



An Analysis of the difference in the Affective loyalty of Members and Non Members of a loyalty program: Case study of shoes and handbag retail outlets of Pakistan

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ARTICLE INFO

Article history:

Received: 11 November 2013;

Received in revised form:

15 December 2013;

Accepted: 17 January 2014;

Keywords

Loyalty programs,
Affective loyalty,
Members,
Non members,
Attitude, Commitment, Trust,
Trust in the staff,
Satisfaction,
Relationship marketing.

ABSTRACT

Relationship marketing means establishing long term relationship with the customers. As loyal customers serve as a profitable source for a company so companies use different techniques to make them loyal. Membership cards have become quite a popular technique of relationship marketing. Companies are increasing targeting the elements that reflect the customers' emotional bonding with companies. In this research an attempt done to determine different elements of affective loyalty and the role of loyalty programs in determining the difference between members and non members regarding these affective loyalty variables. Data is collected through questionnaire and analysed through independent sample t test. The results reveal that there is significant difference between members and non members for all dimensions of affective loyalty.

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Introduction

In latest aggressive company surroundings, customers have been revealed to a growth of product option solutions. Loyalty is a very critical facet of ideal promotion. Loyalty provides foundation to the customers to interact with companies in the look for detailed facts with lesser reasons among different solutions. The different meanings of product loyalty have been in aspect due to the various factors of loyalty (e.g. actions and attitudinal loyalty). According to Jacoby and Chesnut (1978) "If product loyalty is ever to be handled, not just calculated, it will have to be elaborated in a much more specific information of intellectual actions rather than concentrating only on behavioral factors of product loyalty (e.g., do it again purchase)". The declaration created by them indicates that past research of product loyalty have mostly concentrated on the statistic problem of loyalty by analysing on repeat purchase behavior.

However, product loyalty is not an easy uni-dimensional idea, but a very complicated multi-dimensional idea. Cognitive factors of product loyalty create it possible to estimate what purchase actions would be followed by a certain intellectual reaction. For example, a bad mind-set toward a certain product would outcome in changing actions of purchase.

Loyalty programs were generally began in the air journey business in the late 1970's. The Airline Deregulation act was approved in 1978 by Congress in which market factors figure out deals and levels of service (GAO, 1996). Almost 30 years ago, regular leaflet program was presented by American Airlines in which the clients were provided some benefits by means of free journey in exchange for loyalty. With the advancement of information technology, the companies are opting for different alternatives for better customer relationship management which

has assisted the use of different loyalty programs in various industries.

One primary benefit of loyalty programs for companies is their capability to cover a wide range of customers (Boulding *et al.*, 2005; Reinares and Reinares 2006). In addition to this customers receive other benefits as their risk is reduced because some rewards are provided to stay faithful. Emotional confidence is experienced working with the same company. Customer also draws an experience of an intelligent consumer. The social need (need of belongingness) of the customers also gets satisfied as they become a part of faithful group of customers. Areas get established which share similar principles. They get economic advantages for remaining faithful to a company. Once consumer is assured about the value he originates from purchase, do it again behavior becomes an addiction or a motivational force and this decreases period of time in assessment, evaluation and search.

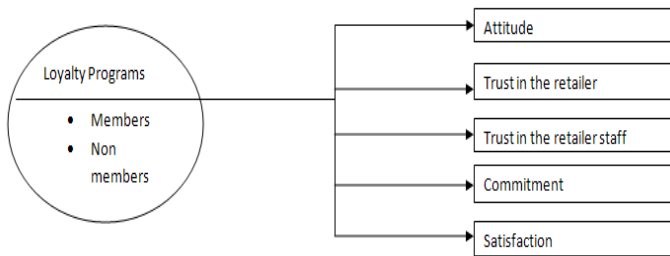
Suggesting the company to colleagues also gives fulfilment and inspiration to act as a viewpoint innovator (opinion leader). Believe in & dedication is shown in future transactions with the company. Connections are noticed as for common gain and not as being considered as simply on commercial basis. Customers assess these dedication programs by considering comparative awards/points and chance of achieving/getting benefits. Program design having limits, benefits and deadlines along with individual level specifications and choices determine client's predicted advantages of participation (Viyas and Sinha, 2008).

There are different approaches for understanding customers' loyalty. These different approaches allow customers to be distinguished as either behaviourally or emotionally loyal. Behaviourally loyal customers act loyal but have no emotional bond with the brand or the supplier, whereas emotionally loyal

customers do. Emotional loyalty is much stronger and longer lasting than behavioural loyalty. It is an enduring desire to maintain a valued relationship (Kuusik and Verblane, 2009).

Loyalty cards are the most common approach used by the majority of companies. In order to get a card, customers need to fill certain demographic information. Customers simply show the loyalty card on each visit to the store running the program, thereby allowing information of the purchase to be kept on the business's database. Loyalty cards offer two types of reward: tangible and intangible. Tangible rewards i.e. concrete benefits are: discount rates on future buys, presents or publications (such as magazines). Intangible rewards or benefits make reference to the preferential treatment with the card holders by the company (Gomez *et al.*, 2012).

Conceptual Framework and research hypotheses



The understanding of affective loyalty dimension is necessary to know the procedures that make customers faithful. Affective dedication has a long lasting focus and it basically is applicable to the state of mind (Balakrishnan, 2011).

The psychological connections with a company serve as a source of competitive advantage, which is why organizations develop different ways designed toward impacting the psychological establishment of dedication. The key signs of affective dedication are attitude (mind-set) trust in the retailer (believe in the store), trust in the retailer staff, commitment (dedication) and satisfaction (fulfilment).

Different writers suggest that membership cards result in establishing affective dedication. The previous research performed on membership cards reveal that the dedication applications have a clear potential to play a favourable role to attitudinal loyalty (Demoulin and Zidda 2008; Bijmolt *et al.*, 2010; Steyn *et al.*, 2010; Terblanche 2011).

The first variable is attitude. Attitude plays an important role in creating loyalty. If customers develop positive attitude then it very likely that they stay with a brand. Similarly negative attitudes result in leaving a certain brand. Positive attitude result in sharing good experience with other customers while negative attitude result in complaining behavior (Bagozzi *et al.*; 1999, Liljandar Strandvik, 1997).

The reward obtained from a loyalty program can increase the Subsequent purchase behavior can be increased loyalty program reward as long as the rewarded customer develops a positive attitude towards the retailer (Ayala and Neslin, 2004). Based on this the first hypothesis of the study becomes:

H1: Members of loyalty cards have higher attitude than non members.

Trust is an important variable in affecting the loyalty. Customers who do not trust a retailer are unlikely to become loyal. Trust basically means the feeling of security which is based on the fact that positive behavior occurs due to the intentions of the retailers that are directed towards the interests and welfare of the customers. Therefore if this feeling of security is high then lesser will be the chance to break relationship with the retailer. When there is an increase in the number of contacts between the retailer and the customer by participation in the loyalty programs then it leads to an

improvement in the customer knowledge which leads to an increase in consumer trust (Meyer-Waarden, 2002).

H2: Members of the loyalty program show greater level of trust towards the retailer as compared to non members.

The staff or employees of a company can have a significant impact on customers' experience because they change the customers' likelihood of visiting that company (Hennig-Thurau *et al.*, 2006). In many service industries the front-line employees are required to display positive emotions, such as warmth and friendliness, during service transactions. Such affective service delivery involves a combination of spoken words and socially acceptable facial expressions and tones of voice. Although up to 90 percent of this affective delivery is communicated non-verbally (Dallimore *et al.*, 2007). An effective loyalty program must be implemented regarding every aspect of interaction with the customers (Kerr, 2009).

H3: Members of the loyalty program show greater level of trust in the retailer staff as compared to non members.

According to Samuelson and Sandvik (1997), commitment can be understood by describing attitude's strength. There are two basic types of commitment, which comprise of affective and calculative commitment. Calculative commitment means that the customers are bound to remain loyal against their desires. In calculative dimension, customers remain committed because of the feeling that if they end their relationships with the company then they will face some social and economic sacrifices (Fullerton, 2005). Repeat buying behaviour alone can not be used to describe loyalty so the element of commitment must be included in order to explain the true loyalty. The presence of commitment is necessary the desire of purchase into actual purchase or rebuy decision and recommending the products of a company to other people through positive word of mouth and thus ensuring true loyalty. According to Uncles *et al.*, (2003) loyalty programs are designed strengthen customers commitment with a brand.

H4: Members of the loyalty program show greater level of commitment as compared to non members.

Customer satisfaction means how a company's products and services meet the expectations of the customers. According to Hondiyanto (2009), Customer's expectations affect the satisfaction in the following three ways:

If product does not meet the expectations of customers then it results in dissatisfied customers. If the product performs according to the expectations of the customers then it leads to satisfied customers. If the product's performance is much good then the customer's expectation then it also results in customer satisfaction.

Customer satisfaction is an important indicator of affective loyalty. According to Dahlestone (2003), customer satisfaction is based on customers expectations and customers experience. Retailers are trying different methods to satisfy their customers because of the fact that if the customers are not satisfied they can communicate negative word of mouth to the potential customers, which in turn would not be attracted towards the company's offerings. Many retailers are using different methods and techniques to achieve customer satisfaction. One such technique is the implementation of loyalty programs to satisfy the customers (Gable, 2008). So the fifth research hypothesis becomes:

H5: Members of the loyalty program have higher level of satisfaction towards the retailer than non members.

Research Methodology

Famous national shoes and handbag outlets of Pakistan are selected. These outlets provide the customers with membership

cards on the basis of their loyalty card policies. The researcher has used the 3 outlets namely Stylo, Soul and Shoebox. Data was collected from these outlets and universities and colleges in Islamabad, Peshawar and Abbottabad using convenience sampling. Data was collected through questionnaire. The questionnaires were distributed to 450 respondents in Abbottabad, Islamabad and Peshawar. Total 200 questionnaires were sent to the different outlets. The rest of the questionnaires were distributed to different universities. After the completion of questionnaires it was analysed that 400 questionnaires were filled properly. The rest of the questionnaires were incomplete and not filled properly. So the final size of the sample is 400 respondents. In this study the hypotheses are tested using Independent sample t test because there is one independent variable i.e. loyalty program and it has two categories or two groups of people which are members and non members respectively.

Table 1: Reliability analysis

Variables	No of items	Cronbach Alpha
Attitude	3	0.883
Trust in the retailer	4	0.665
Trust in the retailer staff	3	0.670
Commitment	3	0.671
Satisfaction	7	0.830
Overall	20	0.744

Results and discussion:

The results of reliability analysis show that all five variables of affective loyalty are quite reliable. The reliability is highest for attitude and satisfaction. The overall reliability of the scale is 0.744 which is above the recommended value.

The results of hypotheses indicate that there is a significant difference between members of a loyalty program and non members regarding the attitude as the mean of attitude of members is statistically significantly higher (4.023) than non members (3.134). The magnitude of the difference in means is moderate i.e. 0.148. So H1a is accepted.

The mean (3.808) of members regarding trust in the retailer is significantly higher than the non members (3.137). The magnitude of the difference in means was moderate i.e. 0.11. So H1b is accepted that members of a loyalty program show higher level of trust in the retailer as compared to non members.

The results indicate the significant difference between members and non members for the third indicator also. The mean (3.764) of members for trust in the retailer staff is significantly higher than the non members (3.307). The magnitude of the difference in means was moderate i.e. 0.09. H3a is also accepted.

As far as the last two hypotheses are concerned they are also accepted as there exists significant difference between members and non members. Members show higher level of commitment (4.198) towards the retailer than non members (3.364). The magnitude of the difference in means is large i.e. 0.22.

There exists a significant difference between members and non members regarding the satisfaction. The mean for satisfaction of card holders (4.165) is significantly higher than the non card holders (3.216). The magnitude of the difference in means is high i.e. 0.26. So H1e is accepted that card holders of a loyalty program show higher level of satisfaction towards the retailer staff as compared to non card holders.

Conclusion

The research reveals that loyalty program can play a good role in affecting the affective loyalty of the customers. The loyal customers serve as a profitable source for any company. Companies are using different techniques to retain the customers in the age of this cut throat competition. One of the effective ways to retain the customers is to offer them different loyalty programs.

The affective loyalty is important as it represents emotional bond with a company. It is difficult for competitors to copy the emotional bonding of the customers with a company. Members show more positive responses for all the indicators of affective loyalty as compared to the non members. The companies can succeed in building good positioning of itself if it targets all the affective loyalty components.

The most important elements of affective loyalty are commitment and satisfaction which need to given special attention by offering such types of incentives that can enhance these two components.

Table 2: Independent sample t test

Mean	Levene's test for equality of variances		T test for equality of means					
	F	Sig	t	Eta square	df	Sig. (2 tailed)	Members	Non members
Attitude equal variances assumed	1.033	0.310	-8.34	0.148	398	0.000	4.023	3.134
Equal variances not assumed			-8.40		387.95			
Trust in the retailer equal variances assumed	1.346	0.247	-7.03	0.11	398	0.000	3.808	3.137
Equal variances not assumed			-7.05		381.63	0.000		
Trust in the retailer staff equal variances assumed	3.805	0.062	-5.73	0.09	398	0.000	3.764	3.307
Equal variances not assumed					368.84	0.000		
Commitment equal variances assumed	3.003	0.084	-11.55	0.22	398	0.000	4.198	3.364
Equal variances not assumed			-11.42		395.91	0.000		
Satisfaction equal variances assumed	0.015	0.904	-11.60	0.26	398	0.000	4.165	3.216
Equal variances not assumed			-11.79		395.91	0.000		

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