

Examining The Relationships Of Program Satisfaction, Program Loyalty And Influential Components Of Store Loyalty Like Share Of The Wallet, Share Of The Visit And Store Preference

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Abstract: Loyalty Programs is a much discussed topic among retail managers in all kind of businesses and has also attracted interest from academic marketing researchers and is largely focused around loyalty. Through this study we observe the influence both program satisfaction and program loyalty have on store loyalty in a retail context.

The information have been collected from a sample of 200 respondents from the shopping malls in Mumbai using mall intercept interview. Structural Equation Modelling (SEM) has been used to test the hypothesis. The results indicated that Program Satisfaction and Program Loyalty have a positive relationship with share of the wallet, share of the visit and store preference. The research highlights the major significance of program satisfaction and program loyalty in the Store loyalty program.

Keywords: Loyalty program, program satisfaction, program loyalty, store loyalty, share of the wallet, share of the visit, store preference and retail

Introduction

The Indian retail industry is now one of the most vibrant industries and can be accounted for over 10 per cent of the country's Gross Domestic Product (GDP). It has around 8 per cent of the total employment. India is also the world's fifth-largest global destination in the retail space. The size of modern retail in India is expected to double to Rs 171,800 crore (US\$ 25.7 billion) from Rs 87,100 crore (US\$ 13 billion) in three years driven by omni-channel retail. The retail sector in the country continues to grow exponentially, as also evidenced by the increase in the number of new shopping malls. This growth attracts questions regarding how retailers can satisfy the needs of diverse shoppers who patronise these malls daily. The worldwide retail industry itself is subject to frequent unpredictable undercurrents, which normally result in changing expectations and needs of shoppers (Sinha & Banerjee, 2004). Loyalty Programmes lets customers to collect free rewards when they make frequent purchases from a retail store.(Yuping Liu, 2007). In recent years, organisations have made loyalty programs an important strategic tool to upsurge revenues. According to Buttle (2004), its less expensive to retain an existing customer than acquire a new one, loyalty programs are being introduced to retain their existing customer base and add new ones. Berman (2006) observes that there are more than 2000 loyalty programs in US alone and that most Americans are enrolled in at least one such loyalty program.

Study indicates that the retailer is benefitted by the members of loyalty programs who bring in rise in earnings through sales (Bolton, Kannan, & Bramlett, 2000). Corporates are investing in Loyalty Programs and over 90 percent currently engage some form of loyalty program. The United States saw a growth of over 26 percent during the 2012 and 2014. According to a report in Accenture Strategy (2017) US alone has over 3.3 billion memberships and that number is on the rise. Loyalty programs take on a long-term perspective in influencing customer behaviour and hence are different from standard sales promotions. Studies provide evidence that dedicated members are inclined to have positive attitudes toward their relationship with the loyalty program.

We examine Demoulin and Zidda's (2008) work of loyalty program based on shoppers' satisfaction with the loyalty program, we observe that customers extend their loyalty to the store and are not price sensitive than unhappy shoppers when they are content with the reward structure provided in the loyalty program. However, Sunny Hu et al. (2010) suggests that the likelihood that the incentive in a loyalty program may boost loyalty to the program and not to the store. A customer could be loyal to multiple loyalty program, which if is a reasonable assumption, could mean that customer loyalty could be categorised as program loyalty and store loyalty Sunny et al., (2008). Hence, we differentiate, loyalty to the program (program loyalty) and loyalty to the store (store loyalty). We understand the importance of satisfaction in the entire value, we focus our attention to understand whether improvements in customer satisfaction could lead to store loyalty directly.

Cooley (2002) suggests that, even though a large number of organisations invested into customer loyalty and customer satisfaction programs which saw rising satisfaction scores, the customers were still preferring other businesses. We broadly study the impact of program satisfaction and program loyalty on store

loyalty. We also examine the influential components of the store loyalty like share of the wallet, share of the visit and store preference and its impact on program satisfaction and program loyalty.

Review of Literature

Satisfaction:

The decisive result of all the actions undertaken during the process of buying and consumption can be termed as satisfaction. A key determinant for loyalty is satisfaction which results from all the process and outcomes, particularly in the retail context (Bloemer & deRuyter, 1998). Consumers may not think about the process that leads to satisfaction, but would merely be concerned with the resulting outcome (Parker & Mathews, 2001). Authors Johnson & Fornell, (1991) observe that customers look at satisfaction as a total assessment on the service over a period of time. A variety of explanations have been found by some researchers in the past on customer satisfaction, common themes are found among them.

First, customer satisfaction is a response, an emotion or cognition and has been described as a detailed emotional/cognitive post-purchase alignment that concentrates on the assessment of the products performance in use (Swan and Oliver, 1985). Secondly, the response relates to a level of attention to detail at service (Cronin & Taylor, 1992). Thirdly, the precise duration for consumer satisfaction begins with the shoppers deciding to purchase, consume and the overall shopping experience. According to scholars (Sivadas & Baker-Prewitt, 2000), customer loyalty is the eventual objective of customer service activities and its subsequent evaluations.

Studies by (Cronin & Taylor, 1992; Oliver & Swan, 1989), reveals that customer satisfaction is subsequent outcome of marketing activity and is related to decision to buy and consume with post purchase phenomena such as attitude change, word-of-mouth, repeat buying, buying intention, and brand loyalty (Cronin & Taylor, 1992; Oliver & Swan, 1989). Nevertheless, some happy and satisfied customers may still select alternates if they see better value, price or quality at another retailer (Bennett & Rundle-Thiele, 2004).

Scholars Demoulina and Zidda's study (2008) observed that shoppers are loyal and not price sensitive if they are satisfied with the incentive in the loyalty program. Sunny Hu et al. (2010) confirms that shoppers may be loyal to the program and not necessarily to the store offering the loyalty program, we can theorize that satisfaction with the program could lead to program loyalty and store loyalty.

Program Loyalty and Store Loyalty:

Shoppers who are thought of as loyal do much more than just continue to shop from a specific store. Harris and Goode (2004) suggest, that loyal customers apart from purchasing more would recommend the store to others, they will patronize the store to buy a variety of services, would oversee occasional mistakes and would not frequent competitor stores. To retain customers is one of the objectives of loyalty program, specifically in categories with higher margins, which is done by increasing level of customer satisfaction and adding value to these customers (Bolton et al., 2000).

According to scholars Uncles, Dowling and Hammond (2003), customer loyalty programs have two purposes, is to increase sales by acquiring and making available a larger range of merchandise and to retain the existing customer base by providing a better connect between the store and the customers. Customers participating in the loyalty program develop belongingness and often associate themselves with the store, Hart, Smith, Sparks, & Tzokas, (1999). Frequent shoppers tend to be more connected with the program and less connected to the store, Chen (2004). Sunny Hu et al. (2010) suggests that loyalty of the customers could be toward more than a single alternative, it is very likely to differentiate between Store Loyalty & Program Loyalty in the conceptualization of customer loyalty. The correlation between both program loyalty and customer loyalty were also explored and the study pointed out that program loyalty has an emotional impact on program loyalty. A study by Yi and Jeon (2003) also confirmed that loyalty is determined by program loyalty. Noordhoff et al., (2004) suggests that retailers who offered loyalty programs have reaped the benefited of store loyalty by their customers. Hence, we see the opportunity to appreciate and examine the correlation between shoppers' loyalty to the program and store loyalty.

Research Variables

The variables of this study are program satisfaction, program loyalty, share of the wallet, share of the visit and store preference. The two dependent variables used are program satisfaction and program loyalty. The independent variables are share of the wallet, share of the visit and store preference. The latent variable is store loyalty which comprises of share of the wallet, share of the visit and store preference.

Objectives

To determine the impact of program satisfaction and program loyalty on store loyalty

To study the influential components of the store loyalty like share of the wallet, share of the visit and store preference

To find the influence of share of the wallet, share of the visit and store preference on program satisfaction and program loyalty

Hypothesis Formulation

Null Hypothesis(H0)

Program Satisfaction and Program Loyalty does not have a positive relationship with share of the wallet, share of the visit and store preference.

Alternative Hypothesis(H1)

Program Satisfaction and Program Loyalty have a positive relationship with share of the wallet, share of the visit and store preference

Research Methodology

Sample size

Primary Data

The information from the respondents have been collected through survey with questionnaire as a research instrument

The information have been collected from a sample of 200 respondents from the shopping malls in Mumbai using mall intercept interview

Secondary Data

The review of literature has been collected from Newspapers, Magazines, Journals, Websites etc

Scaling techniques

Questionnaire has been designed by using nominal scale, ordinal scale, interval scale and likert-rating scale on 1 – 5 rating

Sample size Sampling Method

The sample size of 200 respondents have been selected by using convenience sampling method. Through convenience sampling, the information can be collected from the most accessible population.

Statistical tools used

Structural Equation Modelling (SEM) has been used to test the hypothesis by using IBM AMOS 23 version

Data Analysis & Interpretation of results

Hypothesis

Null Hypothesis (H0)

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Alternative Hypothesis (H1)

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Statistical Model

Structural Equation Modeling (SEM) has been to used to the test equations of multiple regression simultaneously. The model used in SEM is recursive model with the sample size of 200 respondents. In SEM, independent variables are called as exogenous variables which are assumed to be measured without error and dependent or mediating variables called as endogenous variables. *endogenous* or *downstream* variables. SEM users represent relationships among observed and unobserved variables using path diagrams.

SEM users represent relationships among observed and unobserved variables using path diagrams. Ovals or circles represent latent variables, while rectangles or squares represent measured variables. Residuals are always unobserved, so they are represented by ovals or circles.

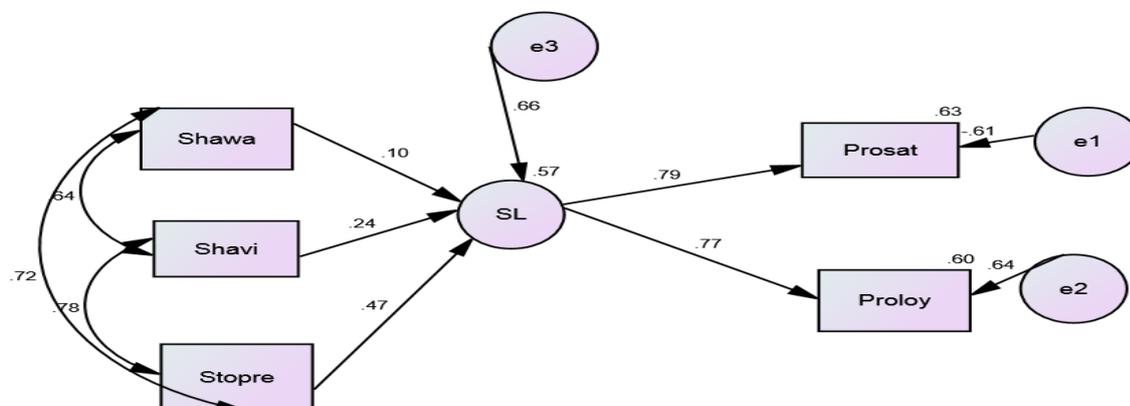
In the diagram shown below, correlations and covariances are represented by bidirectional arrows, which represent relationships without a clearly defined causal direction.

In this study, the proposed model simultaneously inspects the relationships of program satisfaction, program loyalty, share-of-wallet, share-of-visit and store preference.

The model proposes that the variable of program loyalty is consequential to program satisfaction. Next, we recommend that both program satisfaction and program loyalty serve as antecedents to store loyalty (share-of-wallet, share-of-visit and store preference).

The variables Prosat indicates program satisfaction and Proloy indicates program loyalty. Store loyalty indicated by (SL) consisting of share-of-wallet(Shawa), share-of-visit(Shavi) and store preference(Stopre). The single arrow in the diagram indicates path and the double arrow indicates covariances among the variables. The variables e1, e2 and e3 represent latent variables or error variables which have to be represented as the part of the SEM called as error variances.

Standardized Estimates

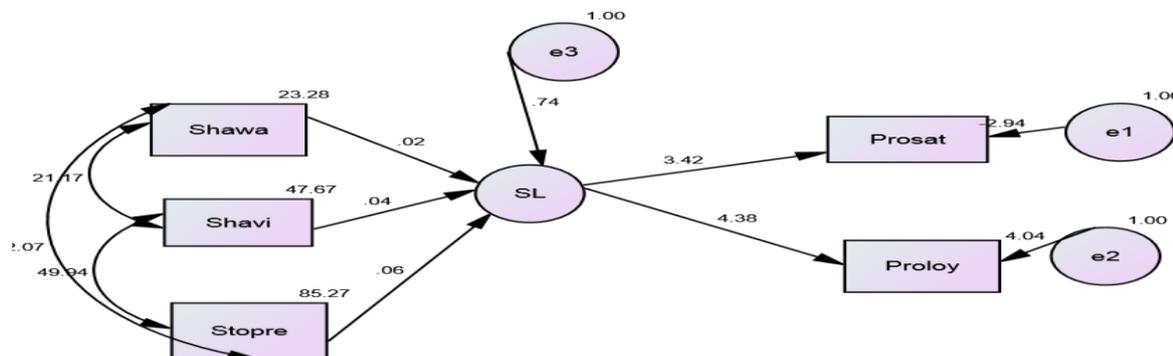


Interpretation for standardized estimates for SEM

The value 0.72 is the correlation between store preference(Stopre) and share of wallet(Shawa) vice versa. Similarly the value 0.64 is the correlation between share of wallet(Shawa) and share of visit(Shavi). The value 0.78 is the correlation between share of visit(Shavi) and store preference(Stopre). It shows that share of visit influences store preference. The customers should be influenced to visit the store frequently with the loyalty programs so that the store preference increases. As the store preference increases, store loyalty will be enhanced which will be instrumental in building the store or brand image

The values 0.10, 0.24 and 0.47 are the regression coefficients of Shawa, Shavi and Stopre. It indicates that store preference is the significant indicator than share of wallet and share of the visit. Further, it can be inferred that store preference has positive impact on the program loyalty and program satisfaction

Unstandardized estimates



Interpretation for Unstandardized Regression coefficient of SEM model

The double headed arrows represent covariances and the single arrow represent path. The values 3.42 and 4.38 represent Beta coefficients of the Regression equation for program satisfaction and program loyalty. Program loyalty is an important component for program satisfaction. The SEM model has tested the hypothesis.

Model Fit Estimates for SEM Model

Chi Square

The values of the Chi Square achieved is 1.978 with the probability level of 0.074. The significance level of the Chi Square is 0.074 which is more than 0.05 indicates that we can conclude that all the variables included in the study are highly significant. The variables included in the study are other than zero from the value of the Chi Square(= 1.978) which indicates the goodness of fit(≤ 3.00 recommended value). The values of the Chi Square are other than zero and we can reject the null hypothesis and the proposed hypothesis has been proved.

Goodness-of-Fit Index (GFI)

The recommended value of GFI should be ≥ 0.95 . The achieved value through SEM model is 0.996 which is close to one indicates the perfect fit of the model.

Adjusted Goodness-of-Fit Index (AGFI)

The recommended value of AGFI should be ≥ 0.80 . The achieved value through SEM model is 0.970 which is close to one indicates the perfect fit of the model.

Hence from all the model estimates Chi Square, GFI and AGFI, the following are the results of the proposed hypothesis tested through SEM:

Through the SEM model it can be inferred that share of the wallet, share of the visit and store preference are the influential components of program loyalty and program satisfaction.

Conclusion

From the SEM model it has been concluded that

Program satisfaction has a positive relationship with program loyalty (Proloy)

Program satisfaction leads to larger share-of-wallet for the store (Shawa)

Program satisfaction leads to larger share-of-visit for the store (Shavi)

Program satisfaction leads to higher preference for the store (Stopre)

Loyalty to the program (PL) has a positive effect on share-of-wallet for the store (SoW)

Loyalty to the program (PL) has a positive effect on share-of-visit for the store (SoV)

Loyalty to the program (PL) has a positive effect on preference for the store (SP)

Based on the hypothetical results, the components of program satisfaction and program loyalty can be ranked as the following order

Store Preference – I, Share of the Visit – II & Share of the Wallet – III

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