The role of loyalty programs in behavioral and affective loyalty

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Abstract
Purpose – The aim of this paper is to analyze the behavioral and affective loyalty of retailer customers in order to establish the role played by loyalty programs in the development of these variables.

Design/methodology/approach – Research data were taken from a survey carried out on 750 customers from a Spanish supermarket chain. Several ANOVAs are employed to compare the two loyalty dimensions among participants and non participants in loyalty programs.

Findings – The results show that participants in loyalty programs are more behavioral and affectively loyal than non participants. Nevertheless, most customers do not change purchase behavior after joining a loyalty program. The strategy is therefore to retain loyal customers and to achieve the reinforcement of affective bonds linking the customer to the retailer.

Practical implications – Companies should focus their efforts on developing a reward plan as adapted as possible to concrete needs of each participant in the program to achieve true loyalty.

Originality/value – The main contribution of this paper is the completion of an exhaustive analysis of customer loyalty. On the one hand, it is a pioneer in the study of the influence of loyalty programs on affective loyalty and, on the other hand, it confirms results from other researches on behavioral loyalty of program participants. In addition, this is one of the few papers developed in this field using the survey as a source of information.

Keywords Loyalty schemes, Consumer behaviour, Customer retention, Customer loyalty, Supermarkets, Spain

Introduction

Loyalty programs are a marketing strategy based on offering an incentive with the aim of securing customer loyalty to a retailer. Achieving rewards is related with purchasing frequency, so this type of programs are also called frequent purchase programs (Shoemaker and Lewis, 1999; Long and Schiffman, 2000; Bell and Lall, 2002) or reward programs (Kopalle et al., 1999; Kim et al., 2001).

Lately, large-scale loyalty programs have been implemented by firms in different industries around the world. In the case of retailers, on whom this paper is focused, an extended use between most of them has led these programs to become one more element in their offer. In fact this can be seen in the way that companies set part of their communication budget aside to promote these programs, especially loyalty cards, as they are another product offered by the company.

However, not all countries show the same level of development regarding to implementation of this tool. For example, in Germany, there are over 100 different programs and the percentage of families taking part in at least one of them exceeds 40 percent (Künzel, 2002). In the USA, the number of programs surpasses 400 with more than 80 percent of families taking part (Collopy, 2003). Regarding to Spanish data of use of these programs, consumers participate on average in 1.74 loyalty programs – in the USA, this figure rises to 3.34 – and there are more than 40 national consolidated programs (Mollet, 2004b; Reinares and Reinares, 2005).

The spread of loyalty programs in business circles has promoted the appearance of one research line comprising plenty of studies dealing with different aspects related to this strategy. Our interest in this paper is focused in analyzing the influence of loyalty programs on customers’ loyalty. This matter is of vital importance for companies implementing them for the following reasons. First, due to the nature of loyalty programs themselves, achieving customers’ loyalty is a prime objective of this strategy.

Secondly, the availability of a loyal customer’s database offers benefits for the company which have been already widely documented in literature. Loyal customers add profitability to the company (Woolf, 1996; Heskett et al.,1997) and profitability of one individual customer grows constantly during his relationship with the company (Reichheld and Sasser, 1990; Anderson et al., 1994; Reichheld and Teal, 1996). The high profitability added by loyal customer can be explained, firstly, through their lesser price sensitivity towards the products of the company (Sharp and Sharp, 1997; Dowling and Uncles, 1997; Bowen and Shoemaker, 1998a, b), secondly, due to the fact that they require a smaller investment in communication than those people not having previous experience with the company (Rowley, 2000) and finally, thanks to their role of prescribers (Reichheld and Teal, 1996). Besides, true loyalty based on emotional bonds is hard to copy, so it can be a competitive advantage (Palmer et al., 2000).

Although the bi-dimensional view of loyalty is commonly accepted in our time, most papers analyzing the influence of this strategy on customer loyalty were focused on behavioral dimension. This dimension refers to purchase behavior repeated over the time.
Existing literature on the impact of loyalty programs on behavioral loyalty yields two interesting results. Firstly, participants in these programs show a higher behavioral loyalty than non participants. This becomes evident through indicators like the frequency of visits to the retailer or the number of visited competitor selling points (Drèze and Hoch, 1998; Passingham, 1998; Benavent et al., 2000; Meyer-Waarden, 2002).

Secondly, papers focused on loyalty programs that compare the consumers' behavior before and after enrolling themselves in these programs show that there is virtually no difference between the two states regarding to number of visits to the retailer or purchase volume (Sharp and Sharp, 1997, 1998; Wright and Sparks, 1999; Benavent, 2000; Bell and Lall, 2002; Meyer-Waarden, 2002).

Taking into account both the previous results, we are led to think that loyalty programs do not make customers become more loyal, but its main contribution is retaining the already loyal customers. One of the goals of this paper is deepening in this aspect through the hypothesis proposed.

Following with loyalty components, the affective dimension refers to emotional bonds of one individual towards something, in this case, a selling point (McGoldrck and Andre, 1997; Bennett and Rundle-Thiele, 2002). While attitudinal loyalty may be considered a mere mediator of marketing instruments that affect behavioral loyalty, its measurement is a prerequisite for the understanding of how stimuli affect cognitive and affective processes that make customers to become or remain loyal in their deeds (Noordhoff et al., 2004). Literature points customer attitude, satisfaction, trust and commitment as key component in the development of affective loyalty. Loyalty only based on a repeated behavior is fragile. Some authors consider that there is "true loyalty" only when these two dimensions are met in a consumer (Dick and Basu, 1994; Trinquecoste, 1996).

In spite the importance of this aspect, research on the influence of loyalty programs on customers’ affective loyalty towards the retailer are scarce and show contradictory results. On one hand, some researchers state that most loyalty programs are in fact saving programs in disguise that do not contribute to the attitudinal component of loyalty, and thus do not create sustained loyalty (McGoldrck and Andre, 1997; Bennett and Rundle-Thiele, 2002). On the other hand, in a comparative research carried out in Netherlands and Singapore by Noordhoff et al. (2004) we can detect a positive relationship between holding a loyalty card and what they call attitudinal loyalty of consumers towards the retailer in both countries. Undoubtedly, most relevant literature confers to the ability of the strategy to influence customer satisfaction (Shoemaker and Lewis, 1999; Stauss et al., 2001; Mueller and Pietrzyk, 2004). Due to this lack of research, another aim of this paper is to determine the influence of loyalty programs on affective loyalty.

The methodology used to fulfill the goals of our research consists in comparing behavioral and affective loyalty of participants and non participants in loyalty programs. Besides, we also take into consideration participants’ change of behavior. Data collection was complete by a personal survey of 720 consumers of one supermarket chain placed in a medium-sized Spanish city running two loyalty programs.

The paper is organized into the following sections. Firstly, we propose several hypotheses about loyalty of participants in loyalty programs. Then, we explain in detail the methodology used in this research and the results obtained from the carried out analysis. The paper ends with the presentation of conclusions based on results, and some recommendations for business management.

### Behavioral and affective loyalty of participants in loyalty programs

Our research on the effect of loyalty programs on customer loyalty comprises the analysis of three aspects: behavioral and affective loyalty of participants on loyalty programs and their change of behavior after enrolling themselves in the program.

#### Behavioral loyalty of participants in loyalty programs

In order to carry out the analysis of behavioral loyalty of participants in loyalty programs we distinguish two aspects in purchase behavior: that produced in the retailer and that taking place in other competitors’ retailers.

We use the following indicators for the first aspect: frequency of visits to the retailer, purchases and percentage of purchases per customer.

Regarding to the role played by loyalty programs in purchase frequency, Drèze and Hoch (1998), Passingham (1998) and also Meyer-Waarden (2002) state that participants in loyalty programs make a higher number of visits to the retailer than non participants. Benavent et al. (2000) emphasize this aspect concluding that promotional actions related to loyalty programs encourage to users of these programs to have smaller interpurchase times than those lacking this incentive.

In support of the positive impact of participation on loyalty programs on the purchase volume in the retailer, Benavent et al. (2000) and Meyer-Waarden (2002) conclude that owners of loyalty cards purchase more than people without them.

Another indicator of behavioral loyalty is the percentage or share of purchase, defined as the ratio of the total expenses of one consumer made in one specific retailer. A high value in this variable points out that the consumer scarcely buys in other retailers, so he shows a loyal behavior to that point of sale. In this sense, there is plenty of research material which proves that participants in one loyal program have a higher share of purchase in that retailer (Neslin et al., 1985; Drèze and Hoch, 1998; Bell and Lall, 2002; Jorna et al., 2002; Jorna and Bijnol, 2003; Alya and Neslin, 2004; Mollet, 2004a).

Taking into account the existing literature, we propose the following hypothesis:

**H1.** Participants in one loyalty program show a greater behavioral loyalty to the retailer that has implemented that loyalty program than non participants.

The spread of purchases between different points of sale is one of the barriers to loyalty towards one retailer. Loyalty programs aim to remove this spread (Meyer-Waarden, 2002), transforming them into defensive strategies.

Literature on the effectiveness of loyalty programs deepens in the research on the influence of these programs on switching costs creation (Jackson, 1985; Klemperer, 1987; Duffy, 1998; Kim et al., 2001; Singh, 2001).

Switching costs lead the consumer to visit a limited number of points of sale as they reduce the appeal of other choices. In the finance industry, Perrier et al. (1992) state that one technique used by banks to raise retention ratios is to increase...
switching costs through loyalty programs. Also frequent travel programs use by airlines have a similar effect because they lead customers to perceive that competitors offer higher prices since they are deprived of the discounts offered in return for loyal behavior (Palmer and Begg, 1998).

Meyer-Waarden’s (2002) research is the only paper where the defensive role of these programs is proven empirically and which shows their ability to slowly reduce the spread of purchase between several retailers.

According to the above facts, we propose the following hypothesis: H2. Participants in one loyalty program show a less behavioral loyalty to other retailers than non participants.

Affective loyalty of participants in loyalty programs

Most authors agree in identifying the key components for developing affective loyalty: attitude, satisfaction, trust and commitment. We propose several hypotheses for each of these components of affective loyalty of participants on loyalty programs.

Attitude was defined by Oliver (1980) as a consumer’s relatively lasting affection towards an object or an experience. The role of attitude in customer loyalty is vital, since it is required a previous positive attitude to consider a repetitive behavior as true loyalty (Day, 1969; Jacoby and Chestnut, 1978; Assael, 1987; Solomon, 1996; Huang and Yu, 1999).

Regarding the relationship between participation in loyalty programs and attitude, there is virtually no empirical research that discusses in greater depth the strength and sense of this relationship. We can quote Ayala and Neslin (2004) when they assert that the reward obtained from a loyalty program can increase the subsequent purchase behavior as long as the rewarded customer develops a positive attitude towards the retailer. In spite of the shortage of literature on this matter and taking into account that loyalty schemes are aimed to create loyalty in consumer, we venture to suppose that they also obtain a favorable attitude from consumer: H3. Participants in one loyalty program show a more positive attitude to the retailer than non participants.

The second element that should be studied in the development of affective loyalty is the satisfaction. Satisfaction is defined as an affective condition resulting from a global assessment of all aspects comprised in the relationship in which the consumer takes part (Severt, 2002).

There are plenty of researches proving that satisfaction is an important antecedent of consumers’ intention of behavior (Rust and Oliver, 1994; Taylor and Baker, 1994; Bhattacharjee, 2001; Szymanski and Henard, 2001; Anderson and Srinivasan, 2003, among others). Therefore, it is one of the variables considered as a key to the creation of customer loyalty.

At this point, it is advisable to investigate the conclusions of research which analyzes one possible relationship between participation in loyalty programs and satisfaction. In this field, authors like Shoemaker and Lewis (1999), Strauss et al. (2001) and Mueller and Pietrzyn (2004) establish the outstanding ability of programs to raise customer satisfaction and also to reduce the consumer dissatisfaction when a problem arises in the relationship with the supplier (Bolton et al., 2000; Meyer-Waarden, 2002).

Tietje (2002) focused on the role of rewards offered by loyalty programs, and concludes that obtaining certain rewards can generate positive feelings towards the retailer implementing the program. These feelings linked to the purchase experience involve a greater satisfaction leading to higher purchase intentions (Price et al., 1995; Oliver et al., 1997).

Taking into account the previous statements, we propose the following hypothesis: H4. Participants in one loyalty program show a greater level of satisfaction with the retailer than non participants.

Trust, the third key element in creating affective loyalty, appears when one part has in the reliability and integrity of the other part in the interchange (Morgan and Hunt, 1994).

The concept of trust as key factor to establish successful relationships in the tertiary sector was introduced by Parasuraman et al. (1985). These authors suggest that customers should be able to trust in service suppliers, to be sure about the behavior maintained with them and to have the certainty that data transmitted to them will have a confidential nature. All these considerations are crucial to obtain customers’ loyalty and they mean a positive contribution so that any company has a stable customer portfolio. Other authors like Macintosh and Lockshin (1997) and Sirdehsrmukh et al. (2002) also recognize the role of trust in creating loyalty.

There is not a great deal of research which can shed light on the possible relationship between participation in loyalty programs and the creation of trust in the retailer. Kelley and Thibaut (1978) and Macintosh and Lockshin (1997) suggest that a loyalty program allows a relationship between supplier and customer to be built, that favors the concept of trust and commitment. Also Meyer-Waarden (2002) supports this idea when he explains that loyalty programs cause switching costs to consumer as a result of rewards offered by them and also costs arising from the evolution of the relationship established with the retailer. The increase in the number of contacts between both parts coming from participation in loyalty programs leads to an improvement in the customer knowledge, which translates into an increase in consumer trust and commitment to the retailer.

Based on these premises, we propose the following hypothesis: H5. Participants in one loyalty program show a higher trust in the retailer than non participants.

Commitment is widely considered as a key component to achieve successful relationships at long term (Dwyer et al., 1987; Morgan and Hunt, 1994). A high level of commitment appears when there is a rational bond (net profit) and an affective bond (emotional link) in the relationship.

According literature, the commitment is a required condition to true loyalty (Day, 1969; Bloemer and Kasper, 1995; Oliver, 1999). There are authors that go even beyond stating that commitment and loyalty are the same (Assael, 1987; Price and Arnold, 1999; Pritchard et al., 1999; Too et al., 2001).

It is also necessary to investigate the relationship between loyalty programs and creation of commitment from consumer to the retailer running the strategy. Regarding to this aspect, we should recall that when we tried to justify the relationship between participation in plans and trust we quoted Kelley and Thibaut (1978) and Macintosh and Lockshin (1997), who...
propose that a loyalty program is a means of favoring the customers’ trust and commitment to the retailer.

On the other hand, and taking as starting point the concept of leveled commitment, literature on the effectiveness of loyalty programs concludes that those create switching costs and, therefore, leveled consumer commitment (Klepper, 1987; Caminal and Matutes, 1990; Bolton et al., 2000; Kim et al., 2001; Meyer-Waarden, 2002).

From another point of view, one of the benefits derived from the availability of loyal customers is the advising role they play that is widely recognized in literature (Deming, 1982; Anderson, 1998; Bowen and Shoemaker, 1998a, McIlroy and Barnett, 2000, among others). Consumers who purchase repeatedly recommend the product to other people, representing a great source of word-of-mouth advertising. Some of the literature has regarded this advisory role as an example of consumer commitment to the retailer.

In the field of loyalty programs, Benavent et al. (2000) explain that the goal of these programs is achieving a bigger income thanks to the cross selling and recruitment of new consumers with lesser cost through word of mouth advertising. For this reason, customer commitment to the retailer can be presumed.

According to the above facts, we propose the following hypothesis:

**H6.** Participants in one loyalty program show greater commitment to the retailer than non participants.

### Influence of loyalty programs on behavior change

At this point, we study if consumers change or not the purchase behavior because of their participation in loyalty programs. This aspect is fundamental to discovering if loyalty programs make customers more loyal.

Existing research does not offer consistent results in this area. Nevertheless, many researchers coincide in proving the inefficiency of loyalty programs in causing behavior change in the majority of participating consumers. On this line, Sharp and Sharp (1997, 1998) do not find evidence to demonstrate an increase in depth or purchase frequency in consumers through the incentives offered by loyalty programs. These authors believe that it is hard to change repeated purchase models of consumers, and Dowling and Uncles (1997) agree with this. They also conclude that most consumers do not show increased loyalty, which is the final goal of this type of marketing actions. Long and Schiffman (2000) reach a similar conclusion when they recognize that only a small group of consumers change their purchase patterns due to their participation in a loyalty program.

Wright and Sparks (1999), meanwhile, explain that the majority of consumers polled declare that they purchased regularly in the retailer before belonging to the reward program. Customers go beyond recognizing their intention to continue purchasing in the future in the retailer, regardless what happens with the loyalty program.

In the papers of Benavent (2000) and Meyer-Waarden (2002) we can observe that the time between purchases and purchases spread between retailers hardly varies from card’s possession and that the program only modifies the behavior of a small part of consumers: the large consumers of the retailer. This justifies the emphasis of the authors on the importance of a proper customer segmentation to achieve effective plans. On the same line, Bell and Lall (2002) recognize that the program can obtain an increase in sales although they believe that plans should be addressed just to a limited group of consumers who may change their behavior due to their participation in them.

According the above, we suggest that loyalty programs cannot modify behavior patterns in most consumers taking part in them. Quoting Ma¨gi (2003), it is possible that some consumers change their purchase behavior in one program and other consumers participate in programs rewarding purchasing patterns already established. Thus, our hypothesis is the following:

**H7.** Participation in loyalty programs does not cause a change in most consumers.

### Methodology

#### Data collection

Collection of data was made through personal surveys carried out at the exit of several retailers belonging to a supermarket chain located in a medium-size Spanish city.

A stratified selection by simple affixing was used. The sample consists of 720 people from whom 180 were participants in the retailer frequent shopper program that was in force at that moment, 180 in the card program and 360 not participating in any loyalty program at that retailer. The makeup of this sample allows a comparison between participants and non participants in loyalty programs and the analysis of possible differences between the effectiveness of the two types of programs used.

Technical data relating with the sample can be found in Table I.

#### Measurement of variables

In order to draw up the questionnaire, we completed an exhaustive review of research from different study areas supplying the measurement scales of variables used in this paper. In this way, we aim to fulfill the requirements of reliability and validity of scales as far as possible. Nevertheless, the items obtained needed to be corrected in order to adapt them to our specific context. Furthermore, we created new items from theoretical concepts found in relevant literature.

Before reaching the final design and in parallel with tasks of concreting and defining the questionnaire, we conducted a series of detailed interviews with managers of some companies belonging to the national grocery retailing. Finally, the initial questionnaire was cleaned up using a pretest. The measurement scales employed in the research are shown in Table II.

<table>
<thead>
<tr>
<th>Table I Sample technical data</th>
</tr>
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<tbody>
<tr>
<td><strong>Characteristics</strong></td>
</tr>
<tr>
<td>Sample element</td>
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<tr>
<td>Sample procedure</td>
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<td>Sample size</td>
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<tr>
<td>Sampling error</td>
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<tr>
<td>Trust level</td>
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<td>Time</td>
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<td>Scope</td>
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<td>Source of information</td>
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</table>
In this paper we used two different types of scales in respect of the type of relationships between observed and non observed variables: reflective and formative scales. In the case of the first type of scales, it is considered that observed variables with which we try to measure each theoretical concept are a representation or reflection (effect) of this concept. Therefore, we can expect that reflective indicators used to capture the essence of one specific theoretical concept are highly related between them. One alternative in the measurement process that has been less used but that is beginning to spread gradually in the academic world is the use of formative or causal indicators. These involve the creation of composite indexes more than the development of scales (Diamantopoulos and Winklhofer, 2001; Jarvis et al., 2003).

### Table II Measurement scales

<table>
<thead>
<tr>
<th>Name of the construct (Cronbach Alpha or correlation coefficient, composite reliability and average variance extracted)</th>
<th>Measure of the construct</th>
<th>Average (SD)</th>
<th>Measurement scales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reflective scales</td>
<td>I like shopping in the retailer</td>
<td>3.85 (1.03)</td>
<td>Five-point Likert</td>
</tr>
<tr>
<td></td>
<td>It’s a nice, comfortable and friendly retailer</td>
<td>3.92 (0.96)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>In general, I consider it as a good retailer</td>
<td>3.96 (0.92)</td>
<td></td>
</tr>
<tr>
<td>Trust in the retailer: Alpha = 0.76; CR = 0.77; AVE = 0.47</td>
<td>I think that the retailer acts in my best interest</td>
<td>2.64 (1.18)</td>
<td>Five-point Likert</td>
</tr>
<tr>
<td></td>
<td>The retailer is concerned with my welfare, not only with obtaining profit</td>
<td>2.60 (1.06)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The retailer is honest with their customers, it does what it promises</td>
<td>3.34 (1.12)</td>
<td></td>
</tr>
<tr>
<td>Trust in the retailer staff: Alpha = 0.85; CR = 0.86; AVE = 0.68</td>
<td>The retailer staff are competent and professional</td>
<td>4.09 (1.01)</td>
<td>Five-point Likert</td>
</tr>
<tr>
<td></td>
<td>The retailer staff are friendly and helpful</td>
<td>4.10 (1.03)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I trust the retailer and its staff</td>
<td>3.85 (1.03)</td>
<td></td>
</tr>
<tr>
<td>Commitment to the retailer: Alpha = 0.75; CR = 0.70; AVE = 0.45</td>
<td>I like the relationship I have with retailer staff</td>
<td>3.59 (1.10)</td>
<td>Five-point Likert</td>
</tr>
<tr>
<td></td>
<td>I intend to purchase in the future in the retailer</td>
<td>3.56 (1.17)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I consider myself as loyal to the retailer</td>
<td>2.89 (1.34)</td>
<td></td>
</tr>
<tr>
<td>Formative scales</td>
<td>Times you go usually to the retailer in one month</td>
<td>2.65 (1.18)</td>
<td>1 to 4</td>
</tr>
<tr>
<td></td>
<td>Types of products purchased in the retailer</td>
<td>2.28 (0.79)</td>
<td>1 to 3</td>
</tr>
<tr>
<td></td>
<td>Average amount earmarked for purchasing drug retailer and food products</td>
<td>3.13 (0.93)</td>
<td>1 to 4</td>
</tr>
<tr>
<td></td>
<td>Percentage of money for purchasing drug retailer and food products that you spend in the retailer</td>
<td>2.20 (2.06)</td>
<td>1 to 4</td>
</tr>
<tr>
<td></td>
<td>Average amount spent per visit to the retailer</td>
<td>2.3 (1.01)</td>
<td>1 to 4</td>
</tr>
<tr>
<td>Purchase behavior in competitor retailers</td>
<td>Number of competitors retailers of the same type you visit regularly</td>
<td>1.41 (0.85)</td>
<td>Ratio (open)</td>
</tr>
<tr>
<td></td>
<td>Other types of retailer where you purchase:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hypermarket</td>
<td>1.81 (0.64)</td>
<td>1 (never) to 3 (always)</td>
</tr>
<tr>
<td></td>
<td>Fruit shops</td>
<td>1.92 (0.69)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Butchers</td>
<td>1.90 (0.76)</td>
<td></td>
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<tr>
<td></td>
<td>Fish shops</td>
<td>1.98 (0.76)</td>
<td></td>
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<tr>
<td></td>
<td>Drug retailers</td>
<td>1.72 (0.61)</td>
<td></td>
</tr>
<tr>
<td>Satisfaction</td>
<td>Retailer has good prices</td>
<td>3.24 (1.11)</td>
<td>Five-point Likert</td>
</tr>
<tr>
<td></td>
<td>Retailer has a large variety of products</td>
<td>3.67 (1.03)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Section distribution in the retailer is comfortable</td>
<td>3.96 (0.95)</td>
<td></td>
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<tr>
<td></td>
<td>Parking and access are easy</td>
<td>3.46 (1.42)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Retailer responds to any product problem</td>
<td>4.00 (1.74)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I feel comfortable when I go to the retailer</td>
<td>4.00 (0.97)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Opening hours are adjusted to my needs</td>
<td>4.34 (0.90)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>In general, I am satisfied with the retailer</td>
<td>3.97 (0.95)</td>
<td></td>
</tr>
<tr>
<td>Change in purchasing behavior</td>
<td>Stopping purchasing in other retailers (Loyalty card)</td>
<td>1.83 (0.39)</td>
<td>Five-point Likert</td>
</tr>
<tr>
<td></td>
<td>Stopping purchasing in other retailers (Frequency program)</td>
<td>1.79 (0.40)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Increased purchase frequency at the retailer (Loyalty card)</td>
<td>2.33 (1.28)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Increased purchase frequency at the retailer (Frequency program)</td>
<td>2.37 (1.32)</td>
<td></td>
</tr>
</tbody>
</table>
In this case, one variation in any of the observed variables causes changes in the structure – which is multidimensional by nature – and not in reverse. In other words, the indicator is one of the causes or antecedents of the underlying variable to which it is related. From this point of view, the conceptual and empirical meaning of one underlying composite variable is determined by the set of observed variables used, which are not necessarily inter-related (Jarvis et al., 2003).

In our case we measure using reflective scales three dimensions of affective loyalty: attitude, trust and commitment. Satisfaction and behavioral loyalty have been considered as a formative scale. Trust and behavioral loyalty are structured into two parts derived from the factors obtained in the previous exploratory factor analysis. In order to measure purchasing behavior change we used two variables: “stopping purchasing in other retailers” and “increased purchase frequency at the retailer”. For these two variables we distinguish between participants in loyalty programs and participants in the frequent shopper program (see Table II).

According to the above considerations, the use of reflective scales requires the completion of a reliability and validity analysis, contrary to formative scales, over which there is no unanimity regarding the methodology that should be applied. For the last scales there is no clean-up process, we simply create one variable that represents the structures examined, to obtain the average of the values obtained for each of variables involved.

Reliability and validity analyses are carried out through an exploratory and confirmatory factor analysis of proposed structures. Table II shows the scales resulting from the above clean-up process and their reliability and validity indicators.

**Results**

In order to contrast the hypotheses we divided the sample into two independent sub-samples: on the one hand, the set of people taking part in one loyalty program, whether frequent shopper or card programs, and, on the other hand, the group of consumers who do not take part in any retailer loyalty program.

In order to contrast $H1$ with $H2$, that is, the hypotheses comparing the behavioral dimension of loyalty between participants and non-participants, we use an ANOVA model. It should be recalled that, in this case, we are working with formative scales; so, the values of dependent variables are built up from the average of punctuation of polled individuals for behavioral loyalty variables. We work specifically with two scales, one used to obtain the average loyalty through the behavioral loyalty variables. We work specifically with two scales; so, the values of dependent variables are built up from the average of punctuation of polled individuals for behavioral loyalty variables. We work specifically with two scales, one used to obtain the average loyalty through the behavioral loyalty variables.

The ANOVA analysis results, shown in Table III, are clear, since they reflect significant differences in the two dimensions into which behavioral loyalty has been divided for the two groups of retailer consumers. That is to say that participants in loyalty programs, independently of the type of program, demonstrate greater behavioral loyalty towards the retailer and lesser behavioral loyalty to competitors than customers who do not take part in any program. According the above, we can accept hypotheses $H1$ and $H2$.

In order to contrast the hypotheses relating to affective loyalty of participants in loyalty programs, we completed an analysis similar to the previous one: an ANOVA test for the difference of averages. In this case we try to determine the existence of different values for the different constructs of affective loyalty between participants and non participants in the retailer loyalty programs.

The values of dependent variables are obtained in different ways, depending on the type of measurement of these variables: formative or reflective scales. Satisfaction was measured through the formative scale. In the same way as in the case of behavioral loyalty, for satisfaction we created an average variable from responses given by consumers to the seven items designed to measure the different aspects of individual satisfaction with the retailer. In the case of the other aspects of affective loyalty – attitude, trust and commitment – and since we are dealing with reflective scales, in order to carry out the analysis we used the consumer marks in the factors obtained in the factor analysis of key components previously carried out.

The ANOVA results (see Table IV) coincide in showing significant differences between the average values obtained from the dimensions into which affective loyalty has been divided in both samples – participants and non participants in loyalty programs. These facts lead us to accept $H3$, $H4$, $H5$ and $H6$, i.e. it can be asserted that participants in loyalty plans show a more positive attitude, and greater satisfaction, trust and commitment towards the retailer than non participants.

The last proposed hypothesis ($H7$) analyzes whether participation in a loyalty program can modify the consumer behavior in the retailer implementing the program. The analysis of frequency distribution made for variables employed to measure change in consumer behavior (see Tables V and VI) shows that a high percentage of participants in retailer loyalty programs claim not to have changed their purchase behavior, that is, they affirm that they do not shop more frequently at the retailer. Furthermore, they state that they do not stop purchasing in competitor retailers as a result of their participation in the loyalty program implemented by one retailer.

In order to statistically contrast the results obtained with the contingency tables, we propose proportion tests for each of them. The aim is to check if most consumers taking part in one loyalty program in one retailer, that is, more than 50 percent, do not give up purchasing in other selling points as a result of

**Table III** ANOVA analysis results for behavioral loyalty

<table>
<thead>
<tr>
<th></th>
<th>Addition of squares</th>
<th>$df$</th>
<th>Square average</th>
<th>$F$</th>
<th>Sig.</th>
<th>Average part.</th>
<th>Average non part.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Behavioral loyalty: purchase behavior in the retailer$^a$</td>
<td>Intergroups</td>
<td>76.317</td>
<td>1</td>
<td>76.317</td>
<td>167.300</td>
<td>0.000</td>
<td>2.86</td>
</tr>
<tr>
<td></td>
<td>Intragroups</td>
<td>290.123</td>
<td>636</td>
<td>0.456</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Behavioral loyalty: purchase behavior in competitor retailers$^a$</td>
<td>Intergroups</td>
<td>6.674</td>
<td>1</td>
<td>6.674</td>
<td>35.996</td>
<td>0.000</td>
<td>1.70</td>
</tr>
<tr>
<td></td>
<td>Intragroups</td>
<td>118.484</td>
<td>639</td>
<td>0.185</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: $^a$Levene test reveals equality of variances

392
participation in the program. In this case, sample and population values are 80.84 percent and 50 percent, respectively. This test leads us to reject the hypothesis of behavioral change on most participants ($Z = 11.70; p < 0.000$).

The second contrast focuses its analysis on the percentage of people recognizing that they do not shop more frequently at the retailer as a result of their participation in the loyalty program. In the sample, we consider inside the percentage the people scoring 3 or less in the variable, meaning 80.44 percent of those. Results show that there is a negligible possibility of accepting the null hypothesis, according which over 50 percent of participants in the loyalty program shop more often at the retailer after adopting the loyalty program ($Z = 11.52; p < 0.000$).

All these facts allow us to accept $H7$ – loyalty programs do not modify the behavior of the majority of consumers.

**Conclusions**

The mass implementation of loyalty programs is a reality, strengthened over time. Our paper is focused on grocery retailing companies, one of the industries with the largest number of current loyalty programs around the world. A key matter related to loyalty programs is research into its contribution to customers’ loyalty towards a specific company. Throughout the paper, we have made a detailed analysis of loyalty of participants in one loyalty program of a supermarket chain. The results we have obtained are the following.

First, participants in loyalty programs show a greater behavioral loyalty to the retailer that has implemented that loyalty program and, at the same time, less behavioral loyalty to competitors of that company, than non participants. These results can lead us to believe that loyalty programs contribute to an increase in behavioral loyalty of participants, but yet most of these people claim that their purchase behavior varied very little, if at all, since they joined up. With this data, the strategy can at least be attributed with the ability to retain the loyalest of customers.

A matter related to affective loyalty. In this regard, participants in loyalty programs show higher levels of positive attitude, satisfaction, trust and commitment than non participants.

### Table IV ANOVA analysis results for affective loyalty

<table>
<thead>
<tr>
<th></th>
<th>Addition of squares</th>
<th>df</th>
<th>Square average</th>
<th>$F$</th>
<th>Sig.</th>
<th>Average part.</th>
<th>Average non part.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General satisfaction</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intergroups</td>
<td>33.599</td>
<td>1</td>
<td>33.599</td>
<td>82.808</td>
<td>0.000</td>
<td>4.06</td>
<td>3.53</td>
</tr>
<tr>
<td>Intragroups</td>
<td>198.814</td>
<td>490</td>
<td>0.406</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Trust in the staff</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intergroups</td>
<td>11.086</td>
<td>1</td>
<td>11.086</td>
<td>11.302</td>
<td>0.001</td>
<td>0.146</td>
<td>0.142</td>
</tr>
<tr>
<td>Intragroups</td>
<td>517.914</td>
<td>528</td>
<td>0.981</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Attitude</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intergroups</td>
<td>43.267</td>
<td>1</td>
<td>43.267</td>
<td>47.032</td>
<td>0.000</td>
<td>0.290</td>
<td>0.281</td>
</tr>
<tr>
<td>Intragroups</td>
<td>485.733</td>
<td>528</td>
<td>0.920</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Commitment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intergroups</td>
<td>41.805</td>
<td>1</td>
<td>41.805</td>
<td>45.306</td>
<td>0.000</td>
<td>0.285</td>
<td>0.276</td>
</tr>
<tr>
<td>Intragroups</td>
<td>487.195</td>
<td>528</td>
<td>0.923</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Trust in the retailer</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intergroups</td>
<td>15.788</td>
<td>1</td>
<td>15.788</td>
<td>16.243</td>
<td>0.000</td>
<td>0.175</td>
<td>0.170</td>
</tr>
<tr>
<td>Intragroups</td>
<td>513.212</td>
<td>528</td>
<td>0.972</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: *Levene test reveals equality of variances

### Table V Descriptives for change in purchasing behavior (give up purchasing in competitors)

<table>
<thead>
<tr>
<th>To give up purchasing in competitor retailers</th>
<th>Loyalty card</th>
<th>Frequency program</th>
<th>Total</th>
<th>Total relative frequency (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>32</td>
<td>37</td>
<td>69</td>
<td>19.16</td>
</tr>
<tr>
<td>No</td>
<td>148</td>
<td>143</td>
<td>291</td>
<td>80.84</td>
</tr>
<tr>
<td>Total</td>
<td>180</td>
<td>180</td>
<td>360</td>
<td>100</td>
</tr>
</tbody>
</table>

### Table VI Descriptives for change in purchasing behavior (higher purchase frequency)

<table>
<thead>
<tr>
<th>Higher purchase frequency</th>
<th>Loyalty card</th>
<th>Absolute frequency</th>
<th>Total</th>
<th>Total relative frequency (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completely disagree (1)</td>
<td>67</td>
<td>69</td>
<td>136</td>
<td>37.99</td>
</tr>
<tr>
<td>2</td>
<td>30</td>
<td>28</td>
<td>58</td>
<td>16.20</td>
</tr>
<tr>
<td>3</td>
<td>50</td>
<td>44</td>
<td>94</td>
<td>26.25</td>
</tr>
<tr>
<td>4</td>
<td>17</td>
<td>25</td>
<td>42</td>
<td>11.73</td>
</tr>
<tr>
<td>Completely agree (5)</td>
<td>14</td>
<td>14</td>
<td>28</td>
<td>7.83</td>
</tr>
<tr>
<td>Total</td>
<td>178</td>
<td>180</td>
<td>358</td>
<td>100</td>
</tr>
</tbody>
</table>
The analyses carried out do not allow us to establish the extent to which loyalty programs have led to a change in the magnitude of these variables. Nevertheless, we can affirm that among participants in loyalty programs we can detect the two factors required to refer to true loyalty: this group of consumers demonstrate favorable feelings towards the retailer and behave in accordance with these feelings.

Therefore, loyalty programs attract most loyal retailer customers. Out of this group, non participants are those sporadic customers characterized by a lack of emotional bonds with the company. The size of each group varies from one company to another and the most suitable strategy for each group is different.

**Managerial implications**

Loyalty programs are not able to modify the behavior of consumers towards retailers running them. Their main role is retaining customers already showing loyalty to the company. The strategy is also useful as a means of reinforcing the emotional bonds that link the customer to the point of sale.

Therefore, when a retailer is chosen by a consumer as the point of sale at which he will make most of his purchases; loyalty programs play a secondary role. Other services such as variety, prices, location or employees are more important, and the retailer must be focused on these in order to attract potential consumers and, after that, maintain a base of loyal customers.

Once this goal is achieved, it is necessary to take into account that loyalty seen through a mere repetitive behavior is weak. True loyalty needs the existence of a feeling consistent with this behavior. True loyalty based on emotional bonds is really a source of competitive advantage and is very hard to copy.

The implementation of a loyalty program with a proper reward plan is crucially important in retaining loyal customers and reinforcing emotional bonds with the retailer. Rewards are obtained by participants in the program as a prize for their purchase behavior and they contribute to strengthen the relationship with the retailer not just from a Behavioral point of view, but also from an affective one. The defensive role of this strategy therefore becomes evident, supported by a significant part of literature.

Since some programs, like shopping cards, supply plenty of data about customers, it is possible to adapt the rewards to the customer’s needs. These are very varied and can include, for example, offers on products, reductions on prices or a special bonus. In this process of strategy customization according to the needs of each group of consumers, some supermarket chains have begun to implement loyalty programs that differ from one used until that time (loyalty card or frequent shopper programs). These new schemes are customers’ clubs, a type of program only available for the retailer’s best customers. Members of customers’ clubs are subject to a special treatment in terms of the type of rewards they receive in comparison with other customers. (Even the card identifying them inside the program has a yellow color similar to gold that symbolizes the value that the customer has for the retailer).

We do not wish to close this paper without suggesting a future field of research that is closely related to our objective and that has not yet been developed; the analysis of the influence of different types of loyalty programs (for example, loyalty card, frequent shopper programs or customers’ clubs) on behavioral and affective loyalty. Each of these tools shows significant differences relating to its management and it is possible that this has an impact on the effect that it is able to obtain.

**References**


Sirdeshmukh, D., Sinch, J. and Sabol, B. (2002), “Impact of frontline employee behaviours and management practices on consumer trust, value and loyalty in relational exchanges”, working paper, Case Western Reserve University, Cleveland, OH.


**Further reading**


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