


# Perceived Benefits of Loyalty Programs and Relationship Quality

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## ABSTRACT

The aim of this article is to investigate perceived loyalty program benefits inherent in loyalty programs and how they might affect relationship quality, specifically in the South African FMCG sector. A quantitative study was undertaken where loyalty program members were approached via a national database. Hypotheses were individually tested by means of regression analysis. All three forms of perceived benefits exhibited positive relationships with each of the relationship quality constructs. Retailers that are considering which benefits to include in a loyalty program would find the results instructive. This article also adds to the international body of research in the field of relationship marketing, customer loyalty and retail loyalty programs. This study reiterates the importance of loyalty program design and the potential for attitudinal change towards the retailer.

## KEYWORDS

Altruistic, Commitment, Consumeristic, Egoistic, Loyalty Program, Perceived Benefits, Relationship Marketing, Relationship Quality, Satisfaction, South Africa, Trust

## INTRODUCTION

Loyal customers are a sought-after asset in the retail marketplace. Customers that remain with a business usually spend more and are also prepared to pay more. One of the tools that is used by retailers to attract customers through an improved offering is the loyalty program (LP). In recent years the number of retailers including a LP in their offering has increased exponentially (Eason, Bing, & Smothers., 2015; Meyer-Waarden, 2015), with similar growth evident in the South African fast-moving consumer goods (FMCG) marketplace, due to the perception of the value offered (Cromhout, Netto, Hamilton, Rootman et al., 2017).

LPs are useful in highly competitive markets where customers make frequent purchases and retailers wish to differentiate their offering (García-Gómez, Gutiérrez-Arranz, & Gutiérrez-Cillán, 2012). This applies to FMCG retailers, where the achievement of effective relationships is challenging and customers appear to be polygamous (Omar, Wel, Aziz, & Alam, 2013). Furthermore, customers become more expectant as they are exposed to relationship marketing tactics (Liu & Yang, 2009;

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Demoulin & Zidda, 2009). The aim of a well-designed LP is to decrease switching, increasing customer sustainability (Sowier-Kasprzyk, 2014) and in turn retailer loyalty (Stathopoulou & Balabanis, 2016). Loyalty can signify a constant stream of income over a prolonged period of time (Evanschitzky, Ramaseshan, Woisetschläger, Richelsen, Blut, & Backhaus, 2011, p. 631), and is linked with lower costs and higher margins due to loyal customers having more positive attitudes towards the product, service or retailer concerned (Bellizzi & Bristol, 2004). Truly loyal customers are described as frequent repeat purchasers who also prefer that store over and above any others. Companies are continually searching for methods that can assist in building a loyal customer base. However, Eason et al. (2015) highlights the difficulties of designing an LP that provides perceived value to customers, while still offering financial viability for the provider.

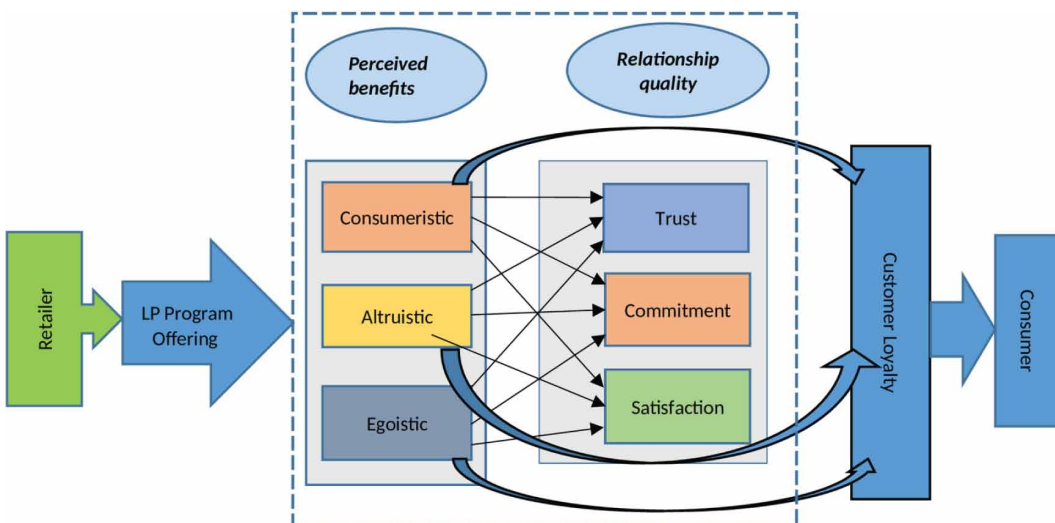
Although LPs are becoming ubiquitous, the debate remains over whether they really achieve their objectives. This ranges from proclamations of great success through to being labelled as a waste of money (Meyer-Waarden, Benavent, & Castéran, 2013). According to Lin and Bennet (2014), research on LPs is still producing mixed results regarding their efficacy.

It is therefore important to gain a more thorough understanding of the benefits inherent in LPs and the resulting relationships that they might engender between program members and the retailers that are involved in these programs. Although literature is already substantial, there is still room for more, to address the contradictions and unanswered questions that remain. In order for LPs to achieve their objectives, additional knowledge is required as to whether various types of LPs, and the benefits they are perceived to provide, improve relationship quality (RQ) between the LP member and the retailer concerned, which in turn may lead to increased retailer loyalty.

The aim of this paper is to establish whether relationship quality between the customer and retailer is affected when a loyalty program is employed. In particular, perceived loyalty program benefits and their potential effect on relationship quality are considered. Perceived benefits were categorised as altruistic, egoistic and consumeristic, and relationship quality as consisting of the constructs of trust, commitment and satisfaction. The subsequent relationship between relationship quality (i.e. trust, commitment and satisfaction) and retailer loyalty is not included for the purposes of this paper.

A conceptual model, developed from the literature, of the full relationship from the retailer's LP offering through to consumer loyalty is outlined in Figure 1. The dotted lines delimit the focus of this paper, namely only on the effect of the perceived benefits of an LP on relationship quality, as

Figure 1. Conceptual diagram



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