than other retail stores.		0.766		
2. In the near future, I will surely purchase from this retail store again.		0.787		
3. I consider I would definitely visit this retail store on my next shopping trip.		0.788		
Share-of-wallet	0.782		0.806	0.677
1. I would maintain the same amount of purchase with this retail store.		0.763		
2. I would continue to purchase from this retail store even if there was slight increase in price.		0.861		

Note: $\frac{^a (\sum \text{Standardised Loading})^2}{(\sum \text{Standardised Loading})^2 + \sum \xi_j}$; $\frac{^b (\sum \text{Standardised Loading})^2}{\sum \text{Standardised Loading}^2 + \sum \xi_j}$

Table 3
Discriminant validity of constructs

Constructs	Mean ^a	SD	(1)	(2)	(3)	(4)	(5)
Program satisfaction	3.661	0.66	0.741				
Program loyalty	3.735	0.62	0.560***	0.713			
Store preference	3.691	0.73	0.503***	0.694***	0.761		
Share-of-visit	3.625	0.73	0.392***	0.642***	0.637***	0.733	
Share-of-wallet	4.877	1.27	0.395***	0.517***	0.534***	0.577***	0.677

Note: Diagonals represent the average variance extracted while the other entries represent the squared correlations.

^a These mean figures are based on each summated scale score divided by the number of items in each scale, for ease of interpretation.

*** Correlation is significant at the 0.01 level (2-tailed)

After confirming the measurement model, the structural model was estimated by using AMOS (see Figure 2). The analysis showed an excellent overall fit of the model as indicated by the CFI, NFI, RFI, AGFI and RMSEA values of 0.970, 0.948, 0.934, 0.914 and 0.055, respectively (Table 4). However, the chi-square

statistic was significant ($\chi^2 = 183.412$, $df = 83$, $p = .00$), which is common given the large sample size (Bagozzi & Yi, 1988). A better measure of fit is chi-square over degrees of freedom. This ratio for our model is 2.210, which is within the suggested 3:1 bracket (Chin & Todd, 1995). Thus, the measurement model fits well enough to suggest adequate validity and to warrant a closer look. Given the satisfactory fit of the model, the estimated structural coefficients were then examined to test the 7 hypotheses.

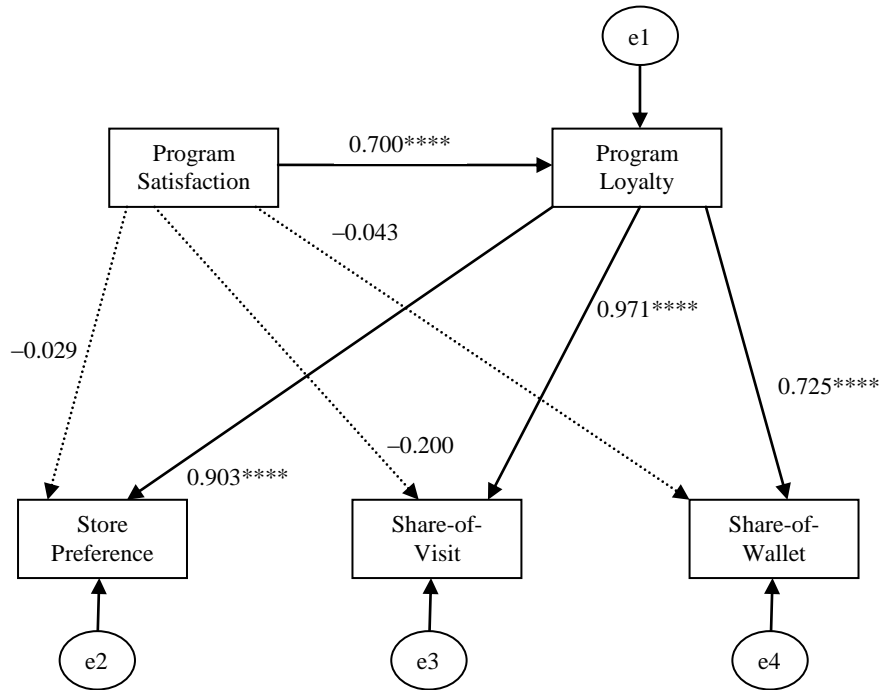


Figure 2. Results of the structural model

Table 4
Structural model fit indices

	Criteria	Indicators
χ^2 test		
χ^2	$p > .05$	183.412 ($p < .001$)
χ^2/df	< 5	2.210 (183.412/83)
Fit indices		
GFI	$> .90$	0.941
AGFI	$> .90$	0.914
RFI	$> .90$	0.934
NFI	$> .90$	0.948

(continued)

Table 4 (continued)

	Criteria	Indicators
Alternative indices		
CFI	> .95	0.970
RMSEA	< .08	0.055
RMR	< .05	0.026

Note: GFI: Goodness Fit Index; AGFI: Adjusted Goodness of Fit Index;
RFI: Relative Fit Index; NFI: Bentler-Bonnet Normed Fit Index;
CFI: Comparative Fit Index; RMSEA: Root Mean Square Error of
Approximation; RMR: Retail Management Replenishment
Source: Adapted from Hair et al. (2006) and Byrne (2001)

The Effect of Program Satisfaction on Program Loyalty

As predicted in Hypothesis 1^a, program satisfaction had a significant positive influence on program loyalty ($\gamma = .700, p < .001$). Thus, H^{1a} was supported. The result is consistent with the findings of previous studies in the context of loyalty programs (Omar et al., 2007). In other words, when customers are satisfied with a loyalty program, they will become more loyal to the program.

The Effect of Program Satisfaction, Program Loyalty on Store Loyalty

Program satisfaction had no significant positive influence on share-of-wallet ($\gamma = -0.043, p > 0.05$), share-of-visit ($\gamma = -0.200, p > 0.05$) and store preference ($\gamma = -0.029, p > 0.05$). Therefore, H_{1b}, H_{1c} and H_{1d} were not accepted. This finding, coupled with the finding of a non-significant effect of program satisfaction on share-of-wallet, share-of-visit and store preference in the retail store setting, is surprising because previous studies of loyalty programs (Sunny Hu et al., 2010; Vesel & Zabkar, 2009) suggest a positive relationship between satisfaction and loyalty. This implies that relationship management efforts that are rooted merely in program satisfaction will be largely ineffective. Program satisfaction has no significant influence on store loyalty, probably due to the properties of the research samples as most of the respondents in this study participated in more than one loyalty program (41% of the respondents). Participation in loyalty programs that are close with competitive retailers may make customers more vulnerable, reduce share-of-wallet and customer lifetimes with the focal store (Demoulin & Zidda, 2008; Meyer-Waarden, 2007). Recent studies by Liu and Yang (2009) suggest that the impact of an individual loyalty program may decrease as the marketplace becomes more saturated with competing programs. In this study most of the loyalty programs offered by various stores face competition from rival programs that offer similar benefits and rewards.

The proposed model also conjectured that program loyalty would directly influence share-of-wallet, share-of-visit and store preference (H_{2a} , H_{2b} and H_{2c}). Interestingly, the results showed that store preference, share-of-visit and share-of-wallet were all directly influenced by program loyalty ($\beta = 0.903$, $p < .001$; $\beta = 0.971$, $p < .001$; $\beta = 0.725$, $p < .001$ respectively), thereby confirming H_{2a} , H_{2b} and H_{2c} . These results echo the findings of previous studies on the loyalty program context (Sunny Hu et al., 2010; Yi & Jeon, 2003). Thus, when cardholders are loyal to a loyalty program, they are more likely to prefer, visit, and spend more in the store.

The current results also demonstrated that program loyalty (standardised coefficient of 0.971) is the strongest driver of share-of-visit, followed by store preference (standardised coefficient of 0.903) and share-of-wallet (standardised coefficient of 0.725). This implies that program loyalty has the strongest positive influence on share-of-visit. This finding lends support to the notion that program loyalty is one of the important factors in making program members loyal to the store.

The Direct Effect, Indirect Effect and Total Effect of Program Satisfaction on Store Loyalty

Using the standardised path coefficients between constructs, the direct effect and the indirect effect of each construct on store loyalty can be calculated (Table 5). The direct effect of program satisfaction on program loyalty is 0.700. However, there is no direct effect of program satisfaction on share-of-wallet, share-of-visit or store preference. The total effects (direct effect plus indirect effect) of the constructs on share-of-wallet, share-of-visit and store preference can be ranked as follows: program satisfaction (0.510, 0.680 and 0.630 respectively) and program loyalty (0.725, 0.971 and 0.903 respectively). This result is consistent with the argument of previous studies (Rothschild & Gaidis, 1981; Yi & Jeon, 2003) that the rewards offered by the loyalty program may elicit loyalty to the program rather than to the core product.

Table 5
Direct, indirect and total effects of relationships

Path	Direct effect	Indirect effect	Total effect
Program Satisfaction – Share-of-Visit	–	0.680	0.680
Program Satisfaction – Store Preference	–	0.632	0.632
Program Satisfaction – Share-of-Wallet	–	0.510	0.510
Program Satisfaction – Program Loyalty	0.700	–	0.700
Program Loyalty – Share-of-Visit	0.971	–	0.971
Program Loyalty – Store Preference	0.903	–	0.903
Program Loyalty – Share-of-Wallet	0.725	–	0.725

These results indicate that program satisfaction is not an influential factor in determining store loyalty (store preference, share-of-visit and share-of-wallet). Hence, program satisfaction has an indirect effect on store loyalty mediated by program loyalty. Although program satisfaction has no direct effect on store loyalty, program satisfaction is still critical in maintaining competitive advantage and program loyalty is still critical in building long-term relationships between stores and customers. In the eyes of today's cardholders it is crucial for retailers to make program members loyal to the program in which they participate. However, program satisfaction, which was frequently found to be a sufficient antecedent for store loyalty (Oliver, 1999; Reichheld & Teal, 1996), was not significantly related to store loyalty. These results indicate that to achieve store loyalty, it is not enough for cardholders to feel satisfied with the loyalty program; rather, they need more than satisfaction. They need loyalty toward and bonding with the program. This is particularly true because it has been noted that one of the reasons for cardholder disloyalty to a store is polygamous behaviour of the program members. That is, customer ownership of multiple cards may eventually cancel out the effects of each individual program (Mägi, 2003). In brief, these findings imply that program providers should explore ways of increasing members' loyalty and bonding towards the program.

IMPLICATIONS

The present study makes both theoretical and practical contributions that suggest several important findings and clear applications for future research. From a theoretical perspective, the present study investigates the behavioural impact of loyalty programs. Specifically, the contribution of this study is the investigation of the development of store loyalty in a loyalty program context by incorporating the antecedents of satisfaction with the program and loyalty to the program. We conceptualise and measure store loyalty as encompassing both behaviours and relative attitudes (Dick & Basu, 1994) (i.e. share-of-visit, share-of-wallet and store preference). Further, we investigated the distinct role of program satisfaction in the dynamics of program loyalty and store loyalty and strengthened the extant literature by examining the impact of program satisfaction and program loyalty in the model.

The current study provides useful insights for managerial action. First, the study reveals that program satisfaction has no direct impact on store loyalty but has an indirect influence through program loyalty, confirming the previous notion of the fundamental role of loyalty to the program in the development of store loyalty in the loyalty program context (Yi & Jeon, 2003). Some also argue that membership in multiple loyalty programs may eventually cancel out the effects of each individual program (Mägi, 2003). Moreover, loyalty programs are designed to

create a future orientation and increase switching costs over the long run, which can produce sustained customer loyalty and revenue potential for the firm. Therefore, from program-related factors it is vital for firms to ensure that customers bond with the loyalty program. In fact, Liu and Yang (2009) note that most loyalty programs face competition from rival programs that offer similar benefits and that this induces a customer to enroll in multiple programs. For example, in the retail industry, on average, consumers hold three loyalty program cards (Meyer-Waarden, 2007). Hence, firms need to find ways to build bonds with their cardholders to make them loyal to the store.

Recent research has pointed out that differentiation through nonmonetary benefits such as personalised services or value-added information may offer a useful strategy for differentiating the program in an environment in which competitors' programs are very similar (Mimouni-Chaabane & Volle, 2010). Similarly, a few researchers (i.e. Boedeker, 1997; Smith et al., 2003) suggest that to create a loyalty program, firms need to focus their attention on social "means," or on how one is treated rather than on the economic "outcome". This change in focus allows firms to move away from the conventional wisdom of the 'me-too' approach to building loyalty programs. Furthermore, the psychological barrier regarding customer defection becomes stronger as customers experience a sense of their own exclusivity reinforced by excellent customer service.

Second, in examining the influence of program loyalty toward store loyalty (i.e. share-of-wallet; share-of-visit and store preference), it was found that program loyalty has the most significant impact on share-of-visit and store preference. The results show that program loyalty had about the same loading on both share-of-visit and store preference ($\beta = 0.971, p < .001$; $\beta = 0.903, p < .001$), implying that firms should focus on finding ways to enhance the cardholders' bond with the program. When this occurs, customers will have a strong preference and visit the store more often.

LIMITATIONS AND FUTURE RESEARCH

This study has several limitations. First, it relies on a sample drawn from a limited geographical area in Malaysia. The drop-off-and-collect method and the quota sampling techniques may not represent the entire population, and may require replication. This study concerns loyalty programs in the retail sector, specifically superstores and department stores, which limits generalisation of the results. A second limitation concerns this study's cross-sectional research design. Certainly, longitudinal research is required to fully capture the dynamic nature of customer post-consumption evaluation. Obviously, any efforts to use longitudinal

design to test the present model would require sustained consumer cooperation over time.

It may be fruitful for future research to replicate and validate all parts of the current model to determine the robustness of the findings. Cross-national and cross-cultural studies are essential to examine the generalisability of the model. This research direction appears to be fertile because many consider loyalty programs to be an important strategy for increasing revenue growth (Young & Stepanek, 2003). Moreover, further studies need to investigate the relationship between program satisfaction and store loyalty. Future research may consider several variables such as competitive loyalty programs (Meyer-Waarden, 2007), fairness (Lacey & Sneath, 2006) and customers' involvement (Keh & Lee, 2006). Customer involvement could be applied in this study by investigating a broader range of retail sectors (e.g., specialty store and hypermarket) and different industries (e.g., airlines and hotels).

CONCLUSION

This paper examines the influence of program satisfaction on program loyalty and store loyalty among retail loyalty program cardholders. This study extends the previous research of Yi and Jeon (2003), taking into account loyalty towards the program. The findings bring to light the mechanism by which the retail loyalty programs operate, specifically the connection between program loyalty and store loyalty. Thus, the current study helps develop a relationship marketing theory, particularly in regards to the loyalty program retention strategy. Developing strategies to gain program loyalty will further assist retailers in making cardholders loyal to the store. Hence, it is vital for retailers to seek means by which they can increase program loyalty among their cardholders.

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