



## Loyalty program benefits and their effect on relationship quality and loyalty to the retailer

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### ABSTRACT

Loyalty Programs (LPs) aim to increase profit by rewarding, with various benefits, customers who patronize the retailer. This study investigated the benefits LPs provide in the South African Fast-moving consumer goods (FMCG) marketplace and how these influence relationship quality and loyalty between retailer and customer. How the perceived benefits of LPs contribute to relationship quality (satisfaction, trust and commitment), and how they lead to loyalty are examined. To illustrate these relationships, a model showing three independent (perceived benefits, namely altruistic, consumeristic, and egoistic) and three dependent variables (relationship quality, namely trust, satisfaction, and commitment), plus customer loyalty, was developed. A quantitative survey was administered electronically over 11 days to a randomly selected sample of 5000 consumers per day from a commercial database, resulting in 1944 responses. After deletion of incomplete or inappropriate responses, 479 usable replies remained. Since this sample was self-selected, it should be considered a convenience sample. Structural equation modelling (SEM) with confirmatory factor analysis (CFA) was applied to test the hypotheses and develop the model. SEM indicated that respondents consider egoistic and consumeristic benefits as the same. Furthermore, trust and satisfaction manifest as a single construct. Both consumeristic and altruistic benefits had a significant positive relationship with this unified construct of trust/satisfaction, and the relationship between altruistic benefits and commitment was also positive and significant. Finally, although neither altruistic nor consumeristic benefits appeared to contribute directly to loyalty, a positive relationship existed between the new construct of trust/satisfaction and those of commitment and loyalty. The pathway to loyalty is indirect, and to reach this sought-after goal, relationship quality constructs must first be achieved.

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## Introduction

Globally, the retail industry is expanding (Kolte et al., 2021). As the retail business is so competitive, retailers must keep their current customers (Kolte et al., 2022). Loyal customers are a valued asset in the retail marketplace, as consumers who remain and repeat-purchase with a retailer tend to buy more and are often happy to pay higher prices. One of the marketing tactics retailers use to attract and keep customers is a loyalty program (LP) that provides various financial or non-financial benefits to the consumer. Marketing strategies involving loyalty programs are globally ubiquitous (Lawrence & Mauthe, 2022), with well-designed LPs aiming to decrease switching and increase customer sustainability (Sowier-Kasprzyk, 2014), thus increasing retailer loyalty (Stathopoulou & Balabanis, 2016). Loyalty is sought as it generates a constant income stream over the longer term (Evanschitzky et al., 2011), with reduced costs and increased profit margins (Bellizzi & Bristol, 2004).

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Although individual LPs differ in structures and components, the intended goals are similar –improving the quality of consumer relationships (Henderson et al., 2011) and creating more significant profits. Relationships with consumers and providing them with service are the foundation of customer loyalty (Kolte et al., 2022). Previous studies have examined the nature of relationships in various contexts and aspects, including those between salespeople and customers (Liu et al., 2011), between businesses (Chumpitaz, Caceres & Paparoidamis, 2007; Nyaga & Whipple, 2011), and between consumers and companies (Aurier & Sérède Lanauze, 2012). Only three studies have outlined the structural nature of LPs and examined how their three inherent benefits (altruistic, consumeristic, egoistic) connect with the relationship quality (RQ) constructs of commitment, satisfaction and trust (Omar et al., 2013; Ou et al., 2011; Wang et al., 2015). When customers perceive that they are receiving benefits from the transactions they participate in, they feel that the relationship is of value to them (Mimouni-Chaabane & Volle, 2010; Palmatier et al., 2006).

Although LPs are similarly ubiquitous in South Africa, retailers continue to launch them, and consumers adopt them. Cromhout et al. (2016) maintain that, despite South African retailers offering LPs of an international standard, a clear understanding of the part played in generating loyalty by the different components of LPs is lacking. Therefore, there is still room for improvement in their offerings. Improved understanding of LPs is essential for two main reasons. First, retailers spend large amounts of money on running their LPs, so it is vital to understand the most effective structure and use of the LP to generate loyalty and profit. Second, most consumers now rely on some form of LP to obtain additional benefits from their shopping transactions, often reduced product cost, which helps counter the effect of inflation on their under-pressure budgets. Therefore, an LP that better meets the customers' needs is more likely to attract new, and retain existing, consumers to that retailer.

The research discussed in this paper focuses on the South African fast-moving consumer goods (FMCG) retail market. This sector of the retail market is fiercely competitive, and retailers have difficulty developing offerings that differentiate their LPs from those of other retailers. The objective of the research was, therefore, to investigate the inter-relationship and effect of LP perceived benefits (identified as consumeristic, egoistic and altruistic) on the quality of the retailer-consumer relationship (defined as comprised of commitment, trust and satisfaction) and the effect on consumer loyalty to the retailer. The culminating aim of the study was to present a structural equation model (SEM) of these relationships.

The paper develops a model that illustrates the relationship between consumers participating in LPs and the retailers that offer the LPs. The methodology involved a questionnaire-based consumer survey that produced data used in an SEM of the perceived benefits of LPs and their effect on the consumer-retailer relationship. Dependent variables consist of the three relationship quality constructs: trust, satisfaction and commitment (Jones et al., 2018). These would typically lead to customer loyalty (Francisco-Maffezzolli et al., 2014). Independent variables are the perceived benefits obtained from using an LP, namely consumeristic, egoistic, and altruistic benefits, which are hypothesized to influence the relationship quality, and, thus, customer loyalty. 'Consumeristic' implies a direct benefit from the exchange, usually tangible and often financial. 'Egoistic' rewards provide a feeling of well-being and achievement, often from "good" behavior, and can be tangible or intangible. 'Altruistic' rewards are passed to a charity or good cause, with the consumer not receiving a material benefit (Feiler et al., 2012; Amos et al., 2015).

Most past research in this field has occurred in first-world, developed countries, where consumer behavior is often considerably different from that in developing countries like South Africa. Furthermore, although many studies have been conducted on LPs and even into the perception of rewards from LPs, none have used the combination of perceived benefits in the way this study does, thus explaining its unique contribution to knowledge about LPs.

The rest of the paper comprises a literature review composed of the theoretical background and the literature underpinning hypothesis formulation in section two, with the methodology adopted for data collection and model development provided in the third section. The results and discussion are in section four, with the conclusion, limitations and recommendations provided in the final section.

## **Literature Review**

### **Theoretical and Conceptual Background**

The FMCG sector of the retail industry is characterized by low switching costs and customers who move quickly from one retailer to another, depending on what 'specials' are offered (Vesel & Zabkar, 2010a). It, therefore, becomes difficult to foster and maintain relationships, which becomes an ongoing battle for these retailers (Sharma & Verma, 2014). Loyalty programs have become a popular means of providing something that might entice customers to maintain a relationship with the retailer. According to Winters and Ha (2012), an investment in an LP has been seen as one of the ways for retailers to be more successful as they work towards improving favorable customer attitudes and behavior.

A loyalty program is a relationship management strategy that gives customers incentives or rewards to ensure loyalty to a business or a current store (Kolte et al., 2022). Oliver and Burnstone (2014:3) described an LP as a "structured marketing intervention that rewards and encourages specific customer behavior (transaction value, purchase frequency, basket spread/product cross-holding and tenure) which is beneficial to the program owner or sponsor". Similarly, Strauss et al. (2005) describe LP as rebate incentives for returning customers to change the customer's impression to establish a long-term relationship. According to Dorotic et al. (2012), some characteristics are inherent in LPs, such as sustainably building loyalty by rewarding members for behaving in a particular manner.

Meyer-Waarden (2008) suggests that LPs build relationships through interaction, with offerings customized to suit members as information is gathered through customer activity. Therefore, LPs can be described as retailer-linked programs where the customer is rewarded for participating in transactions that the retailer desires. In response to the perception of gaining attractive benefits, the preferred behavior is reinforced, culminating in relationships that both retailer and customer enjoy (Corbishley et al., 2020; Kolte et al., 2022). However, it should be noted that not all LPs are met with equal enthusiasm. A poorly designed LP can have the opposite effect, increasing marketing costs with only a slight improvement in consumer behavior (King & Clark, 2014; Sharma & Verma, 2014).

### **Loyalty Program Rewards and Benefits**

Loyalty programs offer many rewards (Alshurideh et al., 2020), varying from the tangible to the intangible (Vesel & Zabkar, 2010b). These rewards are categorized into various dimensions related to LP members' perceptions of the value they receive from the benefit. This study focused on three perceived benefits that could be offered within the context of LPs to attract potential customers. Consumeristic benefits describe the kind of benefits that are viewed as tangible, such as points, money or gifts. Consumeristic may also be termed economic, utilitarian or tangible (Eason et al., 2015; Mimouni-Chaabane & Volle, 2010). Altruistic benefits describe benefits not directed towards the consumers but to a charity or cause on their behalf (Amos et al., 2015; Feiler et al., 2012; Tapia-Fonllem et al., 2012). Lastly, the term egoistic is used to describe offerings that tangibly reward the customer, expressly acknowledging 'good' behavior, such as adopting environmentally friendly purchasing behavior or choosing to buy healthy products, especially food. The general idea is that, by being rewarded for this behavior, the customer, having done the 'right thing', experiences a feeling of self-righteousness or self-esteem, which would be an intangible benefit. This benefit might be related to those termed 'symbolic' by others (Mimouni-Chaabane & Volle, 2010).

### **Relationship Quality and Customer Loyalty**

A characteristic of a dyadic relationship seen from a buyer's viewpoint is relationship quality (Kwiatek et al., 2019). Relationship quality is a multi-dimensional construct consisting of several underlying dimensions or a group of intangible values that results in an exchange between partners (Wu et al., 2015), namely, trust, satisfaction, and commitment (Athanasopoulou, 2009; De Canière et al., 2010; Liu et al., 2011; Vesel & Zabkar, 2010a). From the seller's perspective, the relationship's outcomes are influenced by the relationship's quality (i.e., strength) (Ou et al., 2011; Kwiatek et al., 2019). The relationships created with customers through retailer LPs may be measured through relationship quality (RQ). Relationship quality (RQ) is related to how characteristics are experienced in a relationship, especially concerning customers' needs being met (Ou et al., 2011).

## **Empirical Review and Hypothesis Development**

### **Trust**

Trust is described as one party believing the other will continue to meet their needs to their satisfaction (Liu et al. 2011; Aurier & Séréde Lanauze 2012). Thus, when one party has faith in the other, that party is more likely to have positive behavioral intentions for the other party (Kolte et al., 2022). Trust in a relationship contributes to a need for additional interaction in the future, which builds a relationship (Wu et al., 2015). Trust fosters loyalty by influencing the consumer's perception of value congruence with the retailer, which is associated with customer loyalty (Kolte et al., 2022). Thus, it appears that the perceived consumeristic benefits (getting a tangible benefit), altruistic benefits (giving to a charity or cause) and egoistic benefits (being rewarded for 'good' behavior) have a positive relationship with customer trust. In other words, the perceived benefits received from participating in a particular LP may be positively associated with the consumer's perception of the retailer, leading to the following hypotheses:

*H1: Perceived consumeristic benefits from loyalty programs have a positive relationship with customer trust.*

*H2: Perceived altruistic benefits from loyalty programs have a positive relationship with customer trust.*

*H3: Perceived egoistic benefits from loyalty programs have a positive relationship with customer trust.*

### **Satisfaction**

A customer's overall assessment of an offering's performance is called satisfaction (Lam & Wong, 2020). It is necessary before other relationship quality characteristics like commitment and trust (Aurier & N'Goala, 2010; Hsu et al., 2010). Satisfaction is usually described within an exchange situation as a partner feeling that their expectations have been met, creating a sense of pleasure or contentedness. Satisfaction is also said to result in customer retention in loyalty (Fullerton, 2011; Liu et al., 2011; Kolte et al., 2022). Customer satisfaction appears to have a positive relationship with customer satisfaction, which is required before trust is formed, as do perceived consumeristic benefits (getting a tangible benefit), altruistic benefits (giving to a charity or cause), and egoistic benefits (getting rewarded for "good" behavior) leading to the following hypotheses:

*H4: Perceived consumeristic benefits from loyalty programs have a positive relationship with customer satisfaction.*

*H5: Perceived altruistic benefits from loyalty programs have a positive relationship with customer satisfaction.*

*H6: Perceived egoistic benefits from loyalty programs have a positive relationship with customer satisfaction.*

## **Commitment**

Commitment is defined by seminal authors Morgan and Hunt (1994) as when a partner in a relationship believes that affiliation is essential enough to maximize any efforts to maintain the relationship, thus creating a desire to do whatever it takes to ensure the creation of a relationship that results in both parties benefiting. This seminal work has since been investigated, replicated, and supported internationally and in South Africa over the years, for example, by Mukherjee and Nath (2007), van Tonder (2016), Roberts-Lombard, Mpiganjira, and Svenssonet (2019), Brown, Crosno, and Tonget (2019), and Putit, Abdullah, and Sukiet (2021). Commitment is also considered a customer's affective and cognitive attachment to a relationship (Hennig-Thurau & Klee 1997). It requires a certain amount of commitment to start a relationship, and as the connection develops, the level of commitment increases. After that, commitment develops due to behavioral, emotional, and attitude effects (Van Vuuren et al. 2012).

Similarly, commitment is a psychological phenomenon that tries to create a mindset in a customer associated with maintaining a relationship (Rauyruen & Miller, 2007). This mindset may be positively influenced by the perceived benefits associated with loyalty programs. Thus, the hypotheses associated with commitment and the perceived consumeristic benefits (getting a tangible benefit), altruistic benefits (giving to a charity of cause) and egoistic benefits (being rewarded for 'good' behavior) are proposed as follows:

*H7: Perceived consumeristic benefits from loyalty programs have a positive relationship with customer commitment.*

*H8: Perceived altruistic benefits from loyalty programs have a positive relationship with customer commitment.*

*H9: Perceived egoistic benefits from loyalty programs have a positive relationship with customer commitment.*

Past research has indicated that satisfaction leads to commitment (Fullerton, 2011), with positive links between satisfaction and loyalty (Bloemer & Oderkerken-Schorder, 2002; Pan et al., 2012; Morissan & Goh, 2021). According to Wong and Sohal (2002), some authors state that trust impacts satisfaction, leading to loyalty, while others suggest that retailers that gain customers' trust end up with loyal customers. Van Tonder (2016) found that trust and commitment need to work together and that successful relationships cannot be established without each other.

## **Loyalty Programs, Relationship Quality and Customer Loyalty**

Customer loyalty is built through a harmonious customer relationship (Khairawati, 2020). A well-designed LP should reduce switching and increase retailer loyalty (Stathopoulou & Balabanis, 2016) and thus should be used as a customer retention strategy (Lawrence & Muathe, 2022). A loyal customer can generate a constant income stream over time (Evanschitzky et al., 2011). As loyal customers tend to have more positive attitudes toward the retailer (Bellizzi & Bristol, 2004), there tend to be lower costs associated with retaining them. There is much discussion on how trust, commitment, and satisfaction can be developed to motivate positive consumer behavior (Evanschitzky et al., 2011) to retain customers and build relationships. Palmatier et al. (2006) state that relationship building is more likely to occur when a partner perceives that they are receiving benefits by remaining in the relationship. For that reason, retailers frequently turn to LPs as one of the ways of creating relationship quality and customer loyalty (Wel et al., 2011). Ou et al. (2011) concurred by stating that LPs positively and significantly affect satisfaction and trust, while Muhammad et al. (2021) also found that LPs had a significant positive effect on satisfaction and loyalty. However, it was also found that this was directly linked to the perceived rewards. This may be influenced by the perceived benefits received from LPs, and thus the following hypotheses are proposed:

*H10: Perceived consumeristic benefits from loyalty programs have a positive relationship with customer loyalty.*

*H11: Perceived altruistic benefits from loyalty programs have a positive relationship with customer loyalty.*

*H12: Perceived egoistic benefits from loyalty programs have a positive relationship with customer loyalty.*

## **Research and Methodology**

### **Research Method**

A quantitative, cross-sectional research design was applied, using a quantitative survey administered via the internet through a consumer database of 500 000 economically active consumers in the South African fast-moving consumer goods sector.

### **Sampling**

Respondents were randomly sampled from the database, contacted via email and invited to access a self-administered questionnaire via a link. Initially, 1944 responses (approximately four percent) were received. Incomplete questionnaires were then deleted, as were responses from people who did not hold membership in an LP. This left 479 respondents as the final sample. Since this final sample was self-selected (respondents chose whether to respond), it should be considered a non-probability, convenience sample.

### **Questionnaire Development**

The questionnaire comprised statements describing customers' attitudes and opinions on the three groups of perceived benefits from loyalty programs and the three relationship quality constructs. Statements were obtained from previously tested and validated questions from the literature (Amos et al., 2015; Bridson et al., 2008; Corbishley, 2017; Evanschitzky et al., 2011; Feiler et al., 2012; García-Gómez et al., 2012; Kreis & Mafael, 2014; Liu et al., 2011; Mägi, 2003; Melancon et al., 2010; Mimouni-Chabaane & Volle,

2010; Omar et al., 2013; Vesel & Zabkar, 2010a; Vesel & Zabkar, 2009; White & Peloza, 2009; Winters & Ha, 2012). Statements were measured using a seven-point Likert-type scale, ranging from Strongly Disagree (1) to Strongly Agree (7), to measure statements related to the perception of benefits and RQ constructs. A pilot test assessing content and face validity, and internal consistency, established that the questionnaire was valid, reliable, and worked as intended, with Cronbach's coefficient alphas for all constructs measuring more than 0.7 (Wiid and Diggins, 2013).

### **Data Collection**

In administering the questionnaire, emails were dispatched to 5000 people daily over eleven days until sufficient responses were received. Respondents were first asked to select one of their loyalty programs as the basis for their answers to the questions. Respondents were then asked to judge a number of statements based on the LP of their choice using a Likert-type response scale ranging from Strongly Disagree (1) to Strongly Agree (7). Statement sequence was randomized by the survey program for each questionnaire to avoid responses being influenced by question order.

### **Analysis**

Data were statistically analyzed using SPSS and AMOS. Reliability analysis, factor analysis and regression were used to test the hypotheses. Each statement was analyzed individually with a one-sample t-test with mean scores tested against a neutral score of 4. Perceived benefit statements were then subjected to an Exploratory Factor Analysis (EFA) employing Promax rotation based on oblique rotation. Regression analysis was then applied to test the hypotheses independently of each other so as to achieve the objectives. A structural equation model (SEM) was then produced using univariate, bivariate and multivariate methods, more details of which are provided in the following two sections.

### **Structural Equation Modelling (SEM)**

SEM can test and adjust structural relationships between measured variables and latent constructs (Kreis & Mafael, 2014). The SEM consists of two steps. Stage one applies confirmatory factor analysis (CFA) to a measurement model (MM) to test the scales' reliability and robustness. After that, the hypothesized relationships between the independent and dependent variables are tested. This provides answers as to how accurately the conceptual model fits the data.

### **The Measurement Model (MM)**

A measurement model (MM), which illustrates the relationships between observed variables, or questionnaire items, and the latent constructs they were intended to measure, was represented in a diagram showing the paths that are part of the analysis. Hypotheses had already been made about the anticipated relationships between the variables. Acronyms were used to describe the constructs that are represented in the diagram, namely consumeristic benefits (CBEN), altruistic benefits (ABEN), egoistic benefits (EBEN), trust (TRST), satisfaction (SAT), commitment (COM) and loyalty (LOY). The original MM can be seen in Figure 1. Rectangles represent the measured variables, while circles represent the unmeasured or latent factors comprising a group of measured variables. Each arrow indicates a causal relationship.

As this study tested for loyalty and commitment, the researcher confined commitment statements to those that applied to commitment and attitudinal loyalty, leaving behavioral loyalty for the loyalty section. The measurement of an attitude can require several similar statements. An exploratory factor analysis was run to establish the reliability and select the most useful statements for the structural equation model (SEM) and to show the internal consistency of these items. Items that exhibited low loadings and loaded onto more than one factor were discarded. The remaining statements were all reliable, with good Cronbach's alpha scores. Latent variables were well represented by at least three indicators each.

### **Findings**

A total of 479 questionnaires were included in the final analysis, which equated to an acceptable response rate of 95.8%. With a 95% level of significance, an allowed error of 0,1 (on a 7-point Likert-type scale) and assuming a variance of one, the t-distribution requires a sample size of 384 (neglecting a correction factor). According to Sekaran and Bougie (2013), a sample of 384 is adequate for a population of over a million, which was applicable to this study. Thus, the realized sample of 479 is acceptable, as it is more than the required sample of 384.

### **SEM**

The SEM is comprised of two stages. The first stage applied confirmatory factor analysis (CFA) to the measurement model, testing the scales to establish reliability and robustness. After that, hypothesized relationships between the exogenous (perceived altruistic, consumeristic, and egoistic benefits) and endogenous (trust, satisfaction, commitment and loyalty) variables were tested. This demonstrated the accuracy of the proposed model.

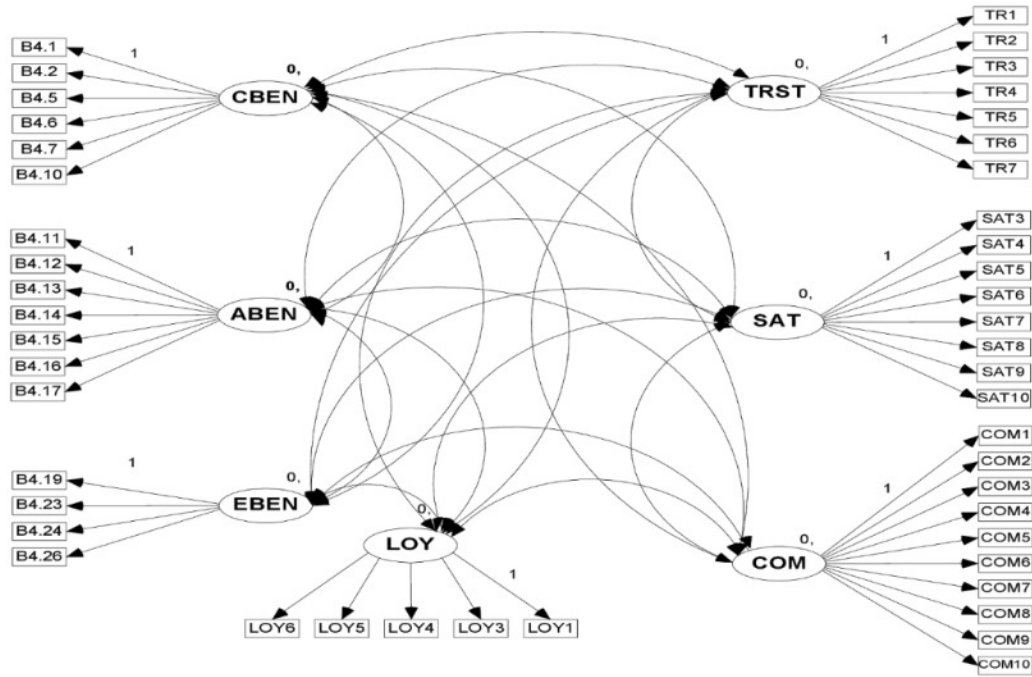


Figure 1: Original Measurement Model (MM); Source: Authors

**Testing the Measurement Model (MM)**

The original MM (see Figure 1), consisting of observed variables (or questionnaire items) and the unobserved or latent constructs they were designed to measure, was tested, and several numerical issues arose. Heywood points were identified where the standardized regression parameters exceeded 1, beyond the allowed maximum value. The main reason was a correlation value of 0.93 for perceived CBEN and perceived EBEN. The solution was to combine these two constructs and treat them as one. An explanation for this scenario is that many loyalty programs in the FMCG sector offer benefits linked to egoistic feelings but are also linked with tangible rewards, meaning that recipients do not perceive much difference between the intentions behind the offering. Furthermore, respondents may be reluctant to express egoistic feelings, which could be perceived as admitting to selfish and undesirable behavior.

**Confirmatory Factor Analysis (CFA)**

CFA was applied to the original MM to test the scales' reliability, the constructs' factor loadings, and how well the model fits the data. With the application of CFA to the original MM, it became necessary to delete one of the COM statements (COM8). The MM (see Figure 2) that evolved at this stage showed the newly formed construct representing perceived benefits, namely the new combination of EBEN and CBEN, along with that of ABEN, and the three constructs representing RQ and one construct for LOY. The model fit indices (see Table 1) indicate that this model is a good fit because all the fit values fall within the required criteria (Hoyle, 2004). An RMSEA value of <.05 indicates the best fit, while a value of <.08 indicates a satisfactory fit. A CFI of >.95 indicates a good fit with the data (Xia & Yang 2018).

Table 1: Model Fit Indices for Modified MM

	Fit Values	Criteria
$\chi^2 / df$	2.122	<5
IFI	.957	>.9
CFI	.957	>.95
RMSEA	0.48	<.08

IFI = incremental fit index; CFI = confidence fit interval; RMSEA = root mean square error of approximation

Source: Authors

Following the CFA and including the new combined construct, the modified MM is shown in Figure 2.

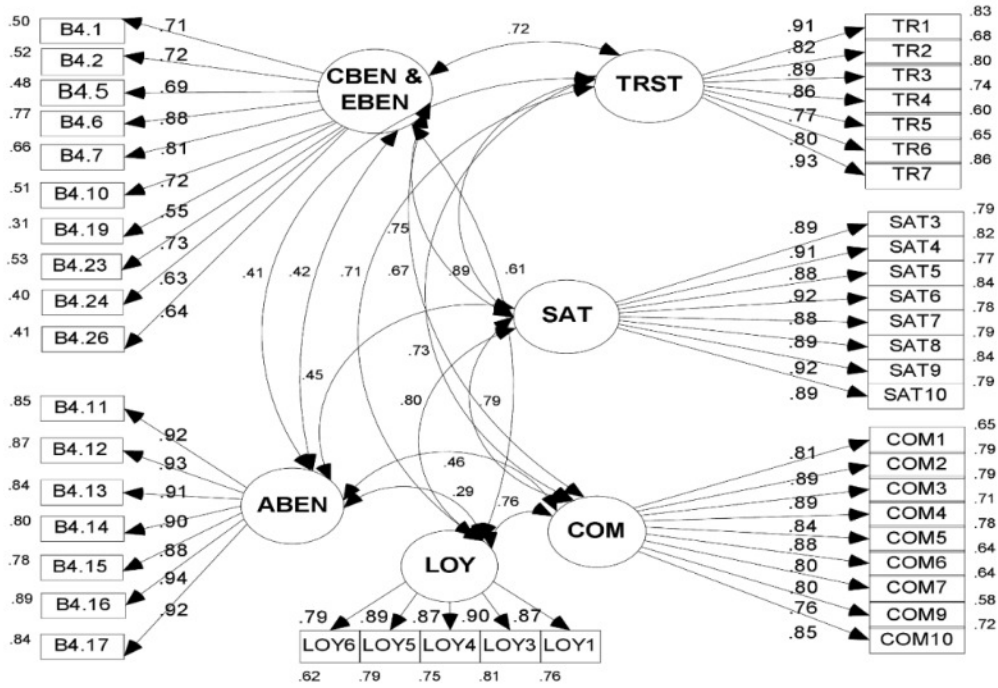


Figure 2: Modified Measurement Model; Source: Authors

**Reliability and Validity**

Validity and reliability tests were conducted on the constructs of the modified measurement model, which was used to measure the relationships inherent in the SEM. Reliability required composite reliability (CR) and Cronbach's coefficient alpha (CA) to be more than .7 (Cortina, 1993). In addition, all loadings (standard regression coefficients) should be more than 0.5 (Ertz et al., 2016). As these requirements were evident throughout, the model is considered reliable. Construct validity measures how efficiently the construct indicators measure what they are meant to. Validity is a complex measurement that evaluates the internal characteristics of a measurement and its relationships with others (Hoyle & Smith, 1994), both of which SEM can assess. Convergent validity shows how much the measures of the same theoretical constructs agree, while discriminant validity demonstrates how much one theoretical construct might differ from the other (Kim et al., 2013). Table 2 shows that convergent validity is established, as composite reliability (CR) exceeds the average variance extracted (AVE). In addition, AVE exceeds the recommended benchmark of 0.5. According to Hox and Bechger (1998), modifying the model to improve the fit and achieve reliability and validity is acceptable. With the modifications that produced a new adjusted model (See Figure 2), acceptable validity and reliability figures were finally achieved, as shown in Table 2, since AVE now exceeds SV in each instance.

Table 2: Validity and Reliability Figures for Final MM

Construct	Cronbach's alpha (CA)	Composite reliability (CR)	Average variance extracted (AVE)	CBEN	ABEN	TRST/SAT	COM	LOY
CBEN	.897	.892	.583	1				
ABEN	.973	.980	.839	.140	1			
TRST/SAT	.975	.974	.713	.563	.213	1		
COM	.955	.955	.701	.387	.213	.638	1	
LOY	.939	.937	.748	.364	.087	.638	.575	1

Source: Authors

**Final Structural Model**

The last and final structural model was arrived at after the modifications described above were implemented. This included the inclusion of a path between TRST/SAT and COM. The model fit indices for this final model are shown in Table 3. An excellent fit is evident (CFI = 0.964; IFI = 0.964 and RMSEA = 0.047). A perfect fit will exhibit fit indices of 1, with a value of 0.90 being acceptable and over 0.95 representing a good fit (Hox & Bechger, 1998).

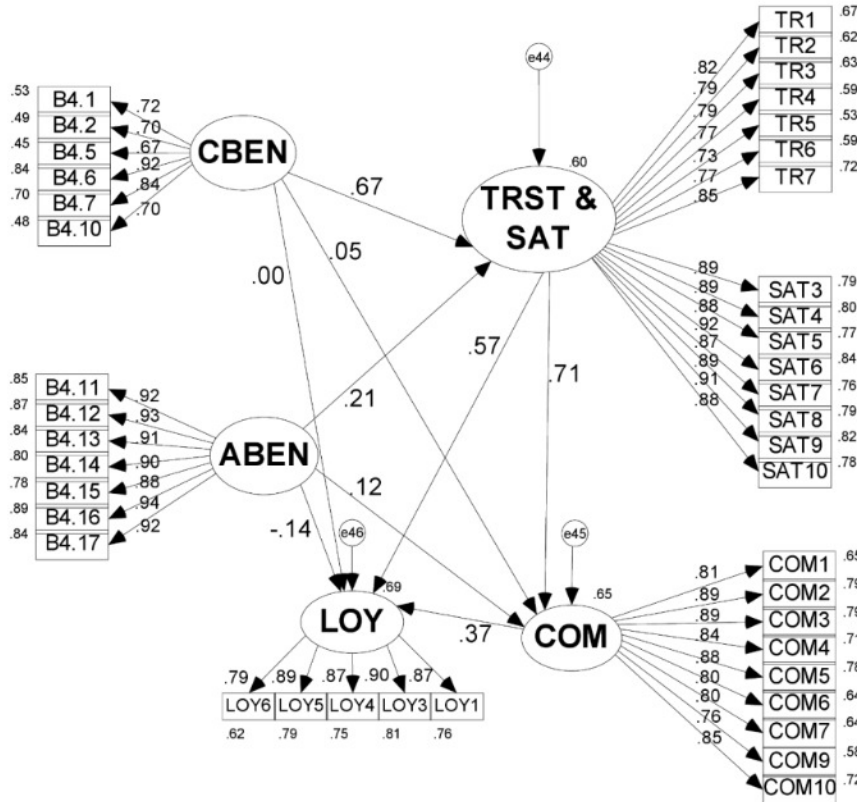
**Table 3:** Model Fit Indices for The Structural Model

CMIN/DF	Criteria	IFI	Criteria	CFI	Criteria	RMSEA	Criteria
2.058	3: 1	0.964	>0.90	0.964	>0.93	0.047	<0.05 *

CMIN = chi square; DF = degrees of freedom; IFI = incremental fit index;  
CFI = confidence fit interval; RMSEA = root mean square error of approximation.

Source: Authors

Regression weights indicated that the relationship between the perception of CBEN and the new combined construct of TRST/SAT was both positive and significant. Although there was a positive relationship between CBEN and COM, it was not significant. The perception of ABEN also showed a positive and significant relationship between TRST/SAT, as did ABEN and COM. In other words, the greater the perception of ABEN, the more likely the holder of a loyalty card would demonstrate TRST/SAT and COM towards the retailer that offered the program. The final structural model that was arrived at is exhibited in Figure 3.



**Figure 3:** Structural Model; Source: Authors

### The Test of the Hypotheses

Hypotheses 1 to 9 assess how well the perception of LP benefits (CBEN, ABEN and EBEN) affects the RQ elements (TRST, SAT and COM). To test these hypotheses, SEM was used through the application of AMOS. Table 4 shows the results of these tests, illustrating the combination of TRST/SAT and the eventual rejection of the EBEN factor. The table shows how H1 and H2 are supported.

Results related to H1 and H2 indicate that these hypotheses are supported. However, the format they are supported in varies somewhat from the original suggestion. This is because of a new pathway to loyalty that was arrived at when the variables of trust and satisfaction merged as they cross-loaded onto each other when the "CFA" took place, with discriminant validity not being achieved until the merger took place. Both H3 and H4 were not supported due to their lack of statistical significance. H5 and H6 were both supported as they were both significant. It should be noted that H5 and H6 were found to have a new pathway, while H7 remained as initially proposed, namely in the original pathway. H8 was not supported due to the negative relationship compared to the hypothesis, and H9, H10, H11 and H12 were irrelevant in the final model due to the rejection of EBEN for validity reasons.

**Table 4:** Hypotheses Tests According to SEM

H	Hypothesized Path	New Path	Standardized Coefficient	Critical Ratio (t-value)	Results
H1	CBEN -> TRST	CBEN ->TRST/SAT	0.671	13.399***	Supported
H2	CBEN -> SAT				
H3	CBEN -> COM	Not applicable	0.046	11.340	Not supported
H4	CBEN -> LOY	Not applicable	-0.003	-0.444	Not supported
H5	ABEN ->TRST	ABEN ->TRST/SAT	0.211	5.672***	Supported
H6	ABEN->SAT				
H7	ABEN -> COM	Not applicable	0.115	6.100***	Supported
H8	ABEN -> LOY	Not applicable	-0.137	-4.073***	Not Supported
H9	EBEN ->TRST				Excluded
H10	EBEN ->SAT				Excluded
H11	EBEN ->COM				Excluded
H12	EBEN -> LOY				Excluded

\*\*\* Significant at  $p < 0.01$

Source: Authors

## Discussion

Even though LPs, loyalty and RQ have been extensively studied in international markets, research has been less prevalent in South Africa. In particular, the perception of benefits was not fully understood and required additional investigation. To increase the efficacy of LPs, further understanding of the perception of benefits and their contribution to the RQ between the consumer and the participating retailer was required.

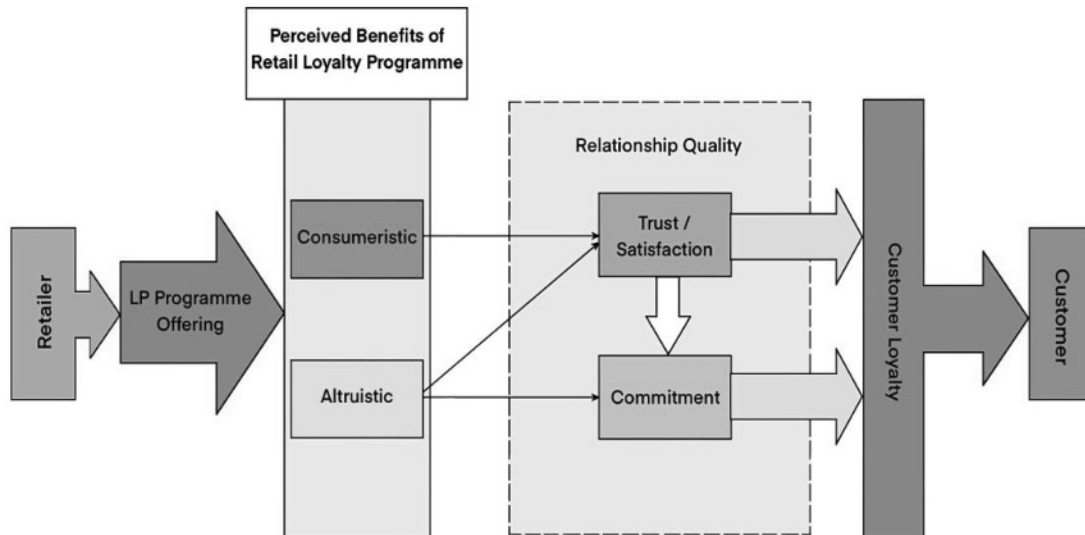
Because of the CFA and the SEM findings, a new model was developed, as shown in Figure 3. In summary, this study concluded that consumeristic benefits (CBEN) exhibited a significant and positive relationship with a new construct called TRST/ SAT (an amalgamation of trust and satisfaction). Furthermore, altruistic benefits (ABEN) demonstrated a significant positive relationship with TRST/ SAT. It is interesting to note that egoistic benefits (EBEN) were eliminated from the mix once it became a part of consumeristic benefits (CBEN). An explanation could be that egoistic benefits (which arise from rewards for good behavior) are often given in tangible forms like points or money. The customer could then easily perceive these rewards as a consumeristic reward. Another possible explanation is that respondents might be reluctant to admit that their ego responded to the rewards.

It was also found that the relationship between consumeristic benefits (CBEN) and commitment (COM) (although positive) was not significant. This can also be easily understood, as an attachment to a tangible reward might not necessarily lead to commitment. It is easy for competitors to imitate and even escalate similar offers, causing the customer to become fickle and move to the new, improved offering. However, the issuing of consumeristic benefits (CBEN) still leads to trust and satisfaction (TRST/SAT) as it is always good to receive a reward that is both tangible and can be felt financially 'in the pocket'. Furthermore, there is an element of trust due to the tangibility of the reward, i.e., 'what you see is what you get.' These results concur with Corbishley (2017), who found that consumer satisfaction is strongly felt when a tangible reward is received, especially at the point of sale. Earlier studies by Mimouni-Chaabane and Volle (2010) and Bridson et al. (2008) also acknowledged that financial/tangible benefits significantly impacted satisfaction.

Notably, an incidental finding arose that was not included in the study's original objectives, which concurs with earlier studies that interrogate the RQ constructs and their interactions. This unexpected finding was a new combination of trust and satisfaction. Vesel and Zabkar (2010a) also found that these two constructs could not be separated, and Balaji (2015) agreed, taking it further by stating that trust was a requirement for satisfaction.

Finally, a significant and positive relationship was found between the new construct of TRST/SAT and LOY and one between the two endogenous constructs of COM and LOY. This finding revealed that the pathway to LOY is not necessarily direct and that one must first achieve trust, satisfaction, and commitment to gain loyalty. CBEN and ABEN have positive and significant relationships with TRST/SAT so they could move towards LOY through the alternative pathway. However, ABEN also enjoys a relationship with COM and can move towards LOY through that pathway.

As a result of the findings of the SEM, a model was designed to summarize the relationships that were found between consumers and retailers that offered LPs with the perceived benefits described in this paper. This model indicates how altruistic and consumeristic benefits result in a new combined construct of trust/satisfaction. It also illustrates the positive relationship between altruistic benefits and commitment. Finally, it shows the paths between trust/satisfaction and commitment and customer loyalty, suggesting that the pathway to commitment and loyalty only occurs once trust and satisfaction were achieved.



**Figure 4:** Model of Perceived Benefits of Lps and Customer-Retailer Relationship; *Source:* Authors

## Conclusions

South African retailers continue to use loyalty programs to improve the relationship quality with their consumers and improve the loyalty of these consumers to the retailer. Yet, there are still questions about the extent to which the benefits consumers gain from an LP connect with their commitment to, satisfaction with and trust in the retailer. Therefore, this paper suggests a model, through structural equation modelling, which illustrates the relationship between consumers' participation in the LPs and with the retailers that offer them. In this model, consumeristic and altruistic benefits created by retailer LPs build trust/satisfaction among consumers, making them more committed towards the retailer offering the LP. This has a direct bearing on consumer loyalty. Yet, both consumeristic and altruistic benefits and trust/satisfaction resulting from retailer LPs influence consumer loyalty. The suggestion that once trust and satisfaction are achieved, commitment and loyalty will follow should be important to both marketers and retailers, implying that the importance of earning customers' trust and satisfaction should not be underestimated.

LPs that offer a bouquet of options, including those associated with good behavior and causes, are well-liked by members with a dominant preference for tangible rewards that are received close to the point of purchase. Therefore, retailers should emphasize LP offerings that are valuable to customers and unique enough to differentiate them from their competitors. They should also be easy to use to achieve satisfaction and trust. Therefore, the perception of consumeristic benefits has a positive and significant relationship with the new variable created by the combination of trust and satisfaction.

Recommendations are offered to the retail industry to aid them in choosing the benefits that are more likely to justify their expenditure on an LP. The offering of consumeristic benefits such as points and cash are well-liked by customers and helps to establish trust and satisfaction. However, this does not mean that egoistic and altruistic benefits should be entirely ignored. Nevertheless, customers still prefer these 'good' behaviors to be linked to tangible rewards. An essential item to note is the importance of altruistic benefits and the construct of trust. The customer needs to be informed of how their rewards contribute to their chosen cause.

This study, like all research, is not perfect, and there are certain limitations that the reader should be aware of. First, this study allowed respondents to answer questions about the LP they used in the FMCG retail sector. As a result, these LPs differed in terms of their benefits. While some LPs focused on just one form of benefit, others offered a bouquet of offerings. Some LPs were owned and offered solely by the retailer concerned, while others were attached to the retailer but run by outside parties. To negate this problem, the study focused exclusively on the perceived benefits offered rather than the entire program. Second, interpreting the perceived benefits should be approached with care due to respondents' understanding of what those benefits meant to them. For example, benefits that could be ascribed to egoistic feelings, such as healthy eating or protecting the environment, could also be viewed by others as altruistic, causing some blurring between perceptions of these benefits. Finally, the same benefits suggested above could be viewed as consumeristic when the awards are tangible. Other studies have used different names or even added concepts such as hedonic.

Despite this study's important findings, several opportunities for further research have been identified. Research, in the form of a case study, could focus on just one program to avoid the confusion that arose with different program designs that could have conflicted with each other. Such a study could also examine an LP in more detail as there would not be the necessity to generalize as much, which was needed in this study to ensure consistency across different programs. Furthermore, the number of benefits studied could be extended as LPs continually evolve. Alternatively, further research could focus on just one form of perceived benefit, studying it

in more detail, possibly using a qualitative methodology. Such research could help better understand the consumers' attitudes to, and opinions of, the various benefits.

Since this study experienced a problem interpreting egoistic benefits, this concept could be defined more meaningfully. Hedonic benefits could also be included, as done in some previous studies. This study could also be duplicated in a different context or retail format.

Finally, this study could be repeated in different geographic locations outside of South Africa to understand the application of LPs in other developing nations. This would be helpful as it is probable that consumer attitudes and behaviors towards LPs may be different in developing versus developed countries.

Despite the mentioned limitations and the proposed further research, the significance of this research is twofold. Firstly, consumers' perceptions of egoistic benefits indicate that they either see these benefits in a comparable way to consumeristic benefits or are reluctant to suggest that these benefits may be important to them. This is significant as previous literature distinguishes between LPs' consumeristic and egotistic benefits. Yet this distinction may not be applicable in the South African context. A redefinition of consumeristic benefits to incorporate egocentric tendencies may therefore be required. Secondly, the suggestion of a new relationship quality construct, namely trust/satisfaction, provides a novel way of understanding how consumers view trust and satisfaction towards retailers in South Africa.

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