



## **Impact of Loyalty Card Programs on Customer Satisfaction and Engagement with Reference to Colombo District Supermarket Retail Industry**

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### ***ABSTRACT***

The super market industry in Sri Lanka is highly competitive and a drastic improvement has been observed in the last decade as consumer lifestyle is changing with greater degree of influence by Western lifestyles. Due to heavy competition in the super market industry, super markets are pushed into a situation to focus more towards customer acquisition and retaining programs in order to increase their market share. However, leading super market chains suggest that despite acquisition programs making impact, customers who have been already acquired by the organizations are switching to competitors. Hence, in order to obtain competitive advantage over competitors, super market chains ought to focus executing effective customer retaining program like loyalty program that would have a positive impact on the business performance of the organization. However, presently, super market chains have implemented loyalty programs that don't yield expected benefits due to drawbacks in the loyalty programs which prevent customers from participating in the loyalty programs due to customer dissatisfaction on loyalty program in general. The research is essentially aimed at identifying factors that have impact on customer

satisfaction on customer loyalty program to participate in super market industry. Anticipated Benefits, Privacy concerns, Variety seeking, Customer involvement and commitment are four key factors identified through literature survey that impact on customer participation to loyalty program. The shoppers of Keells, Cargills and Arpico and Laugfs were selected to represent the different loyalty card types in this research and all the Individuals in Colombo district who do their purchases at supermarkets qualify as the population for the research. The results of the study discuss the impact of customer retainment and engagement factors of loyalty card programs on customer satisfaction and the significant impact of those factors on the customer satisfaction.

**Keywords:** *Anticipated Benefits, Commitment, Customer Involvement, Privacy Concerns, Variety Seeking Behavior*

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## 1. BACKGROUND OF THE STUDY

Traditional marketing focused on single, discreet transactions. This view of marketing has evolved and now the focus is on relationship marketing. Relationship marketing's emphasis is on obtaining and retaining customers (Barnett & McIlory, 2000). Customer loyalty and the benefits for the customer are central to relationship marketing. Customer retention directly impacts profitability of a business. Past research has claimed that strategies to retain customers are cost-effective and profitable compared to customer acquisition strategies since it can be five times more expensive to obtain a new customer than retain an existing one (Barnett & McIlory, 2000). Naturally, then, organizations understand the basis and significance of customer relationship marketing and spend a considerable amount of their time and marketing budget on crafting customer retention strategies. One such strategy is the implementation of Customer Loyalty programs. Creating value for customers is the core of marketing concept. All successful enterprises are not merely driven by profit but also by value creation (McCarthy & Perreault, 2002). Loyalty, value and profits; all these forces have connections in-between and all of them are measurable in terms of cash flow (van Rensburg, Venter, & Strydom, 2012).

Change of marketer objective from transaction focus to relationship focus is the greatest paradigm shift in marketing within the last twenty years (Allaway, Gooner, Berkowitz, & Davis, 2006). Retailers are now being challenged to produce loyalty amongst customers. Change of focus from obtaining new customers to retain existing customers has become prominent lately, and this perspective has been adopted by a large scale of retailers (Gable, Fiorito, & Topol, 2008). 'Essentially this point of view is the belief that it is usually cost effective to invest in programs designed to foster customer retention by: enhancing customer satisfaction, providing better value or development of improved or expanded services, than the costs associated with acquisition of new customers' (Gable, Fiorito, & Topol, 2008).

Further, there are prominent tangible and intangible advantages discovered through retaining customers. Dawkins and Reichheld (1990) with their consulting experience

have stated that a 5% increase in retention rate would lead to an about 25% - 85% increase in the net present value of customers in a wide range of industries. Their research study reveals that prominent tangible benefits can be obtained by retaining customers compared to acquiring new customers. Besides improving profitability, Relationship marketing targets developing long-lasting, cost-effective connections between an organization and customers. This target indicates that organizations ought to learn about ever changing and unpredictable customers' needs and expectation (Barnett & Mcllory, 2000). Business success is often determined by a firm's ability to grow and maintain a loyal customer base. Therefore, developing and maintaining long-term customer relationships is regarded as critical to business performance (Verhoef, 2003). Hence, Relationship marketing is emphasized as a strategy that is imperative to induce success and overcome arising issues such as obtaining global competitive advantage, coping with rapid changes in both environment and technology. When considering the arguments above, customer retention through customer satisfaction is a critical element to induce business success. Relationship marketing can be emphasized as a strategy that plays a key role in retaining customers in order to drive business towards success and increase market share.

### **1.1. Loyalty Program Instrument of Relationship Marketing**

Relationship marketing can be defined as “efforts taken on behalf of the company to reward customers for their loyal behavior.” Presently, loyalty programs are used at optimum as a technique by companies to retain customers and enhance customer loyalty. It is famous as both consumers and companies obtain benefits out of it. Instruments of relationship marketing such as loyalty programs or frequent reward programs are considered as viable customer retaining techniques to maintain long lasting relationships with customers (Meyer-Waarden, 2008). Loyalty card system has been proved as a significant driver for super market chains to generate sales without additional cost if utilized to the optimum. Therefore, a handful of Super market chains in Sri Lanka have introduced loyalty programs. According to several research studies, customers become loyal only when they obtain financial and social

benefits. Therefore, the current loyalty program provides financial and social benefits to make customers be loyal.

Due to the increase in competition, loyalty programs are also used as an instrument to differentiate a business from its competitors and deter their customer from defecting to their competitors. Research study conducted by (Meyer-Waarden, 2008) has revealed that the loyalty card holders make a higher behavior loyalty and attitudinal loyalty towards a particular retail organization than customers who do not possess loyalty cards. Based on the above arguments, it can be highlighted that loyalty programs are means to achieve the ultimate goals of relationship marketing. Companies especially in retail industry should consider Loyalty programs as valuable tools for retaining existing customers while satisfying customers. Therefore, companies should focus more towards designing viable loyalty programs that satisfy supermarket customers.

## **1.2. Overview on Loyalty Programs of Sri Lankan Super Market Industry**

Although there are several firms in the retail industry such as Keells super, Cargills Super market chain, Laugfs Super markets, Arpico Super centers, Lanka Sathosa, Retail sector in Sri Lanka is dominated by large firms like Cargills, Keells and Arpico.

All these supermarket chains compete with each other in order to retain their customers without losing them to their competitors. In order to retain customers and sustain in the market, various marketing strategies are being implemented by these supermarket chains. Retail industry in Sri Lanka is highly competitive and Super market chains are in a position to compete aggressively to capture and secure customers as most products sold are day-to-day FMCG items, for which substitutes are freely available in open-air markets and other small grocery stores. Super market chains are not only competing with rival Super market chains but are also pushed to a position to compete with open-air markets and other small grocery stores as consumers have very little brand loyalty.

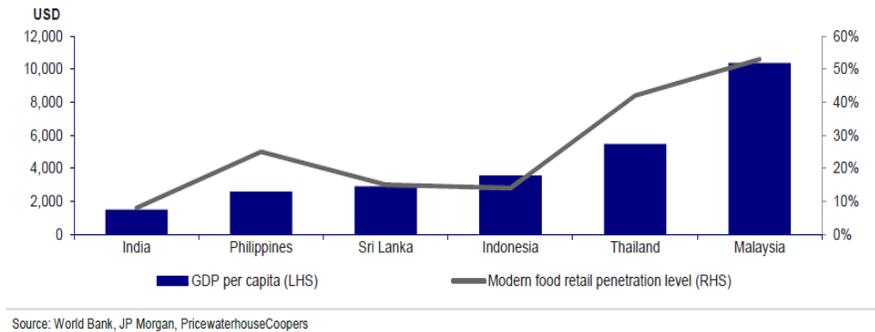
In supermarkets, shoppers are given the opportunity to interact with products, and are provided with greater variety. Promotions are conducted with aggressive marketing campaigns. Due to the high nature of competition in the retail industry, supermarket chains ought to give priority to secure the loyalty and satisfaction of consumers who visit their outlets. According to Bartleet Religare Securities report as of 2013, “Owing to the high competition in the industry; various promotions, loyalty schemes and advertising have to be carried out on a regular basis to retain the respective clientele as switching cost to customers are minimal”.

### **1.3. Recent Highlights of Super Market Industry in Sri Lanka**

During the colonial period of Sri Lanka, supermarket concept was introduced with the departmental store called Cargills and Millers. Super markets expanded after the year 2000 although its inception was in 1980’s. Presently in Sri Lanka, supermarket industry is at the industry’s growing life cycle stage (Randiwela & Wanninayake, 2007).

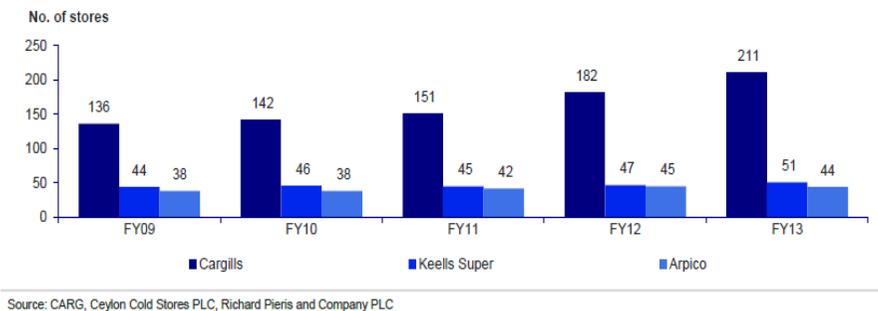
As mentioned above due to high influence of Western lifestyles, Sri Lankan customers are turning out to be more “brand” conscious and they seem to fulfill this need by shopping at supermarkets, hypermarkets and other modern retailers. Equity research report released by Bartleet Religare Securities in 2012 disclosed that there is high demand for super markets existing in Sri Lanka. Demand for supermarkets is being backed up by convenience and late shopping hours they offer. According to this report, another reason for this increasing demand are the individuals who are attracted to processed food items found in supermarkets which are much easier to prepare.

Figure 1: Opportunity to Increase Retail Sales Presence



In order to cater to the increasing demand for super markets, there are several players operating in the retail industry such as Cargills Super market chain, Keells Super, Laugfs Sunup Super markets, Arpico Super centers and Lanka Sathosa. However, Cargills is in the forefront position, standing ahead of its competitors by having a high number of outlets and expanding its operations to regional cities in an attempt to expose these areas to modern retail outlets.

Figure 2: Cargills Lead in Store Counts



#### 1.4. Problem Statement

Drastic level of competition exists among the competitors such as Keells, Cargills, Arpico, and Laugfs in the highly penetrative super market chain industry. Owing to the high competition and increasing rivalry, loyalty schemes are carried out to retain clients. These firms rely on loyalty schemes to increase customer patronage with the firm. Unfortunately, relationship marketing practices like loyalty program have

received criticism for their failure to produce desired results. One main reason for the programs' failure is that customers are not satisfied with loyalty programs (Noble, Haytko, & Phillips, 2008). In western countries, loyalty programs have reached to a maturity level but when it comes to the popularity of loyalty programs, Sri Lanka is behind with vast potential and opportunity. A rapid growth in the use of loyalty programs has been observed in super market industry during the period it was introduced. In recent past, use of loyalty program has declined in Sri Lanka due to various factors. Loyalty programs offer many benefits to both businesses and customers. Therefore, death of a viable relationship instrument like the “loyalty program” which has so much to offer for both customers and businesses needs to be prevented at the domestic level.

Customer decision to participate in the loyalty program is influenced by several factors. Therefore, having a clear understanding of the factors that affect a customer's willingness to engage in loyalty programs is crucial for organizations-particularly if these factors can be understood before an organization makes major investments in relationship building efforts. Supermarket chains which are implementing loyalty programs have a heightened interest in factors that affect, encourages and hinders consumers' satisfaction in loyalty programs. Also, supermarket chains need to critically examine their loyalty programs in order to incorporate changes to alleviate consumers' concerns so that participation in loyalty programs will be high and effective to increase business performance. According to the literature survey, engagement of customers in loyalty programs is an outcome of the combination of various elements. Each of these elements and applicability of these factors need to be evaluated in the context of Sri Lanka supermarkets. Therefore, this research study is conducted to find the answer to the main research question of “what is the impact of anticipated benefits, privacy concerns, variety seeking, customer involvement and commitment of loyalty card programs on customer satisfaction and engagement in supermarket industry in Sri Lanka?”

## 2. LITERATURE REVIEW

### 2.1. Customer Satisfaction on Super Market Loyalty Program

Customer satisfaction has been defined as “an overall evaluation based on the total purchase and consumption experience with a good or service over time” (Anderson M. C., 2003). Satisfaction is linked to pro-social behaviors that allow the customer to maintain equity in relationships (Dainton & Gross, 2008). Loyalty programs are built to offer incentive for customers with the intention of securing customer loyalty through customer satisfaction. Achieving rewards is connected with purchasing frequency. (Meyer-Waarden, 2008) describes a loyalty card programs as marketing actions that target to enhance customer loyalty by developing satisfied personalized relationships.

Further, the emotional and mental attachment of a customer with that of the store is captured by the concept of store loyalty (Bridson, Evans, & Hickman, 2008). Therefore, loyalty card program is imperative in retail industry as supplier's structural effort to increase customers' attitudinal and behavioral commitment to supplier's market offering. Formal loyalty programs are designed in order to make customers feel satisfied with the shop and regularly return to repurchase at their stores even though competitors make efforts to prevent this practice. Generally, loyalty programs deliver hard and soft benefits to customers as reward for their repeated purchases. Hard benefits are usually economic such as coupons or discounts. On the other hand, soft benefits are of noneconomic nature and represent exclusive member benefits such as special invitations, exclusive shopping hours for members and other special conveniences (Gable, Gonzaga, & Strachman, 2006).

Customer satisfaction of any loyalty program and the probability of customer participation mostly depend on the design of the program. ‘Rear-loaded incentives’ which are also known as delayed rewards are well matched with the main purpose of loyalty programs, which is to increase long-term customer satisfaction; loyalty and retention. On the other hand, ‘front-loaded incentives’ which are also known as direct

rewards such as price discounts, peel off coupons is unsuited for the main purpose of loyalty programs (Leenheer, van Heerde, Bijmolt, & Smidts, 2016).

In sectors such as banking and insurance, customers are identified, and their details are known before any action is taken. This is in contrast with the retail sector. Retailers are facing with a daunting and challenging task to identify customers first before taking any action (Wood, Tam, & Witt, 2005). Loyalty schemes facilitate retailers with an effective method to figure out which type of customers are its largest proportion and obtain a greater understanding of their buying behavior. These patterns capture extra information on them and then apply this information across the whole customer base to satisfy their customers (Wood, Tam, & Witt, 2005).

A study conducted by Liu & Yang (2009) on long term impact of loyalty card program reveals that customer satisfaction on loyalty card programs had positive effects on both light and moderate buyers' purchase frequencies and transaction sizes and made these consumers more loyal to the store. Her study supports the argument that loyalty programs can accelerate consumers' loyalty life cycle and make them more profitable customers (Liu & Yang, 2009). According to literature there are major reasons the current loyalty card program needs to be changed to satisfy customers in order to retain and engage in supermarkets. First, in order to increase the effectiveness of the loyalty program, retailers need to take advantage of technological advancement. Secondly, in the retail industry, customer's habituation with this program is an advantage. Therefore, the factors that influence customers' satisfaction in the loyalty program have to be analyzed, and changes need to be incorporated to the loyalty card program to accommodate customer preference and encourage participation.

## **2.2. Factors Influencing Customer Satisfaction in Loyalty Card Programs**

Review of available literature reveals that several investigations have been made to improve the understanding of loyalty programs and the factors that encourage or hinder consumer engagement in loyalty programs. Identifying factors that encourage

or hinder consumer engagement in loyalty programs is important for super market chains to make decisions regarding investments in different aspects of the loyalty program.

Consumer participation in relationship marketing activities has the potential to yield important benefits for the firm, which include increased share of wallet and profitability (Meyer-Waarden, 2008). Loyalty program is a relationship marketing activity that yields important benefits for the firm. Therefore, factors that encourage or hinder consumer engagement in loyalty card programs need to be identified to yield important benefits for the firm. Mainly, loyalty card programs fail because customers fail to participate in the loyalty card programs. Therefore, when designing loyalty card programs, it is imperative for organizations to understand the factors that affect a customer's willingness to engage in loyalty card programs.

A study conducted by Noble, Haytko and Phillips (2008) reveals that customers reject loyalty program memberships out of their concern for time, unattractive program benefits and perceived personal losses such as - loss of social status or privacy. Factors such as unattractive programs, unattractive benefits, personal loss of social status and loss of privacy are making negative impacts on customers' willingness to engage in the loyalty card program. Convenience concerns, benefit concerns, and privacy concerns are some factors that hinder customer engagement in a loyalty card program. Factors and previous literature for these factors are provided below.

### **2.3. Anticipated Benefits**

According to the findings of research, a customer's choice over the selection of a loyalty card program is not a random decision, and frequently they decide to go with a loyalty card program, when the benefits given by the program is higher than that of their expected costs. However, the inability of the loyalty programs to cater to the interest of the customers, particularly owing to the short-term orientation of their programs will affect customers in their decision to switch to a similar loyalty program which would promise them lucrative benefits.

Perceived benefits may explain why customers take part in loyalty programs, in that these benefits motivate loyalty and strengthen the relationship with the firm ( Bolton, Katherine, & Peter, 2008). According to researches, Loyalty programs are generally designed and introduced by organizations to provide benefits to their customers. Realizing the benefits and the special treatment that they obtain; customers participate in loyalty programs. However, customers will be less likely to participate in loyalty programs when they are given fake promises and purported benefits or when they are concerned about the worthiness of the participation. These types of conditions imply that receptiveness to relationship marketing efforts is being hindered.

#### **2.4. Privacy Concerns**

Enrollment process is part of the Loyalty program. This part of loyalty program grabs customers' privacy concerns as they have to share their personal information. Their information may be used in a manner that disturbs them (Noble, Haytko, & Phillips, 2008). Therefore, privacy concerns mostly have negative effect on customers' decision to participate in loyalty programs. Thus, in order to mitigate the possible effects of customer's privacy concerns over their decision of choosing a loyalty card program, it is imperative for retailers enable proper communication channels that would ensure privacy protection on customer's data.

Through the use of exchange theory, firms can secure authorization to collect and use individual customer information from customers in exchange for enhanced value proposition offerings via loyalty programs. Loyalty programs can induce customers to give up their personal information in exchange for benefits they would not otherwise receive. Marketers use the higher level of benefits available through loyalty programs as a form of compensation to customers for sharing personal information (Culnan & Bies, 2003). Further, as per the revelation of research, it is imperative for the self-regulatory efforts to invest more on measures to mitigate customer privacy concerns in the process of the dissemination of personal information. Such efforts must also consider the type of information sought, because consumer concern and willingness to provide marketers with personal data vary dramatically by information

type. According to previous research, when looking from the customers' point of view, loss of privacy and, being interrupted and ambushed by unsolicited e-mails and SMS are significant costs for customers who engage in loyalty programs. These issues even lower the receptiveness to loyalty programs.

## **2.5. Variety Seeking**

As evidenced by (Homburg & Giering, 2001) consumers who want variety in their options and are reluctant to narrow their choice alternatives are likely to shy away from committing themselves to one organization. Tactics like Loyalty programs that increase relationship with a firm is not very much desired or strongly valued by customers who are seeking variety in their purchase options. This factor seems to create doubt about the practicability and the effectiveness of relationship marketing program like loyalty programs.

As revealed by research that investigate into the effects of variety seeking on customer retention, there is a negative impact which in return effects on the efforts taken by the management to improve the quality of the loyalty card programs.

## **2.6. Customer Involvement and Commitment**

Many studies carried out indicates that involvement had been a principal theory in consumer research nearly for a period of 30 years and a theory which is mutual to all the involvement studies conducted is the conceptualization of involvement as a level of observed importance or attention aroused by motivation within a precise situation as per (Celsi, 1988) findings. According to (Patti Warrington, 2000) a strong indicator on satisfaction levels has pinned down on commitment. However, based on (Warrington, 2000) and (Celsi, 1988) state that even though there is a natural similarity between commitment and behavioral involvement those concepts in concern are theoretically and practically distinct.

Further, all the studies conducted propose that the personal connection power has no direct impact on customer loyalty, yet has a stronger impact on customer satisfaction

when compared to impact of loyalty programs on customer satisfaction, and (Vesel & Zabkar, 2009) findings support the above theory by stating that a strong customer loyalty can be accomplished through customer satisfaction than through quality loyalty programs.

According to (Garbarino, 1999) indicates that repurchase intentions and service usage occurs due to relationship programs as it has a positive impact on customer behavior. The customer's commitment toward an organization can be validated through a relationship's psychological perception and according to (Bendapudi, 1997) a customer is motivated to maintain the existing bond by satisfaction, attitudes and identification. Furthermore, relational marketing tactics have the capability to recognize individuals that want to deepen his / her relationship with the organization and this is completely different from the theory which states that customers participate in such programs only because they have time or he / she is in need of a deal. However, based on (Demoulin & Zidda, 2008) studies, it could be said that there is a positive relationship between commitment and participation even though an uncertainty remains. According to (Bendapudi, 1997) dependence can be considered as a cost-effective relationship as cost and benefits involved in selecting and continuing with an organization comes in to play. Based on said research results, it could be concluded that a customer satisfaction on relationship marketing program is crucial so as to maintain a positive customer and organization relationship.

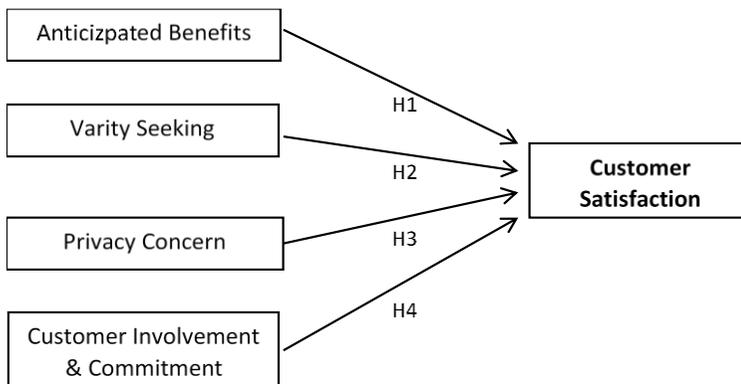
### **3. METHODOLOGY**

Individuals who do their purchase at supermarkets in Colombo district qualify as the population for this research. Since this study is based on the primary data, researcher has used structured questionnaires (Manual & Google Forms) to collect responses. All the Individuals in Colombo district who do their purchase at supermarkets qualify as the population for the research. The questionnaire was sent to approximately 100 customers and received responses. Quantitative sample was determined through interviews that were conducted with industry personnel so that the precise segment which impacts and involve more with the supermarkets is assessed. From the

responses received through interviews, it was determined that customers who are within the 21-55 age group have utmost impact in the supermarket industry. Hence, questionnaire was sent out to audience in various age groups but extensively to audience who are within the 21-55 age range.

### 3.1. Conceptualization

Below shown tentative model will remain as a guideline for the industry survey that needs to be carried out. This tentative model is developed grounding on the factors mentioned in literature.



### 3.2. Hypotheses Development

Failing to participate in loyalty programs initiated by supermarkets was the identified problem, and there were no definite theories in the field as to indicate the factors which have an impact on customer participation in loyalty programs initiated by supermarkets. Through various reviews on previous literatures by various authors on the subject matter, it was identified that there were various factors which had impact on the subject matter. In order to formulate a theory through analysis of quantitative data validated by qualitative assessments, these identified variables were used to develop tentative hypothesis on the relationship within the dependent variable.

Based on the tentative conceptual model, the following tentative hypotheses were developed:

- **H1** - Anticipated benefits have a significant impact on customer satisfaction of loyalty program
- **H2** – Privacy concerns have a significant impact on customer satisfaction of loyalty program
- **H3** – Variety seeking has a significant impact on customer satisfaction of loyalty program
- **H4** – Customer Involvement and commitment have a significant impact on customer satisfaction of loyalty program

### **3.3. Reliability Analysis**

Throughout the study the researcher has shown determination in maintaining questionnaire reliability. Further, a pilot test was initialized after questionnaire completion and in the pilot study the reliability value of the anticipated benefits variable was negative. Three questions have been used in the anticipated benefits variable. After pilot study, one question has been removed in that variable due to a negative average covariance among items. That question has been avoided in the main study.

A sample size consisting 100 supermarket customers were randomly selected to participate in the pilot study. Finally, in the data analyzing stage, the researcher uses SPSS statistical tool to analyze the data collected, whereas, for the pilot test the Cornbrash alpha value is taken into consideration.

Table 2: Reliability Results

Variable	No of items	Cronbach's values
Satisfaction	4	0.647
Anticipated Benefits	2	0.794
Privacy Concerns	4	0.846
Variety Seeking	4	0.846
Customer Involvement	3	0.899

Source: Survey data (Please refer Appendix B)

## 4. DATA PRESENTATION AND ANALYSIS

### 4.1. Testing for Univariate Outliers

In order to check deviation, multiple observation types can be used. However, outliers are used to obtain a significant deviation which also leads to an uncertainty that the data collected was using multiple methods.

Recognizing the outliers in the study was done using boxplot diagrams and according to the results obtained nine outliers were found in the data collected. The obtained outliers were excluded from the data set prior to data analysis. Final outlier box plots are demonstrated with Appendix C which is the end result after the deletion of nine outliers from the data set.

### 4.2. Testing for Univariate Normality

The researcher analyzes the collected data from the survey to check the normality level and this was done by two methods namely; the visual inspection and the numerical analysis. Histogram diagrams and Q-Q plots are mainly used in the visual inspections. In order to check the normality distribution of the collected data the histogram diagram should take a curve form and the Q-Q plots in concern should reside close to the diagonal line and when these requirements are met the collected data is said to be normally distributed.

The data collected is considered to be normally distributed by the researcher as all the variables in the histogram is in a curve shape and the Q-Q plots reside close to the diagonal line. According to numerical analysis, studies consider Skewness and Kurtosis. The Z value should be in an ideal range of  $\pm 1.96$  and as per table below Skewness and Kurtosis theory has been matched as the Z value lies within  $\pm 1.96$  which is ideal, hence, concluding that the data collected to be normally distributed.

Table 4: Univariate Normality Test Results

**Statistics**

	Satisfaction	Anticipated Benefits	Privacy Concerns	Variety Seeking	Customer Involvement
Skewness	-.209	-.389	.189	.077	.302
Kurtosis	.784	.228	-.304	-.505	.007

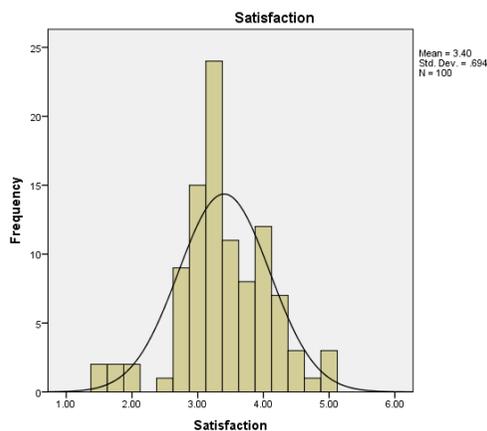
Source: Survey data

**4.3. Test of Normality - Customer Satisfaction**

**4.3.1.Histogram of Customer Satisfaction**

A common pattern is the bell -shaped curve known as the “normal distribution”. In a normal distribution, points are likely to occur on one side of the average as on the other. This histogram is bell shaped up to some extent. Then it can be concluded that the data is more or less normally distributed. In normal Q-Q plot curve it is observed that the observations are very much closer to the diagonal and it is held that the data set is normal.

Figure 4: Histogram of Customer Satisfactions



### 4.3.2. Normal Q-Q Plot Curve of Customer Satisfaction

In order to say that the data set is normal under the normal Q-Q Plot, observation should be very much closer to the diagonal. Hence, the data is very much closer to the diagonal. It can be stated that the data is normally distributed.

Figure 5: Normal Q-Q Plot of Customer Satisfaction

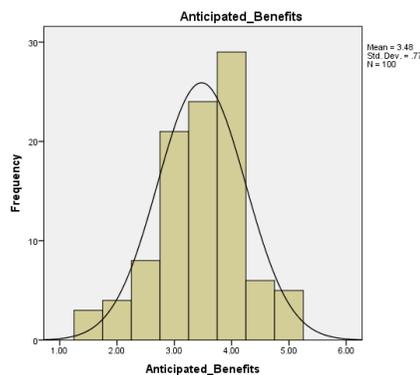


## 4.4. Test of normality -Anticipated Benefits

### 4.4.1. Histogram – Anticipated Benefits

This histogram is bell shaped up to some extent. Then, it can be concluded that the data is more or less normally distributed. In normal Q-Q plot curve it is observed that the observations are very much closer to the diagonal and it is held that the data set is normal.

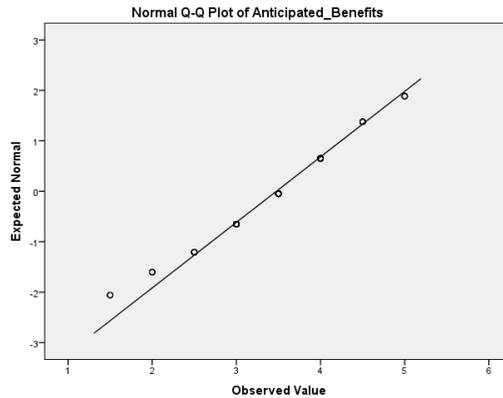
Figure 6: Histogram of Anticipated Benefits



#### 4.4.2. Normal Q-Q Plot of Anticipated Benefits

In order to say that the data set is normal under the normal Q-Q Plot, observation should be very much closer to the diagonal. Hence, the data is very much closer to the diagonal. It can be stated that the data is normally distributed

Figure 7: Normal Q-Q Plot of Anticipated Benefits

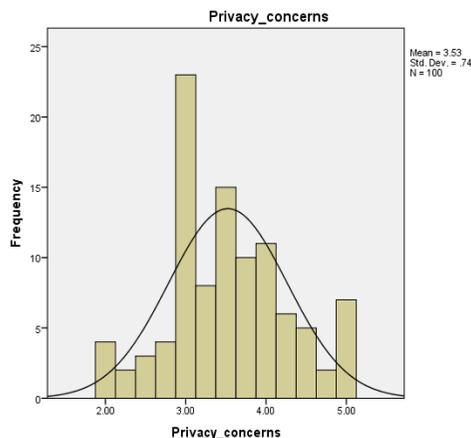


#### 4.5. Test of normality -Privacy Concerns

##### 4.5.1. Histogram – Privacy Concerns

The approximate bell-shaped curve held that the data set is normal.

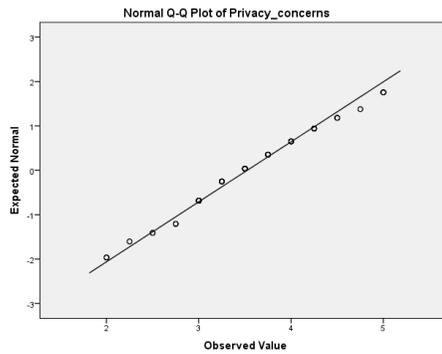
Figure 8: Histogram of privacy concerns



#### 4.5.2. Normal Q-Q plot of Privacy Concerns

The data lies closer to the diagonal. It is held that data set is normal.

Figure 9: Normal Q-Q Plot of Privacy Concerns

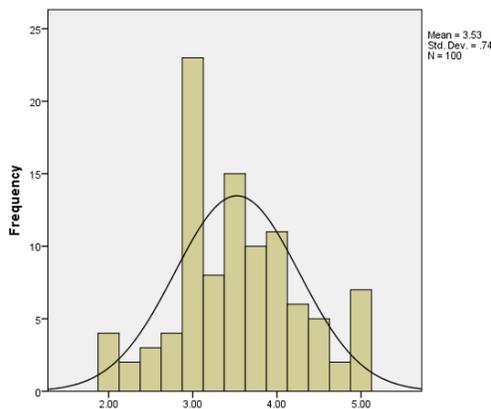


#### 4.6. Test of Normality -Variety Seeking

##### 4.6.1.Histogram – Variety Seeking

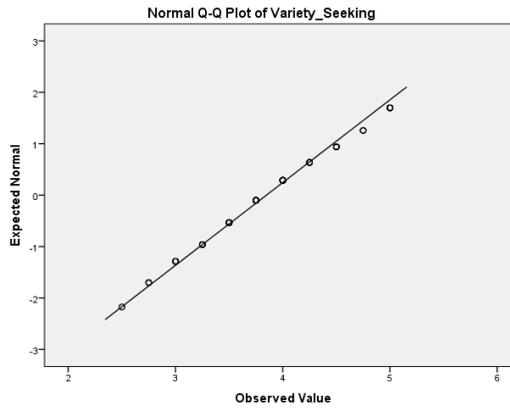
Histogram is somewhat bell-shaped. It can be concluded that the data set is having somewhat normal distribution.

Figure 10: Histogram of Variety Seeking



#### 4.6.2. Normal Q-Q plot of Variety Seeking

Figure 11: Normal Q-Q Plot of Variety Seeking



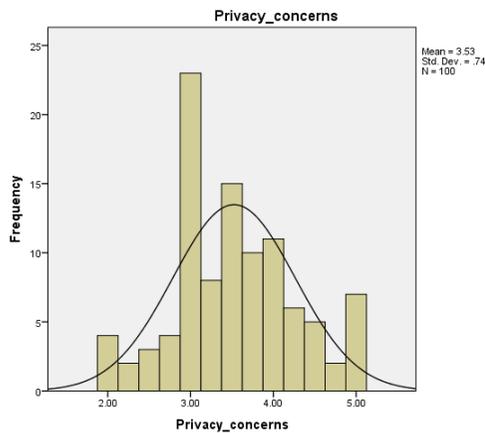
In order to say that the data set is normal under the normal Q-Q Plot, observation should be very much closer to the diagonal. Hence, the data is very much closer to the diagonal. It can be stated that the data is normally distributed.

#### 4.7. Test of Normality - Customer Involvement

##### 4.7.1. Histogram – Customer Involvement

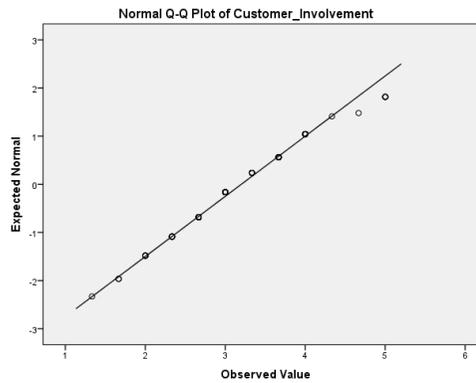
Histogram is somewhat bell-shaped. It can be concluded that the data set is having somewhat normal distribution.

Figure 12: Histogram of Customer Involvement



#### 4.7.2. Normal Q-Q Plot of Customer Involvement and Commitment

Figure 13: Normal Q-Q Plot of Customer Involvement



Data is very much closer to the diagonal. Hence, it can be concluded that the data set is normal.

#### 4.8. Objective Based Data Analysis

This study was assessed using different indicators based on the objectives which are formed in the start-up of the research.

#### 4.9. Descriptive Statistics

The descriptive statistics is used in the analysis section in order to explain the sample of the study.

Table 5- Descriptive Statistics of Variables

		Satisfaction	Anticipated Benefits	Privacy Concerns	Variety Seeking	Customer Involvement
N	Valid	100	100	100	100	100
	Missing	0	0	0	0	0
Mean		3.40	3.48	3.53	3.85	3.20
Std. Deviation		.694	.770	.740	.621	.800
Minimum		1.50	1.50	2.00	2.50	1.33
Maximum		5.00	5.00	5.00	5.00	5.00

Source: Survey Data

The above table depicts the values of the range of minimum, maximum, mean, and variance of independent and dependent variables. Variety seeking corresponds with the highest mean value than other variables in the data set. All variables have the highest maximum value whereas customer Involvement and Commitment possess highest standard deviation.

#### 4.10. Correlation Analysis

The relationship strength between variables is measured using correlation coefficient and the values are always between -1 and +1. The two variables are said to be perfectly related with a positive linear sense when the correlation coefficient is +1 and when the correlation coefficient is -1, the relationship still remains perfectly related but with a negative linear sense. However, when the correlation coefficient is 0 it is said that the variables in concern have no liner relationship. The sole purpose of correlation analysis is to measure how closely the variables relate. Hence, closer the correlation coefficient is to 1 the variable relationship is closer. When the correlation coefficient is over 0.8 it can be concluded with a stronger correlation between the variables.

Table 6-Pearson Correlation of Variables in Conceptual Model

		Anticipated Benefits	Privacy concerns	Variety Seeking	Customer Involvement	Satisfaction
Anticipated Benefits	Pearson Correlation	1	-.132	-.061	.484**	.314**
	Sig. (2-tailed)		.191	.548	.000	.001
	N	100	100	100	100	100
Privacy concerns	Pearson Correlation	-.132	1	.273**	-.053	-.320**
	Sig. (2-tailed)	.191		.006	.603	.001
	N	100	100	100	100	100
Variety Seeking	Pearson Correlation	-.061	.273**	1	.114	.018
	Sig. (2-tailed)	.548	.006		.257	.860
	N	100	100	100	100	100
Customer Involvement	Pearson Correlation	.484**	-.053	.114	1	.228*
	Sig. (2-tailed)	.000	.603	.257		.023
	N	100	100	100	100	100
Satisfaction	Pearson Correlation	.314**	-.320**	.018	.228*	1

Sig. (2-tailed)	.001	.001	.860	.023	
N	100	100	100	100	100

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

Source: Survey Data

According to table 6 there is a positive linear relationship between satisfaction and anticipated benefits [r=0.314, n=100, p=0.001]. Privacy concerns and satisfaction showed a low negative linear relationship [r=-0.320, n=100, p=0.001]. Variety seeking and satisfaction depicted a low positive linear relationship [r=0.018, n=100, p= 0.860]. Finally, customer involvement and satisfaction showed a low positive linear relationship [r=0.228, p= 0.023, n=100]

#### 4.11. Co-linearity

Multi co-linearity in a model can be detected through multiple methods namely high R2 but few significant t ratios, high pairwise correlation among explanatory variables, Partial correlation examination, subsidiary or auxiliary regression, VIF – Variance Inflation Factor and tolerance levels. However, the research has used two approaches namely the tolerance levels and VIF to identify Multi co-linearity.

Table 7-Collinearity Statistics

Model	Collinearity Statistics	
	Tolerance	VIF
Anticipated Benefits	.746	1.340
Privacy concerns	.911	1.098
Variety Seeking	.899	1.113
Customer Involvement	.744	1.344

a. Dependent Variable: Satisfaction

Source: Survey Data

#### 4.12. Regression Analysis

Regression analysis is the analysis of the linear relationship between one variable and another variable(s). And also, this has been referred to as the least squares regression and ordinary least squares (OLS)

Table 8-Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.443 <sup>a</sup>	.196	.162	.63552	1.918

a. Predictors: (Constant), Customer\_Involvement, Privacy\_concerns, Variety\_Seeking, Anticipated\_Benefits

b. Dependent Variable: Satisfaction

Source: Survey Data

#### 4.13. R-Value

The R value is the multiple correlation between the dependent variable and the independent variables of the model. In this study R value is .443.

#### 4.14. R<sup>2</sup>-Value

R-squared represents the percentage of variance of the dependent variable, as a result of the variations in the independent variables. This is the proportion of variance in the dependent variable which can be explained by the independent variables (anticipated benefits, privacy concerns, variety seeking, and customer involvement). This is an overall measure of strength of association and does not reflect the extent to which any particular independent variable is associated with the dependent variable. R squared is always between 0% and 100%. According to the output obtained, 19.6 % of the variance in the dependent variable (customer satisfaction) can be explained by the independent variables (anticipated benefits, privacy concerns, variety seeking, and customer involvement). It indicates the adjusted R values as 16.2 %, indicating variation of dependent variables is explained by the variations of the independent variables, after adjusting for the degrees of freedom.

#### 4.15. Durbin Watson Value

This value represents whether the data should hold independence of observations. Therefore, Durbin Watson statistic is used to measure this. In other words, the notion of serial correlation was evaluated considering Durbin Watson values. As a rule of thumb, Durbin Watson values should be closer to 2. The value obtained for Durbin

Watson for the current study is 1.918. Hence, it shows that variables act independently.

#### 4.16. ANOVA Table (Analysis of Variance)

Table 9-ANOVA Table

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.368	4	2.342	5.799	.000 <sup>b</sup>
	Residual	38.369	95	.404		
	Total	47.737	99			

a. Dependent Variable: Satisfaction

b. Predictors: (Constant), Customer Involvement, Privacy concerns, Variety Seeking, Anticipated Benefits

Source: Survey Data

The above ANOVA table is used to show how well the regression model calculates the dependent variable. This is done by examining the significance of the model shown in the sixth column of the ANOVA table. The significance should be  $<0.05$ ; this will indicate that the model significantly predicts the dependent variable. In the above scenario the significance is  $0.000 < 0.05$  proving that the model significantly predicts the dependent variable which is customer Satisfaction.

Table 10- Coefficients Table

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.992	.568		5.265	.000
	Anticipated Benefits	.216	.096	.239	2.246	.027
	Privacy concerns	-.294	.090	-.313	-3.252	.002
	Variety Seeking	.121	.108	.109	1.119	.266
	Customer Involvement	.072	.093	.083	.781	.437

a. Dependent Variable: Satisfaction

#### 4.17. Durbin Watson Value

The coefficients table's purpose is to show each predictor's individual role played. The B weights in the unstandardized coefficients column calculates the dependent variables change in relation to each independent variable and the independent

variables' competitive importance is given by the Beta values and also the variance in the dependent variables are also taken in to account whereas the test which is included in the table is used to check the statistical significance of the variance explained by each predictor variable. For that reason, according to the above table, it is identified that there is a significant impact on customer satisfaction from anticipated benefits (sig value = 0.027) and privacy concerns (sig value = 0.002), and there is no significant impact on customer satisfaction from variety seeking (sig value = 0.266) and Customer Involvement (sig value = 0.437).

#### **4.18. Hypotheses Testing**

*H1 – Anticipated benefits have a significant impact on customer satisfaction of loyalty card program.*

As per the above table, anticipated benefits have a 0.027 significant value and a regression coefficient is 0.239 of the variables indicating a significance of the impact of the variable on the dependent variable. Therefore, this hypothesis is accepted.

*H2 – Privacy Concerns have a significant impact on customer satisfaction of loyalty card program.*

As per the above table, Privacy concerns has a 0.002 significant value and a regression coefficient is -0.313 of the variables, indicating a significant impact on the dependent variable. Therefore, this hypothesis is accepted.

*H3 – Variety Seeking has a significant impact on customer satisfaction of loyalty card program.*

As per the above table, variety seeking has a 0.266 significant value and the regression coefficient is 0.109 of the variables, indicating no significant impact on the dependent variable. Therefore, this hypothesis is not accepted.

*H4 – Customer Involvement has a significant impact on customer satisfaction of loyalty card program.*

As per the above table, customer involvement has a 0.437 significant value and the regression coefficient is 0.781 of the variables, indicating no significant impact on the dependent variable. Therefore, this hypothesis is not accepted.

## **5. DISCUSSION AND CONCLUSION**

### **5.1. Discussion**

The main objective of this study was to find out the impact of customer satisfaction on loyalty card programs to retain and engage customers in the super market industry of Sri Lanka. The questionnaire was sent to approximately 100 customers and received responses. Customer satisfaction was considered as the main dependent variable and anticipated benefits, privacy concerns, variety seeking, and customer involvement were considered as independent variables. While the research is being carried out the researcher has derived four hypotheses. After conducting the analysis section of the study, it was revealed that the anticipated benefits have a significant impact on customer satisfaction of loyalty card program, hence the hypothesis H1 is accepted. Privacy concerns of customers have a significant impact on customer satisfaction of loyalty card program, hence the hypothesis H2 is accepted. Variety seeking does not have a significant impact on customer satisfaction of loyalty card programs. Hence, the hypothesis H3 is rejected.

Privacy concerns of customers do not have a significant impact on customer satisfaction of loyalty card programs. Hence, the hypothesis H2 is rejected. Therefore, according to the current study, the factors' anticipated benefits and privacy concerns are having more importance. Any researcher who is going to conduct this type of research can take in to consideration these two factors along with the other relevant factors which affect the customer satisfaction of loyalty card programs. But it is important to mention that variety seeking and customer involvement are not significant factors to be considered.

## 5.2. Conclusion

The current study yields several insights into the reasons consumers do not want to participate in supermarket loyalty programs with firms. Several factors are related to consumer satisfaction to the firms' loyalty card program: customer anticipated benefits gained, privacy concerns, variety seeking, and involvement and commitment. In addition, customer retention and engagement to supermarkets is a distinct construct that is positively related to customer satisfaction on supermarket loyalty card programs. With relationship marketing practices like loyalty programs costing firms millions of rupees per year, firms need to understand what encourages and hinders consumer satisfaction on loyalty program from engaging in supermarkets. The insights developed here should enable firms to critically examine their loyalty programs so that changes can be implemented to alleviate consumers' concerns and to significantly increase the effectiveness of loyalty programs to retain and engage customers with the firm.

## 5.3. Recommendations

The aim of this research is to gain an understanding of the impact of customer retaining and engagement factors of customer loyalty programs on customer satisfaction, as discussed in the literature review section. Some of the findings of the current research are in line with the research outcomes of the past studies.

After the identification of significant and insignificant impacts of the study, it can be concluded that anticipated benefits can be considered as a factor that can be incorporated to studies since anticipated benefits have a significant impact on customer satisfaction of loyalty card program to retain and engage customers in supermarkets. Since anticipated benefits of loyalty programs appear to be central to consumers' satisfaction to participate in firms' loyalty programs, companies need to ensure that their benefits are enticing to customers. Organizations should design loyalty programs to benefit the customer since the customer will realize rewards and special treatment from the firm through participation in the programs. However, if

customers fail to recognize the anticipated benefits or have concerns about whether participation is worthwhile, then receptiveness to loyal will be hindered and customers will be less likely to participate with supermarkets.

Moreover, the factor “privacy concerns” is also held significant under the current study. There will be a negative relationship between privacy concerns and satisfaction on loyalty program to retain and engage customers. When a company is promoting a loyalty card program a customer privacy policy should also be developed alongside, since many individuals restrict from joining a loyalty card scheme due to existing privacy issues in which case, they were not comfortable sharing their private details such as address, phone number and National Identity Card numbers with a firm without any security. Hence, a loyalty card scheme should have certain group rules which would give any individual a good first impression which would ultimately result in the loyalty card scheme’s success.

#### **5.4. Direction for Future Research**

Therefore, the researcher concludes that two factors; anticipated benefits and privacy concerns should be considered in the future studies of customer loyalty card programs to retain and engage customers. Variety seeking and customer involvement factor is not held significant under the current study. But previous researches have proved that they are significant factor under different contexts. Hence, variety seeking and customer involvement can also be considered when continuing future research on this core domain though the current research is contrary to the previous findings. This contrary finding may further influence other researchers to conduct studies on this research problem by incorporating those factors. In addition, future research can examine lack of perceived benefits based on different types of benefits sought (e.g. recognition benefits, social benefits, entertainment benefits, and monetary savings) For example, some customers may be more or less sensitive when the lack of perceived benefits pertain to benefits that allow the customer to reach aspiration goals, to express themselves, and/or to fulfill a desire to collect things (memberships, miles, etc.), among other things.

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