

FACTORS AFFECTING THE EFFECTIVENESS OF LOYALTY PROGRAM IN HONG KONG

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概要書

ロイヤルティ・プログラムは、ロイヤル・カスタマーから利益を獲得するために使用されるマーケティング手段の一つである。しかしながら、ロイヤルティ・プログラムを実行すれば、必ずその利益を得ることができるというわけではない。その利益を得るためには、有効なロイヤルティ・プログラムを設計しなければならない。数多くの先行研究が、実証的手法を通して、ロイヤルティ・プログラムの有効性について検証している。

ロイヤルティ・プログラムの最終使用者が消費者であるという事実を考えると、消費者こそ、どのようなタイプのロイヤルティ・プログラム、またはどのようなリワードが製品・サービスに対するロイヤルティを高めるかを最もよく理解しているといわれている。したがって、どのようなロイヤルティ・プログラムが最も有効かについては、消費者の評価を通じて明らかにしていくことが適切であると考えられる。

しかしながら、ロイヤルティ・プログラムの有効性について先行研究をレビューしたところ、それらの大部分が企業の協力を得ながら、その企業が現在進行中のロイヤルティ・プログラムの有効性について分析する実証調査である。特に近年、顧客の観点からロイヤルティ・プログラムの有効性を分析する実証研究は減少する傾向があることが分かった。

以上のような問題意識から、本研究は Keh and Lee (2006)をベースとし、顧客の観点から顧客ロイヤルティを構築するため、どのようなロイヤルティ・プログラムが最も有効かについて分析する。

本研究は、顧客満足、リワード・タイプ、およびリワード・タイミングがどのようにロイヤルティ・プログラムの有効性に影響を与えるかを調査する。これに加え、もう一つの新たな要素、プロダクト・インボルブメントをロイヤルティ・プログラムの有効性に影響する要素として加えて、実証研究を行うこととした。この研究の最終的な目標は、顧客の観点から顧客ロイヤルティを高めるための最も効果的なロイヤルティ・プログラムを明ら

かにすることである。

先行研究レビューを通して、まずカスタマー・ロイヤルティに関する研究の流れが明らかにされた。カスタマー・ロイヤルティは、二種類に分類できる。すなわち、行動的ロイヤルティと態度的ロイヤルティ(Pritchard et al., 1992)である。Tucker (1964), Hart, Smith, Sparks and Tzokas (1999), East Gendall, Hammond and Lomax (2005)によると、行動的ロイヤルティは購買頻度、購買量などによって測定される。しかしながら、行動的ロイヤルティだけがカスタマー・ロイヤルティを説明するという考え方は Jacoby and Chestnut (1978) 及び Oliver (1999)によって批判された。行動的ロイヤルティだけでは、反復購買が起こる原因を説明できないからである。それに加え、反復購買は様々な環境上の制約で影響を及ぼすかもしれないため、態度的ロイヤルティが提唱され始めた(Oliver 1980, Reichheld 1993, Gomes, Arranz and Cillan 2006)。

カスタマー・ロイヤルティの概念は行動的及び態度的の二次元モデルによって解釈される(Dick and Basu 1994, Griffin 1995, Onzo 1995, Knox 1995, Yi and Jeon 2003)。Oliver (1999)によると、カスタマー・ロイヤルティは「動作の慣性」のステージにより分割されるべきだという。一方、Rowley (2005)によると、カスタマー・ロイヤルティはロイヤル・カスタマーの中で分類されるべきだという。さらに、Uncles, Dowling and Hammond (2003)は、カスタマー・ロイヤルティを異なった状態で異なったモデルを通して解釈すべきと主張した。

カスタマー・ロイヤルティに関して研究が進むにつれ、ロイヤルティの高い顧客はより収益性が高いことが明らかになった。それは、ロイヤル顧客が価格に敏感に反応しなかったり、ロコミを客に広げたりするからである。そうした利益を得るためにロイヤルティ・マーケティングは行われてきた。ロイヤルティ・マーケティングのツールの1つはロイヤルティ・プログラムである。

ロイヤルティ・プログラムは1960年代にはじめて実行された。当時、顧客の購入量により、スーパーマーケットと他の店は、S&H スタンプを顧客に与えた。そして、顧客はそのスタンプを景品と交換した。1980年代に入ると、ロイヤルティ・プログラムに変化が生

じた。アメリカン・エアラインが、最初のフリークエント・フライヤー・プログラム AAdvantage を始めたのである。現在、ロイヤルティ・プログラムの採用はレンタカー、クレジットカード会社などの他の産業にまで広がっている。

ロイヤルティ・プログラムには多くの種類が存在する。Dowling and Uncles, 1997, Yi and Jeon 2003 によると、ロイヤルティ・プログラムはリワード・タイプとリワード・タイミングに分けることができる。一方、Kotler (1999)は顧客の重要性でロイヤルティ・プログラムを分類することを提唱している。Berman (2006)はロイヤルティ・プログラムをリワードの内容により分類すべきと提案した。

適切に設計されたロイヤルティ・プログラムは企業だけではなく、顧客にとっても有益である。したがって、ロイヤルティ・プログラムをより有効に機能させるため、本研究はロイヤルティ・プログラムの有効性に影響する要素を分析した。Nunes and Dreze (2006)は、リワードの可分性、メンバーシップの存在、報酬の本質と償却の柔軟性がプログラムの有効性に影響する要素であることを明らかにした。一方、Liu and Yang (2009)はロイヤルティ・プログラムの重要な構成要素として、使用費用、ポイント構造、リワードの選択と有用性であると述べた。

また、顧客満足がロイヤルティ・プログラムに影響を与えるという説もある。Oliver (1980)によると不確認（ディスコンファメーション）と期待が顧客満足に影響し、顧客満足は顧客ロイヤルティにポジティブな影響を与えることが分かった(Anderson and Sullivan 1993, Hocutt 1998, Shemwell, Yavas and Bilgin 1998)。しかしながら、そのポジティブな関係は正比例でないことも Kotler (2003)によって明らかにされている。

カスタマー・ロイヤルティ、ロイヤルティ・プログラムと顧客満足についてより明確に理解したうえで、本研究では顧客の観点からの最も効果的なロイヤルティ・プログラムについて、検証する。本研究では Keh and Lee (2006)に基づき、顧客満足、リワード・タイプとリワード・タイミングのシナリオを設定した上で、消費者にロイヤルティを評価してもらうことで、顧客の観点から顧客ロイヤルティを構築するため最も有効ロイヤルティ・プ

プログラムを明らかにしていく。

本研究における調査の結果、顧客満足とカスタマー・ロイヤルティはポジティブな関係にあることが分かった。リワード・タイミングとリワード・タイプにかかわらず、満足した購買経験を得た時に限り、ロイヤルティ・プログラムの効果が増すことも示された。このことは、顧客に満足させる製品あるいはサービスを提供することが、ロイヤルティ・プログラムを有効にする基礎的条件であることを示唆している。しかしながら、不満足な購買あるいはサービス経験が起これることは避けられないものである。この研究では、購買あるいはサービス経験が満足している状態だけではなく、不満足している状態においての最も有効性が高いロイヤルティ・プログラムを分析することが目指された。

調査の結果、一般的に、延期リワードのほうが即時リワードより高いロイヤルティ反応を獲得した。この調査結果と追試論文の調査結果とは部分的に一致している。追試論文である *Keh and Lee (2006)* は、サービス経験が満足している場合、即時リワードより価値が高い延期リワードのほうが高いロイヤルティ反応を獲得でき、一方、サービス経験が不満足である場合、価値が高い延期リワードより即時リワードの方が高いロイヤルティ反応を獲得できることを明らかにしている。

一方、本研究では、購買あるいはサービス経験の満足度にかかわらず、顧客は即時リワードより価値が高い延期リワードの方を好み、高いロイヤルティ反応を評価した。この結果についてはいくつかの原因が考えられる。

1. 関係持続への意欲が存在した可能性

ロイヤルティ・プログラムはリレーションシップ・マーケティングの一つのツールである (*Hart, Smith, Sparks and Tzokas 1999*)。消費者は、ロイヤルティ・プログラムに参加することによって製品あるいはサービス企業と長い関係を育むことを期待しているかもしれない。したがって、現在の購買あるいはサービス経験に対してあまり満足していなくても、顧客は企業と長期的な関係を構築するために、企業に再度チャンスを与えようとするかもしれない。

2. 価値が高い延期リワードが好まれた可能性

本論文では、即時リワードより延期リワードの価値を高く設定した。購買あるいはサービス経験の満足度にかかわらず、顧客は価値が低いリワードと比べ、価値が高い延期リワードを好んだのかもしれない。顧客は豪華な報酬に対してより魅力的に感じたのだろう (Nunes and Dreze 2006)。

3. 償却費用の過小評価

即時リワードより延期リワードの方を好む顧客は償却費用を過小に評価しているかもしれない。この研究では議論していないが、償却費用はロイヤルティ・プログラムの有効性に影響する一つの要素であると言われている (Nunes and Dreze 2006, Smith and Sparks 2008)。

本研究の結果は、全体的に、直接リワードは間接リワードより望ましいことを示している。これは Keh and Lee (2006)と同様の結果である。さらに、顧客に提供する製品あるいはサービスへ直接的に価値提案 (value proposition) するリワードのほうが、ロイヤルティ・プログラムを有効にさせることが示された (Dowling and Uncles 1997)。したがって、間接リワードより直接リワードの方がロイヤルティ・プログラムの有効性を確保できることが明らかになった。

本研究では、プロダクト・インボルブメントはロイヤルティ・プログラムの有効性に影響する新たな要素であることも示された。本研究の調査結果によると、プロダクト・インボルブメントが高い製品あるいはサービスにおいては、即時リワードより価値が高い延期リワードのロイヤルティ・プログラムの方が高いカスタマー・ロイヤルティを得られる。加えて、プロダクト・インボルブメントが高い製品あるいはサービスにおいては、間接リワードと比べて、直接リワードのロイヤルティ・プログラムの方が高いカスタマー・ロイヤルティを獲得できることも分かった。以上の結果は、プロダクト・インボルブメントが高い製品・サービスのカスタマー・ロイヤルティ構築において、価値が高い延期リワードのロイヤルティ・プログラムが最も高い効果を有することを示しており、Guthrie and Kim (2009) and Dowling and uncle (1997)の結果と一致している。

一方、本研究の結果は、価値が高い延期リワードのロイヤルティ・プログラムがプロダクト・インボルブメントの低い製品・サービスのカスタマー・ロイヤルティの構築において最も効果的であることを示している。これは Guthrie and Kim (2009) と逆の結果である。Guthrie and Kim (2009) によると、プロダクト・インボルブメントが低い製品・サービスの顧客は、製品・サービス提供企業との関係が短いものと推測し、顧客は高い延期リワードより即時リワードを好むという。さらにこの結果は、プロダクト・インボルブメントの低い製品・サービスにおいて、間接リワードの方が高いロイヤルティを得られるという Dowling and uncle (1997) の結果とも相反する。この研究の結果から、プロダクト・インボルブメントが低い製品・サービスにおいても、顧客と企業の関係作りの時間が短いか否かにかかわらず、顧客は企業との関係構築を望んでいるため、ロイヤルティ・プログラムに参加したことを顧客に示すことで、カスタマー・ロイヤルティを構築できると意味しているだろう。

本研究から得られた結果は、製品・サービス提供会社が有効性の高いロイヤルティ・プログラムを構築する際の提案にもつながっている。様々なロイヤルティ・プログラムの有効性を検証したことで、顧客の視点から有効性の高いロイヤルティ・プログラムをいかに設計していくかについて企業に示唆を与えた点が、本研究における最大の貢献である。

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Chapter One

Introduction

Section One

Problem awareness

It is a common knowledge that loyal customers are more profitable to a firm compared to those non-loyal one. They are considered to be more profitable because they are less price sensitive, spend more in a particular product or service provider, require less servicing costs, and they pass on positive word of mouth to other potential customers.

Customer loyalty program has gained considerable attention from companies as a marketing tool to capture the above mentioned advantages generated by loyal customers. The first loyalty program begins with American Airlines' AAdvantage program in 1981. The trend of loyalty program quickly spread to almost every major airline thereafter, followed by other types of industries.

Nowadays, companies launch loyalty program not only because they want to capture the profit form loyalty customers, but also because they want to increase their comparative advantage. However, not all loyalty programs ended up successfully. Since loyalty programs are expensive to establish, mainly due to high cost of initial gathering of data, slow return rate, etc, the failure of loyalty program usually cost a company a lot.

In order to make loyalty program more successful, numerous researches tried to analysis how to establish an effective loyalty program. The following table summarized the studies related to loyalty program from the year 2000-2009.

Table 1.1

Summarization of empirical studies related to loyalty program

Year	Author	Title	View point
2000	Bolton, Kannan and Bramlett	Implications of loyalty program membership and service experiences for customer retention and value	○
	Palmer, McMahon- Beattie and Beggs	Influences on loyalty programme effectiveness: a conceptual framework and case study investigation	○
2002	Roehm, Pullins and Roehm Jr.	Designing loyalty-building programs for packaged goods brand	●
2003	Li and Jeon	Effects of loyalty programs on value perception, program loyalty, and brand loyalty	●
	Wanshink	Developing a cost-effective brand loyalty program	○
	Wulf, Odekerken- Schroder, Canniere and Oppen	What drives consumer participation to loyalty programs? A conjunction analytical approach	●
2004	Bellizzi and Bristol	An assessment of supermarket loyalty cards in one major US market	●
	Noorhoff, Paulwels and Odekerken- Schroder	The effect of customer card programs: a comparative study in Singapore and the Netherlands	●
2005	Rosenbaum,	Loyalty programs and a sense of community	●

	Ostrom and Kuntze		
	Stauss, Schmidt and Schoeler	Customer frustration in loyalty programs	●
2006	Allaway, Gooner, Berkowitz and Davis	Deriving and exploring behavior segments within a retail loyalty card program	○
	Gomez, Arranz and Cillan	The role of loyalty programs in behavioral and affective loyalty	●
	Keh and Lee	Do reward programs build loyalty for services? The moderating effect of satisfaction on type and timing of rewards	●
	Long, McMellon, Clark and Schiffman	Building relationships with business and leisure flyers: perceived loyalty and frequent flyer programs	○
2007	Bagdoniene and Jakstaite	Estimation of loyalty programmes from customers' point of view	●
	Lara and Madraiaga	The importance of rewards in the management of multi-sponsor loyalty programmes	●
	Lederman	Do enhancements to loyalty programs affect demand? The impact of international frequent flyer partnerships on domestic airline demand	○
	Leenheer, Heerde, Bijmolt and	Do loyalty programs really enhance behavioral loyalty? An empirical analysis accounting for self-selecting members	○

	Smith		
	Meyer-Waarden	The effect of loyalty programs on customer lifetime duration and share of wallet	○
	Ryun and Feick	A penny for your thoughts: referral reward programs and referral likelihood	●
2008	Gable, Fiorita and Topol	An empirical analysis of the components of retailer customer loyalty programs	○
	Leenheer and Bijmolt	Which retailers adopt a loyalty program? An empirical study	○
	Meyer-Waarden	The influence of loyalty programme membership on customer purchase behaviour	○
	Miranda and Konya	Are supermarket shoppers attracted to specialty merchandise rewards?	○
	Smith and Sparks	“It’s nice to get a wee treat if you’ve had a bad week”: consumer motivations in retail loyalty scheme points redemption	●
	Smith and Sparks	Reward redemption behaviour in retail loyalty scheme	○
2009	Dreze Nunes	Feling superior: the impact of loyalty program structure on consumer’ perceptions of status	●
	Ho, Huang, Huang, Lee, Rosten and Tang	An approach to develop effective customer loyalty programs: the VIP program at T&T supermarket Inc.	○
	Kim, Lee, Bu and Lee	Do VIP programs always work well? The moderating role of loyalty	○
	Liu and Yang	Competing loyalty programs: impact of market saturation, market share and category expandability	○
	Vesel and	Managing customer loyalty through the mediating role of	●

	Zabkar	satisfaction in DIY retail loyalty program	
	Wagner, Hennig- Thurau and Rudolph	Does customer demotion jeopardize loyalty?	○

○ = Company related research

● = Consumer related research

However, among all these researches which aimed at evaluating the effectiveness of loyalty programs, most of them are done by cooperating with product or service providers, which means the loyalty program is evaluated base on the viewpoint of the company. Especially in the recent five years, empirical researches from the viewpoint of consumer have a decrement in trend. Since consumers are the final user of the loyalty programs, company should take into reference consumers' opinions in establishing loyalty programs. Therefore, it is believed that empirical research for loyalty programs which based on consumers' viewpoint is also very important.

Section Two

Research purpose and methodology

As mentioned in the pervious section, although loyalty program is developed by companies as one of their marketing tools for customer loyalty enhancement, the end-users of these programs are in point of fact the consumers themselves. It is the consumers who understand most about which types of loyalty programs and what kind of rewards can enrich their loyalty to the brand or service provider. For that reason, it is more appropriate for consumers to evaluate whether a loyalty program is effective or not in increasing their loyalty. However, most of the empirical researches of the past literatures cooperated with companies when evaluating the effectiveness of loyalty program while only a few of them did really focus on consumers' opinions. Therefore, the purpose of this research is to assess the effectiveness of loyalty programs from the consumers' point of view.

The structure of the empirical study in this paper is founded on one preceding literature, “Do reward programs build loyalty for services? The moderating effect of satisfaction on type and timing of rewards,” written by Keh, Hean Tat and Yih Hwai Lee published at *Journal of Retailing*, volume 82, number 2, page 127-136 in 2006. This empirical research will reexamine how satisfaction, reward type and reward timing affect the effectiveness of loyalty program. In addition to this, another new element, product involvement, which being considered as one of the factors affecting the effectiveness of loyalty program will also be tested in this study. The final goal of this research is to assess the most effective loyalty program from the viewpoints of customers.

Section Three Structure

A series of literature reviews will first be presented in order to deepen the understanding about the emergence of loyalty program. Therefore, in the next chapter, literature review related to customer loyalty development will be summarized. In Chapter Three, literatures related to the development of loyalty program will be reported. Other past literatures related to customer satisfaction will then be summed up in Chapter Four.

In Chapter Five, the foundation of our empirical research written by Keh and Lee will be introduced in details. The hypotheses development of this empirical research will be explained in Chapter Six, followed by the survey details summarized in Chapter Seven. The result will be presented in Chapter Eight. In Chapter Nine, discussions and implications of this empirical research will be proposed. A conclusion for the study will be made in Chapter Ten.

Chapter Two

Literature Review: Customer Loyalty

In this chapter, the definition of customer loyalty will be clarified and the history of customer loyalty development will be presented. Then in Section Two and Three, the benefits of customer loyalty and motivation of loyalty marketing will further be explained.

Section One

History of customer loyalty development

Customer loyalty to an object (e.g., a brand, store, service or company) can be represented by favorable propensities towards that object. Early researches suggested that customer marketing is with a two-fold categorization: behavioral and attitudinal (Pritchard et al, 1992).

1. Behavioral loyalty

The development of behavioral loyalty can be traced back to researches in 1964, which states that behavior is the true statement of brand loyalty (Tucker, 1964). The behavioral concept of loyalty is then continued to be discussed by other scholars. Some scholars interpret that behavioral definitions of loyalty equate customer loyalty with repeat patronage, its more readily observable outcome and manifestation (Hart, Smith, Sparks and Tzokas 1999). At behavioral loyalty level, the view can be advanced that repeat buying behavior is an objective indicator of loyalty. This can be supplemented by other indicators as the percentage of a buyer's expenditure within a product category that is spent with a particular supplier and their regency and frequency of spending (Dick and Basu, 1994).

According to East, Gendall, Hammond and Lomax (2005), there are several ways that behavioral loyalty can be measured. One of them is the retention of the brand; this is mainly used to measure customer loyalty in industrial and service marketing. For durable

products, such retention is measured by the customer's repeat purchase of the brand. On the other hand, for services, practically those in semi-continuous use such as mobile phone airtime, the retention can be measured by the duration of time that the customer has used the service. Besides, in markets where customers may use several brands in a category, such as groceries, the share-of-category expenditure is used to measure customer loyalty. Portfolio size, which is the number of brands used in a period, is also being used as a measure of customer loyalty.

However, behavioral measures do not explain why repeat buying behavior occurs and they can be influenced by various situational constraints. Low levels of repeat buying may simply indicate different usage situations, variety seeking or lack of brand preference in the view of the buyer (Dick and Basu 1994). Besides, another problem of this approach is that there may be many reasons for repeat patronage, such as lack of choice, habit, low income, convenience etc. (Hart, Smith, Sparks and Tzokas 1999).

Due to the above problems of defining customer loyalty by behavioral approach alone, Jacoby and Chestnut (1978) explored the psychological meaning of loyalty in an effort to distinguish it from behavioral (i.e. repeated purchase) definitions. Their analysis concluded that consistent purchasing as an indicator of loyalty could be invalid because of happenstance buying or a preference for convenience and that inconsistent purchasing could mask loyalty if consumers were multi-brand loyal. It would be unwise to infer loyalty or disloyalty solely from repeat purchase patterns without further analysis (Oliver 1999).

2. Attitudinal loyalty

Attitude was defined by Olivier (1980) as a consumer's relatively lasting affection towards an object or an experience (Gomes, Arranz and Cillan 2006). And attitudinal loyalty was defined also by Olivier (1997) as a deeply held commitment to re-buy or repertoire a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influence and

marketing efforts having the potential to cause switching behavior (Olivier 1999).

Attitudinal approaches that used to define loyalty have frequently used customer satisfaction as an indicator of loyalty on the grounds that satisfaction leads to repurchase intention (Reichheld, 1993). Besides, attitudinal loyalty is also being measured by liking, commitment and trust in the past researches (East, Gendall, Hammond and Lomax 2005). It is suggested that loyalty should be measured by the composition of behavioral and attitudinal actions (Dick and Basu 1994). A two-dimensional model of behavioral loyalty and attitudinal loyalty are then use to define customer loyalty.

3. Customer loyalty by Alan S. Dick and Kunal Basu

The above mentioned two-dimensional model of behavioral loyalty and attitudinal loyalty is then used to define customer loyalty that is presented by Alan S. Dick and Kunal Basu. According to Dick and Basu (1994), customer loyalty is defined as the strength of the relationship between an individual's relative attitude and their repeat patronage:

1. Relative attitude toward an entity (brand/service/store/vendors)

Relative attitude means comparisons of attitude with available alternatives. This is because it is the contrast between alternatives, such as recommendation, which is likely to motivate behavior. Relative attitude can be further explained through a two-dimension model, which includes the attitudinal strength and the degree of attitudinal differentiation. Cross-classifying two levels of each of the mentioned factors contribute to four levels of relative attitudes which are shown by the following figure.

Fig. 2.1

Relative attitudes

		Attitudinal Differentiation	
		No	Yes
Attitude Strength	Strong	Low Relative Attitude	Highest Relative Attitude
	Weak	Lowest Relative Attitude	High Relative Attitude

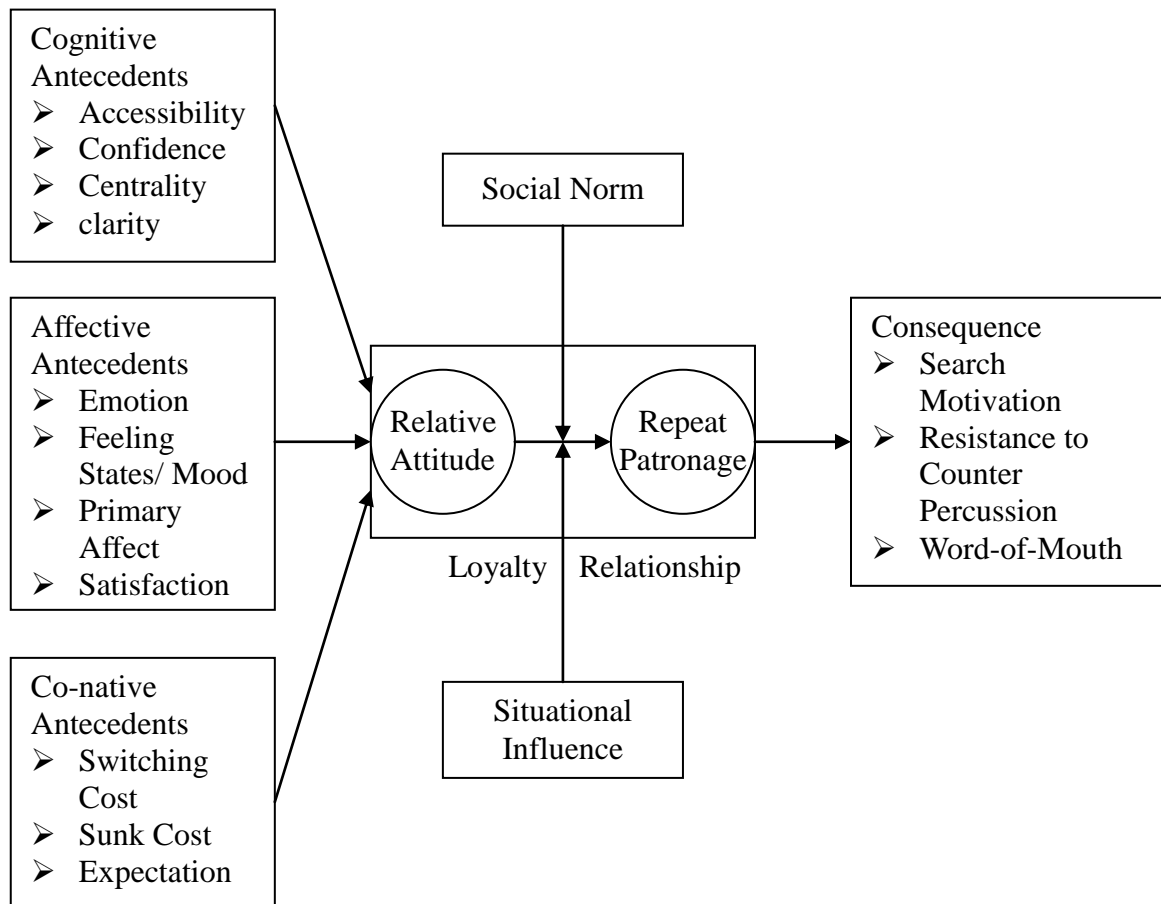
Source: Dick, Alan S. and Kunal Basu (1994), "Customer loyalty: toward an integrated conceptual framework," *Journal of Academy of Marketing Science*, 22 (2), 100

2. Repeat patronage

Repeated patronage is measured by the share-of-category purchase and only weak evidence was found that repeated patronage was associated with customer characteristics (Day 1969). This is because many behaviorally loyal customers were influenced mainly by opportunity or routine rather than by preference.

Fig. 2.2

A framework for customer loyalty



Source: Dick, Alan S. and Kunal Basu (1994), "Customer loyalty: toward an integrated conceptual framework," *Journal of Academy of Marketing Science*, 22 (2), 100

Through the framework for customer loyalty shown above, Dick and Basu suggested that relative attitude drives repeat patronage, subjected to antecedents (Cognitive, affective and co-native) and situational constraints as well as social norm, and that an attitude-behavior association leads to further loyalty behaviors such as search motivation, resistance to counter percussion and word-of-mouth.

Fig. 2.3

Typology of loyalty

		Repeat Patronage	
		High	Low
Relative Attitude	High	Loyalty	Latent Loyalty
	Low	Spurious Loyalty	No Loyalty

Source: Dick, Alan S. and Kunal Basu (1994), “Customer loyalty: toward an integrated conceptual framework,” *Journal of Academy of Marketing Science*, 22 (2), 101

Cross-classifying the concept of relative attitude with repeat patronage, Dick and Basu divided customer loyalty into four segments using two levels of repeat patronage (behavioral loyalty) and two levels of relative attitude (attitudinal loyalty) to the brands or service providers. Customer categorized as no loyalty absence of loyalty. This maybe because the product or service is recently introduced or there is a lack of communication between the brand and customers. Besides, customers may not have loyalty to a product or service in a market where most competing brands are considered as similar. Spurious loyalty is characterized by non-attitudinal influences on behavior. Customers in this category perceive little differentiation among brands and undertake repeat purchase only base on situational cues, such as familiarity or deals. Latent loyalty emerges when non-attitudinal influence such as subjective norms and situational effects are at least equally if not more influential than attitudes in determining patronage behavior. Finally loyalty comes into view when there is a favorable correspondence between relative attitude and repeated patronage.

The above figure suggested that most expected consequences of loyalty, such as word-of-mouth recommendation, reduces search and retention, should be expected when there is a high level of relative attitude with a high level of repeat patronage. Besides, the framework for customer loyalty of Dick and Basu should apply to retail, service, frequently purchased good and industrial context.

4. Customer loyalty by Jill Griffin

Another similar two-dimensional model of behavioral loyalty and attitudinal loyalty used to define customer loyalty is published by Jill (1995) right after Dick and Basu (1994). One conceptual difference is that Jill (1995) states that it is the attachment to the product or service instead of relative attitude together with customers' repeat patronage that defines customer loyalty.

1. Attachment

The attachment a customer feels towards a product or service is formed by two dimensions: the degree of preference (the extent of the customer's conviction about the product or service) and the degree of perceived product differentiation (how significantly the customer distinguishes the product or service from alternatives). When the two factors are cross-classified, four attachments possibilities emerged, as shown by the figure below

Fig. 2.4

Four relative attachments

		Product differentiation	
		No	Yes
Buyer preference	Strong	Low attachments	Highest attachments
	Weak	Lowest attachments	High attachments

Source: Griffin, Jill (1995), *Customer loyalty: how to earn it, how to keep it*, New York, Lexington Books, 21

2. Repeated purchase

Repeated purchase here is believed to be the same as the one that mentioned in Dick and Basu (1994)'s framework.

Four types of loyalty emerge with low and high attachments are cross-classified with low and high repeat purchase patterns. The result is demonstrated by the following figure.

Fig. 2.5

The four types of loyalty

		Repeat Purchase	
		High	Low
Relative attachment	High	Premium Loyalty	Latent Loyalty
	Low	Inertia Loyalty	No Loyalty

Source: Griffin, Jill (1995), *Customer loyalty: how to earn it, how to keep it*, New York, Lexington Books, 23

The two new types of loyalty suggested by Griffin (1995)'s framework are premium loyalty and inertia loyalty. Inertia loyalty implies customer buys out of habit. Non-attitudinal, non-situational factors are the primary reasons for buying. These buyers feel at least no dissatisfaction or some degrees of satisfaction with the company. On the other hand, customers having premium loyalty are proud of discovering and using the product and take pleasure in sharing their knowledge with friends and family. The expansions about latent loyalty and no loyalty are similar to Dick and Basu (1994)'s framework mentioned in Section Three.

5. Customer loyalty by Naoto Onzo

Dick and Basu (1994) and Griffin (1995)'s approach of categorizing customer loyalty by behavioral loyalty and attitudinal loyalty is supported by Onzo (1995). Another two-dimensional model of behavioral loyalty and attitudinal loyalty are used to define customer loyalty by Onzo (1995).

According to Onzo (1995), brand loyalty can be defined as a commitment towards a certain specific brand which caused by the satisfaction with the past purchase experience and the action of repeatedly purchases of that specific brand. Such brand loyalty can be further explained by behavioral loyalty and attitudinal loyalty. Behavioral loyalty means the action of buying a specific brand repeatedly. Behavioral loyalty is considered to be high when a customer purchases a specific brand repeatedly. In contrast, behavioral loyalty

is measured to be low if there is no consistence in the purchase pattern. Attitudinal loyalty states that loyalty is a state of mind which means a customer is "loyal" to a brand or a company if they have a positive, preferential attitude toward it.

Fig. 2.5

Types of loyalty categorized the two types of loyalty

		Behavioral Loyalty	
		Low	High
Attitudinal Loyalty	Low	Low Loyalty (Friends)	Spurious Loyalty (Compromised Couple)
	High	Consciousness Drives Loyalty (Long Distance Relationship)	Real Loyalty (Happy Couple)

Source: Onzo, Naoto (1995), "*kyoso yui no burando senryaku : tajigenkasuru seichoryoku no gensen*," Tokyo, Nihonkeizaishinbunsha, p.55

From the figure above, it is suggested that loyalty can be further categorized through the matrix of behavioral loyalty and attitudinal loyalty. The loyalty is considered to be low when both the levels of behavioral loyalty and attitude loyalty are low. For example loyalty is low for goods or services which just being introduced into the market or for the brand which is not known by customers because of the lack of communication with them. Consciousness drives loyalty appears when the level of behavioral loyalty is low but the level of attitude loyalty is high. It indicates the situation when a customer consciously values very high for a specific brand but he/she is not actually purchasing it. Spurious loyalty emerges when the level of behavioral loyalty is high but the level of attitude loyalty is low. It indicates the situation when a customer actually purchased from a specific brand but this action is not under his/her highest preference. Real Loyalty comes into view when the levels of behavioral loyalty and attitude loyalty are high.

6. Customer loyalty by Simon Knox

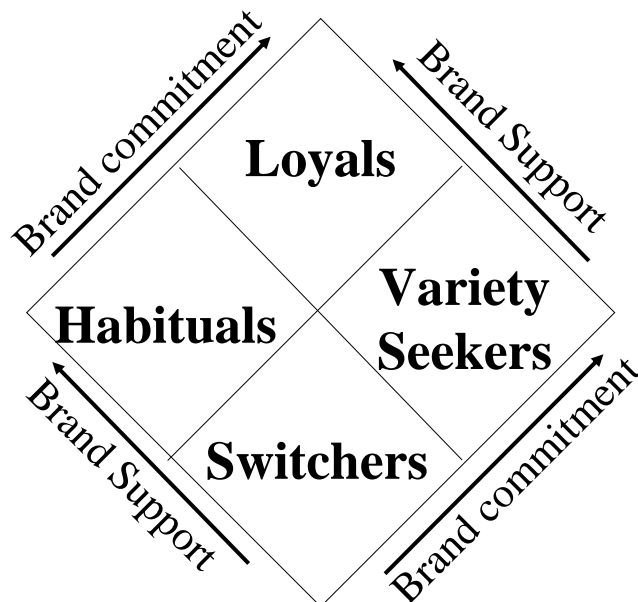
There is another similar model of customer loyalty presented by Knox (1995). Although the aim of this model is originally used to explain brand loyalty, it can also apply on explaining customer loyalty.

In Knox (1995)'s brand loyalty matrix, customer loyalty can be divided into four different categories: loyals, variety seekers, habituals and switchers. From the figure below, both loyals and habituals have high level of brand support, in the other word is high level of behavioral loyalty. However, the level of brand commitment (attitudinal loyalty) is low for habituals, therefore they are more likely to defect to other brands if purchasing of their routine is disrupted for some reasons. Loyals are less likely to do this since their level of brand commitment is also high.

On the other hand, both variety seekers and switchers are frequent defectors but their motives are very different. Variety seekers are loyal purchasers that are polygamous. They simply buy form a wide portfolio of brands for different usage occasions. Switchers, on the contrary, are motivated by price deals and promotional tactics which, in other words, with no loyalty.

Fig. 2.6

Brand loyalty matrix: the diamond of loyalty



Source: Knox, Simon (1996), "The death of brand deference: can brand management stop the rot?," *Marketing Intelligence and Planning*, 14 (4), 36

7. Customer loyalty by Youjae Yi and Hoseong Jeon

The approach of using behavioral loyalty and attitudinal loyalty to categorize customer loyalty is further supported by Yi and Jeon (2003). They also suggested that customer loyalty can be classified into different types by customers' attitude and repeated patronage. However, they argued that a customer may hold both program loyalty and brand loyalty.

When the level of involvement of the product is low, the value perception of the loyalty program does not mercenarily transform into brand loyalty because a customer is likely to derive value from the loyalty program rather than from a product. In this case, the target of loyal attitude of the customers is to the program instead of a brand. On the other hand, since customers are considered to be polygamous in nature, customer loyalty could

be divided into a number of brands.

Due to the above reasons, Yi and Jeon (2003) suggested that it would be possible to distinguish between program loyalty and brand or retailer loyalty in the conceptualization of customer loyalty examining whether customers' purchasing tendency is due to a product loyalty or loyalty program. They represented their idea by incorporation "target of attitude". The detail of their framework is illustrated by the following figure.

Fig. 2.7

Loyalty framework

		Repeat Patronage	
		High	Low
Target of attitude	Product	Brand Loyalty	Latent Loyalty
	Program	Program Loyalty	No Loyalty

The important implication of Yi and Jeon (2003)'s conceptual framework is that it is important to direct customers' attention towards the product but not the promotional premiums.

8. Customer loyalty by Richard L. Olivier

According to Olivier (1999), behavioral loyalty alone is not enough to analysis customer loyalty. Further analysis is needed to infer loyalty or disloyalty solely from repetitive purchase patterns. These further analysis needed to detect true brand loyalty requires researchers to assess consumer beliefs, affect, and intention within the traditional consumer attitude structure. If true brand loyalty exists, all three decision-making phases must point to a focal brand preference, which means:

1. The brand attribute ratings (beliefs) must be preferable to competitive offerings
2. This "information" must coincide with an effective preference (attitude) for the brand
3. The consumer must have a higher intention (conation) to buy the brand compare with that of the alternatives

Therefore, other than classifying customer loyalty into different categories by behavioral and attitudinal aspects, Olivier (1999) suggested that customer loyalty should be divided into stages which describe as “action inertia”. This is because consumers are theorized to become loyal in cognitive sense first, then in an affective sense, still later in a conative manner, and finally in a behavioral manner.

Table 2.1

Loyalty phases with corresponding vulnerabilities

<u>Stage</u>	<u>Identifying Marker</u>	<u>Vulnerabilities</u>
Cognitive	Loyalty to information Such as price, features and so forth	Actual or imagined better competitive features or price through communication (e.g., advertising) and vicarious or personal experience. Deterioration in brand features or price. Variety seeking and voluntary trail.
Affective	Loyalty to a “liking” “I buy it because I like it”	Cognitively induced dissatisfaction. Enhanced liking for competitive brands, perhaps conveyed through imagery and association. Variety seeking and voluntary trail. Deteriorating performance.
Conative	Loyalty to an intention “I’m committed to buying it”	Persuasive counter-argumentative competitive messages. Induced trail (e.g., coupons, sampling, point-of-purchase promotions). Deteriorating performance.
Action	Loyalty to action inertia, coupled with the overcoming of obstacles	Induced unavailability (e.g., stock-lifts – purchase the entire inventory of a competitor’s product from a merchant). Increased obstacles generally. Deteriorating performance.

Source: Oliver, Richard L. (1999), “Whence consumer loyalty?,” *Journal of Marketing*, 63 (special issue), 36

The table above indicates four stages of customer loyalty during consumers' loyalty development, they are:

1. Cognitive loyalty

The first loyalty phase is cognitive loyalty (loyalty based on brand belief only) whereas the brand attribute information available to the consumer indicates that one brand is more preferable to its alternatives. Cognition can be based on prior or vicarious knowledge or recent experience-based information. Loyalty at this phase is directed toward the brand because of this 'information' (attribute performance levels). Consumers are shallow in nature in this phase. The depth of loyalty will not be deeper than mere performance if the purchase is routine and satisfaction processed (e.g., trash pick up, utility provision). On the other hand, if satisfaction processed, it becomes part of the consumer's experience and the consumer will transfer to affective loyalty.

2. Affective loyalty

Under cumulative satisfaction, attitude towards a brand is developed in the second phase. Commitment at this phase refers to affective loyalty which is encoded in the consumer's mind as cognition and affect. While cognition is directly subject to counter-argumentation, brand loyalty in this phase is directed at the degree of affect (liking) for the brand. This form of loyalty is still subject to changes.

3. Conative loyalty

After influenced by repeated episodes of positive affect towards the brand, loyalty development moves to the conative (behavioral intention) stage. Conation implies a brand-specific commitment to repurchase while conative loyalty use a loyalty state that contains what, at first, appears to be the deeply held commitment to buy noted in the loyalty definition. This commitment is to the intention to re-buy the brand and is more similar to motivation.

4. Action loyalty

In this phase, the previous loyalty state is transformed into readiness to act. This is accompanied by an additional desire to overcome obstacles that might prevent the act. Action is perceived as a necessary result of engaging both of these states. If this engagement is repeated, an action inertia develops, thereby facilitate repurchase.

9. Customer loyalty by Philip Kotler

Other than dividing loyalty into different stages, Kotler (2003) suggested that customers have various degrees of loyalty to specific brands, stores, and companies. Therefore, buyers can be divided into four groups according to brand loyalty status:

1. Hardcore Loyals

Consumers who buy the same brand all the time. These people are the best target market.

2. Softcore Loyals

Consumers who are loyal to two or three brands. These people are good for market research.

3. Shifting Loyals

Consumers who move from brand to brand. These people are good targets for a niche market.

4. Switchers

Consumers with no loyalty. They change products if they see a good deal or if they are looking for new things.

10. Customer loyalty by Mark D. Uncles, Grahame R. Dowling and Kathy Hammond

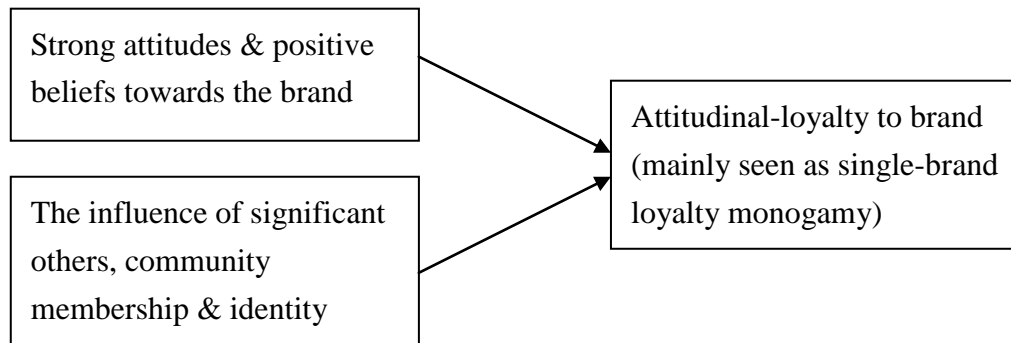
After having a clearer picture of how customer loyalty is categorized with the composition of behavioral loyalty and attitudinal loyalty by different researchers mentioned above, Mark D. Uncles, Grahame R. Dowling and Kathy Hammond tried to define customer loyalty by different models instead of combining behavioral loyalty with attitudinal loyalty. According to Uncles, Dowling and Hammond (2003), there is no

universally agreed definition of customer loyalty. Instead, there are three popular conceptualizations.

1. Loyalty as primarily an attitude that sometimes lead to relationship with brand

Model 2.1

Attitudinal-loyalty to brand



Source: Uncles, Mark D., Grahame R. Dowling & Kathy Hammond (2003),

“Customer loyalty and customer loyalty programs,” *Journal of Consumer Marketing*, 20 (4), 296

Under this model, customer loyalty is defined attitudinally as an “attitudinal commitment” to brand. These attitudes may be measured by asking how much people say they like the brand, feel committed to it, will recommend it to others, and have positive beliefs and feelings about it – relative to competing brands. This kind of loyalty is measured by the frequency of brand purchase and number of repeat-purchase.

It is suggested that attitudinally-loyal customers are much less susceptible to negative information about the brand than non-loyal customers. Besides, when the loyalty to a brand increased, the revenue-stream from loyal customers becomes more predictable and can become considerable over time. The concept of “attitudes define loyal” even extends to a relationship between customers and some of their brands. It is a relationship that will be even stronger when supported by other members of a

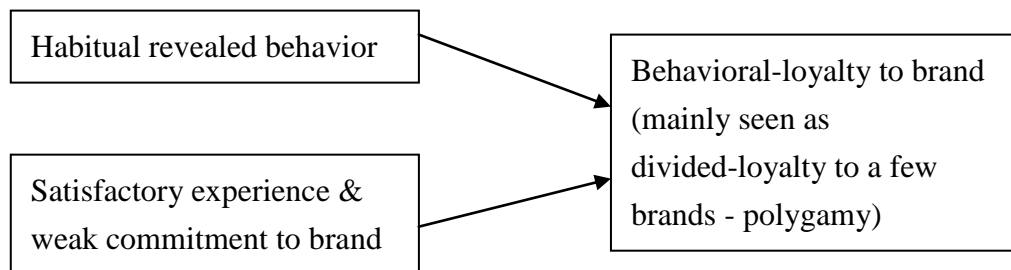
household or buying group, and where consumption is associated with community membership or identity.

This model receives much conceptual support in the field of advertising and brand equity research. It also appeals to many practitioners in advertising and brand management because it is empathetic with the search for strategies to enhance the strength of consumer attitudes towards a brand. The critics of this concept of customer loyalty include it is less applicable on understanding the buying of low-risk, frequently-purchased brands, or when impulsive buying or variety seeking is undertaken, than for important or risky decisions. Besides, systematic empirical research to corroborate or refute this perspective of customer loyalty is still limited.

2. Loyalty mainly expressed in terms of revealed behavior (i.e. the pattern of past purchase)

Model 2.2

Behavioral-loyalty to brand



Source: Uncles, Mark D., Grahame R. Dowling & Kathy Hammond (2003),

“Customer loyalty and customer loyalty programs,” *Journal of Consumer Marketing*, 20 (4), 296

Under this model, loyalty is defined as an ongoing propensity to buy the brand usually as one of several. This is because research supported that few consumers are “monogamous” (100 percent loyal) or “promiscuous” (no loyalty to any brand) but most of the people are “polygamous” (loyal to a portfolio of brands in a product

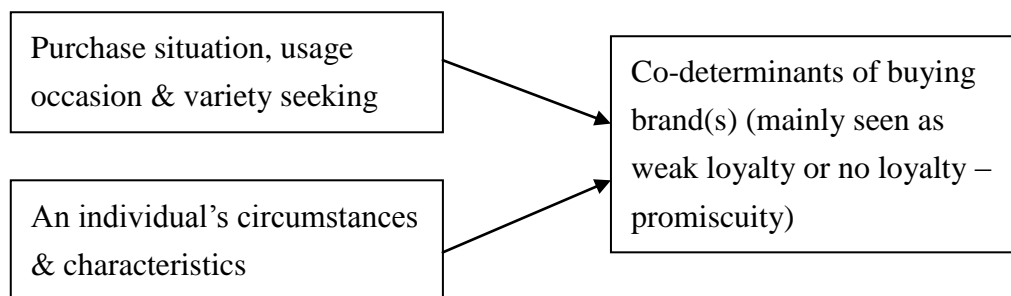
category). In this model, behavioral loyalty is measured by brand shares, penetration, average purchase frequencies, repeat-buying – for a defined period. Since the same brand is being purchase because of the satisfactory experience with that brand, loyalty in this model is said to be with weak commitment to the brand.

There are critics of this concept of customer loyalty because loyalty in this model is defined mainly with reference to the pattern of past purchases with only secondary regard to underlying consumer motivations or commitment to the brand. In addition, those who subscribe to the “attitudes drive behavior” and “relationship” approaches argued about the merely reflect happenstance of behavioral loyalty.

3. Buying moderated by the individual’s characteristics, circumstances, and/or the purchase situation

Model 2.3

Co-determinants of buying brand(s)



Source: Uncles, Mark D., Grahame R. Dowling & Kathy Hammond (2003),

“Customer loyalty and customer loyalty programs,” *Journal of Consumer Marketing*, 20 (4), 296

Under this model, it is suggested that the best conceptualization of loyalty is to allow the relationship between attitude and behavior to be moderated by contingency variables, such as the individual’s current circumstances¹, their characteristics², and/or

¹ Budget effect (e.g. the desired brand is too expensive) and time pressure (e.g. the need to buy any brand in

the purchase situation³ faced. Since there are a number of factors co-determining which brand(s) is going to be bought, a strong attitude towards a brand may provide only a weak prediction of whether or not a brand will be bought on the next purchase. A model containing the following three factors is then emerged to define customer loyalty.

- i. Antecedents (including weak prior attitudes and characteristics of the consumer)
- ii. Contingence factors (including type of use occasion and the purchase situation)
- iii. Consequences (up-dated attitudes, intentions and the actual purchase behavior)

The differences between this model and Model 2.1 mentioned earlier is that in Model 2.1, attributes of the individual and the purchase situation are considered as “nuisance” variables that inhibit the natural evolution of customer loyalty. However, in this model, these variables are considered as playing a primary and inescapable role in explaining the observed patterns of purchase behavior, especially when the attitudes are weakly held. In brief, this model suggested that repeated satisfaction, weak commitment and other relevant contingency variables co-determine the future brand choices.

11. Customer loyalty by Jennifer Rowley

Rowley (2005) suggested that it is not only important to distinguish between loyal and non-loyal customer, but also important to segment customers who are already in the loyal category. Therefore, she divided customers who are both attitudinal and behavioral loyal to the brand into four categories of loyalty orientation by differentiates between positive loyalty and inertial loyalty. According to Rowley (2005), inertial loyalty on either attitudinal or behavioral dimension is associated with loyals who are neutral about their loyalty; they are consistent in behavior, but the fact that they do not want to switch does not indicate any affinity for the business or brand. The introduction of inertial loyalty and positive loyalty aimed to yield some categories which assist in thinking about the nature of

the category at the next available opportunity.

² The desire for variety, habit, the need to conform, the tolerance for risk

³ Product availability, promotions/deals, the particular use occasion (e.g. gift, personal use, family use)

loyalty.

Table 2.2

Segmenting loyals

		Attitude	
		Inertial	Positive
Behavior	Inertial	Captive	Contented
	Positive	Convenience-seeker	Committed

Source: Rowley, Jennifer (2005), “The four Cs of customer loyalty,” *Marketing Intelligence and Planning*, 23 (6/7), 576

The model above proposed that loyals can be segmented into four categories of loyalty orientation: captive, contented, convenience-seeker and committed. The typical attitudes and behaviors associated with each category can be further explained by the following tables.

Table 2.3

Typical attitudes and behaviors associated with each category

Loyalty category	Typical behavior	Typical attitude
Captive	➤ Continue to purchase or use a product or service because they have no choice	➤ Neural to the brand, with experience of the brand which does not cause them to perceive the brand in a negative light
Contented	➤ Often associated with routine, low-involvement purchase. Engages in regular repeat purchase transactions associated with the brand	➤ No particular attitude to the brand, except that some brands may be associated with convenience

Convenience-seeker	➤ Evaluates product on their merits, but previous and existing engagement with the brand is an opportunity for the brand owner to build the relationship with the customer	➤ A positive attitude in relation to the brand, which may be shared with acquaintances, if their advice is requested
Committed	➤ Barely consider other brands. Is prepared to “add value” to the brand, perhaps through participating in supportive customer-to-customer relationship	➤ Engaging in positive and delighted word-of-mouth exchanges with other customers or potential customers

Source: Rowley, Jennifer (2005), “The four Cs of customer loyalty,” *Marketing Intelligence and Planning*, 23 (6/7), 576

Captive

Captive customers continue to patronize a brand, service, or service outlet because they have no real choice. This is mainly because those customers have a high switching cost or a few alternatives for switching, such as customers in public sectors. Besides, captive customers may also be tied to a brand that is associated with products or services where buying decision is infrequent such as the decision making of buying a car. However, this type of loyal customers can be poached by competitors with alternative offerings especially if those competitors manage the situation so that the switching cost is reduced, or switching process is facilitated. Such customers have neither positive attitudes nor positive behaviors; they have low involvement, and no significant relationship with the brand.

Convenience-seeker

Customers in this category exhibit a behavior that includes frequent re-purchase or visit to a store location, but they are attitudinally inert. This is because convenient dominates their choice and attitude is not relevant in this situation. Convenience of access includes location as well as opening hour. Since convenience is the main factor for customer decision, customer may switch even when they are satisfied with their current service provider. Convenience-seekers, with low involvement with the brands, are most susceptible to changes in market structure or their personal circumstances that affect their perception of what is convenient.

Contented

Contented customers continue as a customer, but do not extend their involvement with the brand. Each purchase made by customer in this category is evaluated on its merits. Therefore, brands are not significant in their purchase decision. They are likely to stay with the brand and to support the brand through positive word-of-mouth exchanges.

Committed

Customers in this category are positive in both attitude and behavior. They make continuous purchase and support the brand through positive word-of-mouth exchanges with other potential customers. Committed customers rarely consider other brands.

Section Two

Benefits of customer loyalty

Customer may demonstrate their loyalty in any one of a number of ways; they may choose to stay with a provider, or increase the number of purchase or the frequency of their purchases or even both. Besides, loyal customer may also become advocates of the organization concerned by playing a powerful role in the decision making of others (Rowley, 2005). It is suggested that loyal customers are more profitable to a firm (Dowling

and Uncles, 1997). This profitability was brought by the followings:

1. Less servicing costs for loyal customer

It is suggested that costs for serving loyal customer are less because there are specific start-up costs involved in serving a new customers. For examples, prospecting, credit checks, and entering the customer's account details in a database. Besides, transactions with a repeat customer become routinized. Much is understood without signing a lot of agreements. Trust is built, and this saves both partners a lot of time and cost (Kotler 1999)

2. Loyal customers are less price sensitive

It is suggested by brand-equity researchers that there is a positive correlation between brand loyalty and higher prices.

3. Loyal customers spend more with the company

It is suggested that loyal customers buy more of the product category than less loyal customers.

4. Loyal customers passed on favorable recommendations about their favorite brands or suppliers

The above mentioned benefits of customer loyalty are further agreed by Gomez, Arranz and Cillan (2006) and they stated that the benefits of customer loyalty are:

1. loyal customers are less price sensitive towards the product of the company
2. loyal customers require a smaller investment in communication than those people who do not have previous experience with the company true loyalty based on emotional bonds is hard to copy, so it can be a competitive advantage
3. loyal customers pass on favorable word-of-mouth comments about a company or product

In addition to the above, according to the “80/20 law”⁴, a small percentage of customers generate most of a company’s sales and that these customers can be locked in forever. Therefore, it is a company’s aim to concentrate most marketing resources on the 20 percent. This is further confirmed by Reichheld and Sasser (1990). They calculated the impact of customer retention on profitability. “As a customer’s relationship with the company lengthens, profit rise. And not just a little. Companies can boost profits by almost 100 percent by retaining just five percent more of their customers” (Reichheld and Sasser, 1990, p105). Besides, it also costs much more to the entire new customer to do business with a company than to get a current one to purchase again, and the strategy of gaining and maintaining loyalty seems like the source of sustainable comparative advantage.

Section Three

Motives of loyalty marketing

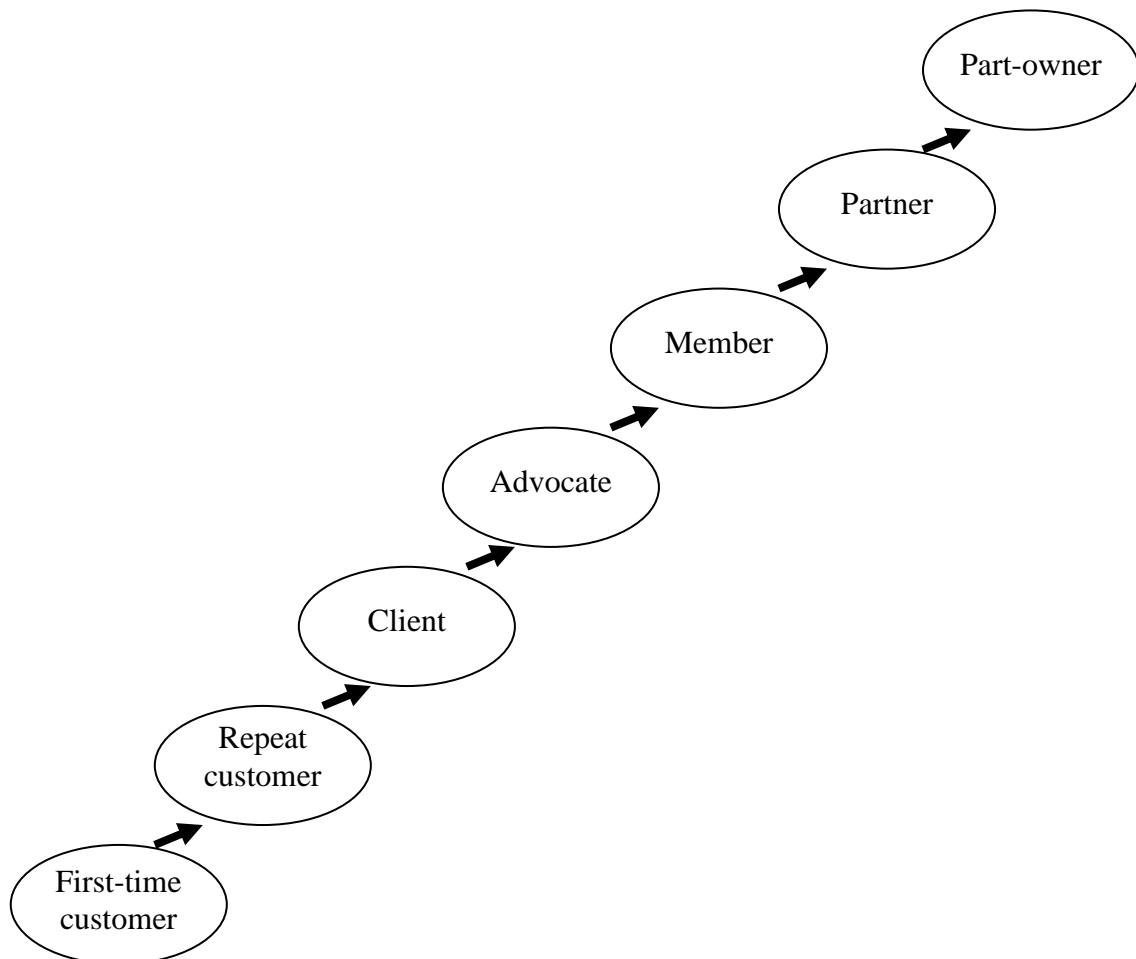
Knowing that loyal customers are more profitable by the reasons that stated before, it is important to keep and grow customers. According to Kotler (1999), developing a new customer into a stronger and more loyal customer involves moving that customer through several stages. When a customer first buys a particular brand, he/she is the first customer to the company. First-time customers are of varying profitability. Some buy a small amount and may never buy again. Some make an expensive purchase and have the means and interest to buy much more. The latter is then being focused by the marketers in the effort to convert them to become repeat customer.

With the power of database marketing, companies can know more about their customers. With this knowledge towards customers, a repeat-customer is then being treated as client. When the client likes more about the company and spread more positive word-of-mouth to others, and become an advocate of the firm. In order to make the customer more loyal, the company will then change an advocate to a member by launching a loyalty program that carries privileges.

⁴ The 80/20 law states that about 80 percent of revenue typically comes form only 20 percent of customers.

Further, when a company requests customers' help in designing new products, asks for customer suggestions to improve the company's service, or invites customers to serve on a customer panel, the customers are being treated as a partner. Finally, if customers become legal owners of a company, they will be treated as part-owner. The main customer-development stages can be illustrated as follow:

Fig. 2.7
Customer-development stages



Source: Kotler, Philip (1999), *Kotler on marketing: how to create, win, and dominate markets*, New York, Free Press, 129-137

Form the above framework, we know that companies would like to develop life-long relationship with loyal customers and may thereby benefit from the lifetime business associated with them. Loyalty marketing is then put into practice to build lasting relationship with loyal customers by rewarding them for repeat patronage, to gain their high purchase profit though extended product usage and cross-selling, to gather customer information, to de-commodity brands, and to defend market position (Hart, Smith Sparks and Tzokas 1999). Loyalty program, which offers some kind of reward to the customers for their repeated purchase, is one of the tools in order to achieve the development of life-long relationship with loyalty customers. The details of loyalty programs will be discussed in the next chapter.

Chapter Three

Literature Review: Loyalty Program

In this chapter, the definition of loyalty program and a brief introduction about the history of loyalty program will be made in Section One. The paper will then classify the objectives of loyalty program and introduce different categorizations of loyalty programs in Section Two and Section Three respectively. The benefits of loyalty program to companies and to customers will be expressed in Section Four. And at the end of this chapter, factors affect the effectiveness of loyalty program will be presented in Section Five.

Section One

Definition and history of loyalty program

Loyalty program is a marketing strategy base on offering an incentive with the aim of securing customer loyalty to a retailer. Achieving rewards is related with purchasing frequency, so this type of programs are also called frequent purchase programs (Shoemaker ad Lewis, 1999; Long and Schiffman, 2000; Bell and Lall 2002) or reward programs (Kopalle et al, 1999; Kim et al., 2001). According to Sharp and Sharp (1997), such a program rarely benefits consumers in one purchase but is intended to foster customer loyalty over time. Therefore, promotions that work as “one-shot deals”, such as instant scratch cards, should not be considered as loyalty programs. This exclusion is appropriate because these one-time promotions do not create the same customer lock-in as true loyalty program.

After defining what loyalty programs are, it is time to take a look at the history of loyalty program development. Loyalty program was first launched in the 1960s. According to Kotler (1999), at that time, supermarkets and other stores give S&H stamps in proportion to customer purchase. Customer would paste the stamps in booklets and

exchange the booklets for gift. When too many stores began to give away S&H stamps, store owners rebelled and the programs died.

The most current form of loyalty program started in the 1980s with the introduction of frequent flier program by airlines according to Berman (2006). After the Airline Deregulation Act (ADA)⁵ of 1978, many airlines struggled to obtain a competitive advantage. In 1981, American Airlines introduced the first frequent flier airline program – AAdvantage, which sought to reward loyal customers through utilizing the airline’s excess capacity. The program launched on 1st May, 1981, it was the first such loyalty program launched over the world, and remains the largest with over 45 million members as of 2004.

At that time, miles accumulated in the program allow members to redeem tickets, upgrade service class, or obtain free or discounted car rentals, hotel stays, merchandise, or other products and services through partners. The most active members, based on the amount and price of travel booked, are designated AAdvantage Gold, AAdvantage Platinum, and AAdvantage Executive Platinum elite members, with privileges such as separate check-in, priority upgrade and standby processing, or complimentary upgrades. They also receive similar privileges from AA's partner airlines, notably those in the Oneworld airline alliance.

According to Kotler (2003), right after American Airlines launched her AAdvantage loyalty program, the hotel sector also adopts it. JW Marriott is the leading hotel which first launches loyalty program, Honored Guest Program, in hotel sector. Shortly thereafter, car rental firms sponsored loyalty program. Then credit card companies began to offer points based on card usage level. Sears offers rebates to its Discover cardholders; supermarket chains offer price club cards, which provide member customers with discounts on particular items. At a later stage, according to Kotler (1999), various program sponsors

⁵ The Airline Deregulation Act (ADA) was a piece of US legislation signed into law on October 28, 1978. The main purpose of the act was to remove government control from commercial aviation and expose the passenger airline industry to market forces

would invite other sponsors. For example, American Airline passengers would receive discount coupons if they would use Hertz Car Rental or stay in a Hilton hotel. The companies then compete by expanding its set of benefits.

Section Two

Objective of loyalty program

Loyalty programs have a long development history as stated in the previous section. However, the reasons of why a loyalty program first launched are not mentioned yet. In this section, the objectives of loyalty program establishment will be discussed.

1. Objective of loyalty program by Grahame R. Dowling and Mark Uncles

According to Dowling and Uncles (1997), most companies that launch customer loyalty programs expected that these schemes can help them to achieve the following objectives: 1) Maintain sales levels, margins and profits by raising purchase/usage level, 2) Increase the loyalty and potential value of exiting customers by building a closer bond between the brand and current customers, 3) Induce cross-product buying by exiting customers by increasing the range of product bought from the supplier (Uncles, Dowling and Hammond, 2003), 4) Attempting to differentiate a parity brand, 5) Preempting the entry of a new (parity) brand, and 6) Preempting competitor from introducing a similar loyalty scheme.

2. Objective of loyalty program by Lisa O'Malley

Dowling and Uncles (1997) briefly mentioned the objective of loyalty program. O'Malley (1998) has a further explanation of those objectives.

1. Reward loyal customers

Loyalty program rewards repeat purchase through a combination of discounts and other "rewards". Consumers are motivated to participate in such programs because, fundamentally, most people like to get something for nothing (Uncles 1994).

2. To generate information

Loyalty programs can represent a relatively inexpensive means by which an organization can collect information about its customers (Hamilton and Howcroft, 1995). Loyalty programs based on the storage of individual customer's demographic status and spending patterns can contribute significantly to an organization's knowledge base.

3. Manipulate consumer behavior

Although the stated aim of most schemes is to reward loyal customers, the fundamental purpose of most schemes is to manipulate consumer behavior within a sophisticated system, where incentives and coupons can be individually targeted, in order to encourage customers to try new products or brands.

4. As a defensive measure to combat a competing scheme

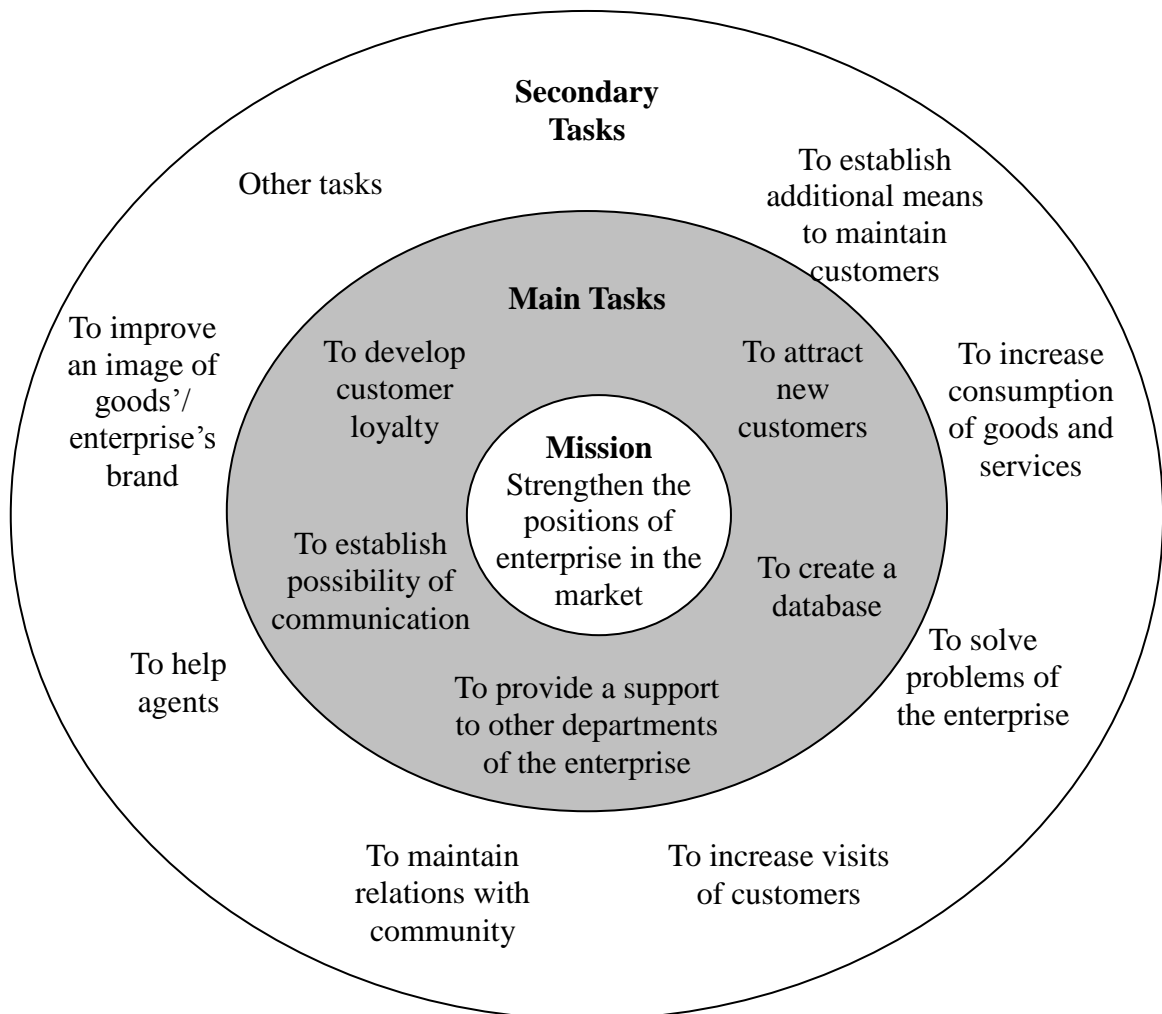
The decision to launch a loyalty program is often motivated as much by fears of competitive parity as anything else (Dowling and Uncles, 1997, p.73).

3. Objective of loyalty program by Liudmila Bagdoniene and Rasa Jakstaite

Other than the basic objectives mentioned above, according to Bagdoniene and Jakstaite (2006), originated by Butscher (2004), the goals of a loyalty program can be further divided into mission, goals, main and secondary task. A clearer picture can be shown by the following figure.

Fig. 3.1

Hierarchy of loyalty program's goal



Source: Bagdoniene, Liudmila & Rasa Jakstaite (2006), "Customer loyalty programmes: Purpose, means and development," *Management of Organizations: Systematic Research*, 37, 25

First of all, the mission of a loyalty program is to strengthen the positions of the enterprise in the market by increasing market share, income and profitability. In order to implement the goals of the loyalty program, the enterprise should deal with five main tasks.

1. Goal 1: To develop customer loyalty

One of the tasks is to develop and strengthen the loyalty of present customers. This can be done if an enterprise can meet customer needs better than other companies in the market during all period of relationship with customers.

2. Goal 2: To attract new customers

The second one is to attract new customers which can be either by suggesting attractive privileges stimulating to become a participant of the loyalty program or by attracting these who have heard of the good responses of participating in the loyalty program. Although both of them are costly, the former requires more effort and resources from the enterprise. When participants of loyalty program advertise the program, it depends on how the enterprise reminds them about the loyalty programs and its objectives, benefits for participants, how they value receivable benefit, etc.

3. Goal 3: To create a database

Since customer relationship management is impossible without a database, it is a very important task to create a database of customers. Therefore, not only demographical data of customers but also information about their behavior, including preferences of consumption, acceptance of brands, periodicity and quantity of purchase, the change of the brand, etc., should be stored in the database.

4. Goal 4: To provide a support to other departments of the enterprise

The forth main task is to provide maintenance to departments of the enterprise implementing functions of development and research of good or service. The data of customers facilitate the communication between enterprise and consumers.

5. Goal 5: To establish possibility of communication

Providing possibilities for communication of program's participants is also one of the goals of loyalty program. It will help a seller, service provider or agent, who initiates or controls the process of communication, to communicate with customers regularly

and directly.

In addition to the above mentioned main tasks, the following secondary tasks are also crucial in leading to the success of the loyalty program, these include: 1) To establish additional means to maintain customers, 2) To increase consumption of goods and services, 3) To solve problems of the enterprise, 4) To increase visits of customers, 5) To maintain relations with community, 6) To help agents, 7) To improve an image of goods'/enterprise's brand, and 8) Other tasks.

Section Three

Types of loyalty program

After understanding about the different objectives of launching a loyalty program, a clearer picture about how a loyalty program is designed will be presented in the following section.

1. Types of loyalty program by Grahame R. Dowling and Mark Uncles

According to Dowling and Uncles (1997), customer loyalty programs are classified according to reward type and reward timing.

Reward types

Reward type refers to whether their explicit rewards directly support the value proposition of the product or service offer to customers, or whether the rewards are designed to motivate loyalty by a more indirect route. The type of reward offer highly depends on the buyer's level of involvement with the product.

1. Indirect reward loyalty program

In this type of loyalty program, the incentives that the program offers encourage loyalty to the program (deal loyalty) rather than to the core product or service (brand loyalty) of the company. Especially for low-involvement products, the incentive

instead of the product is the primary reward; especially if the incentive is exotic and out of proportion to the money spent. This might create a point of product differentiation, but once the incentive is taken away; the prime reason for purchase disappears. Example can be a free air travel from gasoline retailers. Under this example, the air travel (an incentive) instead of the gasoline (the core product) is the reward. The reason of participating in this loyalty program **due to** the buyer's incentive of having a free air travel (deal loyalty) instead of because of the buyer's loyalty to the gasoline company (brand loyalty).

2. Direct reward loyalty program

In this type of loyalty programs, the program encourages loyalty to the core product or service of the company. The reward being offered in this type of program directly supports the value proposition of the product or service. For high-involvement products and services, which are typically accompanied by small incentive, the product but not the incentive is the primary reward. Example can be the General Motor rebate scheme. Under this example, participants build up saving toward the cost of a new GM car, the car (the core product) instead of the accumulation of a discount (an incentive) is the reward.

Reward timing

Reward timing refers to when the reward is being redeemed.

1. Immediate reward loyalty program

In this type of loyalty program, redemption of rewards is done immediate after the purchase.

2. Delayed reward loyalty program

In this type of loyalty program, redemption of rewards is done at a certain period after the purchase.

The above reward type and reward timing can be summarized as the following figure.

Fig. 3.2

Types of reward schemes

		Timing of Reward	
		Immediate	Delayed
Type of reward	Directly supports the product's value proposition	1. Retailer/Brand manufacturer promotions (Price promotions)	2. Airline frequent-flyer clubs, coupons, and tokens (GM card)
	Other indirect types of reward	3. Competitions and lotteries (Instant scratches)	4. Multi-product frequent-buyer clubs (Fly buys)

Source: Dowling, Grahame R. & Mark Uncles (1997), "Do customer loyalty programs really work?," *Sloan Management Review*, Summer, 77

It is suggested that customers will prefer immediate rewards (in section one and three of the figure) than delayed rewards (in section two and four of the figure). On the other hand, companies that launch the loyalty program will prefer direct rewards (in section one and two of the figure) than indirect rewards (in section three and three of the figure). These states that reward programs in section four (delayed-indirect reward) is the least preferable.

3. Types of loyalty program by Youjae Yi and Hoseong Jeon

The above mentioned loyalty program proposed by Dowling and Uncles (1997) is modified by Yi and Jeon (2003) by adding repeated reinforcements to immediate rewards in order to distinguish a loyalty program from price promotion. In Dowling and Uncles (1997)'s model, immediate rewards in a loyalty program seem to be commensurate with price promotion. Yi and Jeon (2003) criticized that loyalty program should not be treated as a price promotion, but to adopt a long-term perspective in shaping customer behavior.

Yi and Jeon stated that a loyalty program is a multi-step procedure leading to customer's repeated purchasing behavior which its shaping process usually occurs from successive reinforcement. Yi and Jeon further argued that a loyalty program should focus its marketing effort on loyal customers and avoid price competition with competitors. Price promotion mentioned by Dowling and Uncles (1997) does not have a long-term perspective need for developing customer loyalty. Besides, it is likely to cause overstock problem and reward price-sensitive brand switcher rather than loyal customers.

Since immediate reward, mentioned by Dowling and Uncles (1997), alone cannot distinguish short-term promotion and long-term loyalty program, Yi and Jeon (2003) modified Dowling and Uncles (1997) reward scheme by adding repeated reinforcement to immediate rewards. The above mentioned modification of the reward scheme is illustrated by the following figure.

Fig. 3.3

A modified framework of reward scheme

		Timing of Reward	
		Repeated and immediate	Delayed
Type of reward	Directly	Instant Scratches, membership program (Product- related reward)	Airline frequent-flyer clubs, coupon and token (GM card)
	Indirect	Instant Scratches, membership program (Non-product- related reward)	Multi-product frequent-buyer club (Fly buys)

Source: Yi, Youjae and Hoseong Jeon (2003), "Effects of loyalty programs on value perception, program loyalty, and brand loyalty," *Journal of the Academy of Marketing Science*, 31 (3), 232

4. Types of loyalty program by Philip Kotler

Types of loyalty program can not only be classified by the types of reward, but also

by the target of loyalty customers. This idea was suggested by Kotler (1999). He distinguished four types of loyalty programs that a company can create by differentiating customer importance levels.

1. Level 1: Frequent customer award program

This kind of program includes giving stamps in proportion to customer purchase. Customer would paste the stamps in booklets and the book in for gives. Another form of frequent customer award program is those used by airlines which offer points that could be used to obtain free flights or upgrade. The nature of loyalty programs in this level is said to be fundamental. When most competitors offer competing programs, customer loyalty will be weakened. Besides, this kind of program drains the margins for all players according to the benefits added by them. The customers attracted by this program are mainly price-sensitive, whom a company is least likely to retain.

2. Level 2: Membership club with a benefit package

Membership programs are programs which offer a rich set of benefits to their members. Customer can become a member of these programs if they paid the membership fees. It is said to be a powerful loyalizing tool if it has done well. Therefore, in running these programs, companies should be careful with what benefits to offer, the cost of offering these benefits, the annual membership fee, the minimum number of members needed, and the cost of possibly having to terminate the program.

3. Level 3: Offering a VIP program to the companies most valuable customers

Since some particular customers to a company are more important than the others, companies need to identify their most valuable customer (MVCs). And these MVCs deserve very important person (VIP) treatment. For example, special invitations, special gifts, etc.

4. Level 4: Establishing a special customer recognition

Some company will single out certain customers for special recognition, even honoring them in a formal ceremony.

The above categorization of loyalty programs indicated that the type of loyalty program can be differentiated by the loyal customer that a loyalty program targets on. The number of targeted customer is the largest in a frequent customer award program. Then it is narrowed down by a membership program. After that a company can also determine their VIP by offering a VIP program. The number of targeted customer is the fewest in the last one.

5. Types of loyalty program by Barry Berman

According to Berman (2006), there are four types of loyalty programs and they are different from each other by the nature of reward that a member receives.

1. Type 1: Members receive additional discount at register

Under this type of loyalty program, customer receives a discount on selected items on the basis of swiping his/her membership card at a point-of sale terminal. In many instances, store clerks are trained to swipe a card kept at the register if customers forget to bring their card or are not a member. Although this format may be viewed as a loyalty program by some merchants and consumers, it is not a true loyalty program since membership is open to all customers and each member receives the same discount regardless of his/her purchasing history. Many of these programs are able to enroll a large number of participants due to the ease of registration and low member concern for privacy. There are several limitations to this loyalty program. These kind of programs do not reward loyal behavior; they reward card ownership. And therefore they do not encourage repeat purchase and more closely resemble electronic coupons since all customers receive the same benefits regardless of their past purchases. These kinds of programs do not maintain a customer database beyond a members' name and address, they cannot correlate demographic or lifestyle information to purchase behavior or offer special deals to their most profitable consumers. Type 1 loyalty programs are often conducted by small firms that do not have the managerial commitment or resources to conduct a Type 2, Type 3, or Type 4 activities or as a

defensive measure to compete with a more complex loyalty program.

2. Type 2: Members receive 1 free item which they purchase n units

In a Type 2 loyalty program, consumers get one item free, after they have purchased a selected number of items at full price. These programs resemble a quantity discount that is based on a member's total purchases, not the purchase frequency. Type 2 programs are typically self-managed by consumers. The consumer keeps a detailed account of his/her purchases (often on a card), which gets marked at every qualifying purchase. When the number of qualifying purchases is reached, the consumer becomes eligible for a free good or service. While these programs are extremely easy for a firm to administer, they are also very easy for a competitor to copy. In many cases, a marketer's gains are short-lived as competitors match or bear the free offer. A second major problem with Type 2 program is that the firm also has no record of a customer's name and address and cannot communicate with members or offer different rewards to members. Third, the reward is typically the same item that has been purchased by a customer in the past. While getting a free good instead of purchasing it is a reward, it may not be so motivating as another good.

3. Type 3: Members receive rebates or points based on cumulative purchases

Type 3 programs reward points to members based on their past purchases. Marketers of Type 3 programs require a comprehensive database that can track a member's purchases and points. Some Type 3 programs encourage consumers to increase their purchases or reward heavy purchases by having program tiers. Many Type 3 programs involve partnerships with complementary marketer's accumulating points and to increase the variety of reward options. Since most Type 3 program marketers send the same communications to all members, they do not necessarily lead to a closer relationship with its members.

4. Type 4: Members receive targeted offers and mailings

While most Type 4 programs are based on points, these programs are able to offer

individual specialized communications, promotions, and rewards based on their purchase history. The best Type 4 programs go beyond offering discounts based on past purchases to inform customers of specials that they have regularly purchased. These programs also resemble a personal shopper that a company weekly freestanding insert to identify the most relevant deals for its members. Type 4 programs can also be used as a tool to attract consumers who have not been in the stores lately through coupons and special offers. Type 4 merchants have a major commitment to loyalty programs and use these programs as an important element in their marketing strategy. Merchants that use this type of program need to develop and maintain a complex database, be adept at data mining, and be able to administer a complex communication and reward program.

The above mentioned types of loyalty programs can be summarized by the table below.

Table 3.1

Four basic types of customer loyalty programs

Type	Characteritics	Examples
Type 1	<ul style="list-style-type: none"> ➤ Membership open to all customers ➤ Each member receives the same discount regardless of purchase history ➤ Database may not link purchase history to specific customer 	Supermarket programs
Type 2	<ul style="list-style-type: none"> ➤ Membership open to all customers ➤ Clerk “stamps” the loyalty card after each purchase ➤ Customer database is not required 	Local car wash, nail salon, SuperCuts, Airport Fast Park, PETCO
Type 3	<ul style="list-style-type: none"> ➤ Seeks to get members to spend enough to receive qualifying discount 	Airlines, hotels, credit card programs, Staples, Office Depot

Type 4	<ul style="list-style-type: none"> ➤ Members are divided into segments based on their purchase history ➤ Requires comprehensive database of customer demographics and purchase history 	Tesco, Dorothy Lane Markets, Wakefern's ShopRite, Giant Eagle Supermarkets, Harris Teeter, Winn-Dixie, Harrah's Hallmark
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Source: Berman, Barry (2006), "Developing and Effective Customer Loyalty," *California Management Review*, 49 (1), 125

Section Four

Benefits of loyalty program to companies and consumers

As we already know about why and how loyalty programs are designed, it is time to understand how a successful loyalty program actually benefits companies.

1. Benefits of loyalty program by Joseph C. Nunes and Xavier Dreze

According to Nunes and Dreze (2006), there are four benefits that can be obtained from a loyalty program.

1. Keep customers from defecting

The first one is to keep customers from defecting. Loyalty program acts as a barrier to exit; it makes it hard for customers to switch to new companies. Given the high stake of customer's lifetime value, the focus is on keeping accounts from falling into enemy hands.

2. Winning greater share of wallet

The second benefit is said to be winning greater share of wallet. For goods and services a customer typically buys from more than one seller, a loyalty program can encourage the consolidation of purchases. This mainly applies to purchases which are made frequently and in small amounts, such as air travel, groceries, credit, food

and drink as well as gasoline. What is important is to give the customer a reason to steer more of that business into one seller's hand.

3. Additional purchase

Besides, to make prompt customer is also one of the mentioned benefits of loyalty program. It is said that competing for a customer's purchase is a zero-sum game which assumes the customer will buy just so much and no more. In this case, loyalty program can be used to capture the largest portion of that amount. Besides, a multi-tiered loyalty program can also create incremental demand, spurring purchases that would not otherwise be made. This is because in a multi-tiered loyalty program, customers who are on the cusp of attaining the next status level or in danger of slipping to the lower one will often spend more in order to secure the higher ground. Even when status levels are not part of the program, a valued reward can lead consumers to accelerate their purchases, and that can be added up to increase overall consumption.

4. Yield insight into customer behavior and preference

A loyalty program can also yields insight into customers' behavior and preference. A benefit of loyalty programs that has gained prominence in the past decade is their ability to provide useful data about customers. The data can not only produce insights about general buying behaviors but also allow the seller to target promotions to individual customer.

2. Benefits of loyalty program by Barry Berman

According to Berman (2006), there are numerous potential benefits from a successful operated loyalty program other than increased in loyalty, lower price sensitivity and stronger attitudes toward brand and retailers. Those benefits are:

1. Access to important information on consumers and consumer trends

Each time when the loyalty card is used, the consumer's purchase is recorded

onto the firm's database. Companies can use this data to profile their best customers and to tailor their offerings to specific groups of customers. The information on members' behavior can also be used for inventory management, pricing, and promotional planning. A loyalty program's database enable marketers to evaluate the results of special promotions based on additional purchases, use of additional channels, or decreased in time between purchases.

While traditional market research data collection is commonly based on small samples, self-reported data, and requires active respondent cooperation, loyalty program data is typically based on large samples, transactional data, and does not require the active involvement of member aside from swiping their loyalty card. In addition, many loyalty program members are willing to provide demographic data as part of their loyalty membership program application. The large number of loyalty card members also contributes to the richness of loyalty program data and the opportunity for effective data mining. Customer loyalty databases are longitudinal in nature and can be used in analyzing trends over time. These trends relate to purchases, repurchases, related purchases, usage of multiple channels, and time between repurchases.

2. Higher average sales due to cross-selling and up-selling opportunities

By utilizing the data from the loyalty program, firms can cross-sell and up-sell by offering extended warranties after an item is purchased, suggesting accessories, providing discounts on related purchases, increasing the sale of multi-packs to frequent buyers or users with histories of large purchases, or encourage single-channel consumers to use additional channels. A loyalty program offers can also be used to increase demand in slow seasons. The database also enables the program sponsor to examine the success of each promotion and to evaluate which promotions are the most successful.

3. Greater ability to target special consumer segments

Loyalty program enables a retailer to precisely target specialized groups of consumers. A loyalty program can also offers specialized promotions, emails, and/or newsletters to specific groups of consumers.

4. Increased success in implementing product recalls

A retailer can use loyalty program data to facilitate product recalls through tracing the purchase date and bar code of the recalled items. Through emailing a recall notice that is based on the consumer's actual purchase of the affected good, the recall notice is much more likely to be read and acted upon than a sign or newspaper notice directed at the general public.

As a matter of fact, the launch of loyalty program not only benefits the company, but also benefits customers. Loyalty programs allow enterprise to understand their customers better as well as to satisfy their needs and expectations (Bagdoniene and Jakstite 2006). By joining the loyalty program, customers' needs and expectations are expressed. In this case, customers can enjoy better goods or services provided by the company according to their needs and expectations.

Besides, customer loyalty programs relate enterprises and customers, initiate permanent dialogue between them and increase satisfaction level of customers (Bagdoniene and Jakstite 2006). Having a permanent dialogue with enterprise, customers can communicate with the company in a better and more efficient way. Customers' wants and opinions are transmitted to enterprises and better goods and services are then offered to satisfy customers.

Since loyalty program can offer not only benefits to the companies but also to the customers as mentioned above, it is important for company to manage it carefully. Having clearer understanding about the important components of an effective loyalty program may help to run it better and more successful. Therefore, some important components of loyalty program will be introduced in the next section.

Section Five

Factors affect the effectiveness of loyalty program

Since we already know about how can a successful loyalty program benefits both the companies and the customers, it is also important for us to know which factors affect the successfulness of a loyalty program.

1. Important components of loyalty program by Joseph C. Nunes and Xavier Dreze

As said by Nunes and Dreze (2006), there are several important components in deciding a successful loyalty program.

1. Divisibility of rewards

One of them is the divisibility of rewards, which is the number of discrete reward-redemption opportunity a program provides. Customers prefer highly divisible programs because they provide many exchange opportunities that can thus reduce reward waste. Customers see a low-divisibility program as having such a high threshold for rewards that it deters them from even embarking on the quest.

2. Sense of momentum

In addition, sense of momentum is another important component of a successful loyalty program. It is proved that the further along members are in loyalty program, the more they use it. By contrast, at the outset of their membership, their involvement is irresolute. The reason for this is because customers have not yet made any progress, the rewards seem to be far away and they have little sense of how easy it will be to achieve the rewards.

3. Nature of rewards

Since consumers love to be given a treat that would not splurge on with their own money, the most successful loyalty program often feature less functional and more

pleasure-providing rewards.

4. Expansion of relationship

It is important for a company to have a loyalty program that expands the consumers' repertoire of purchase. Besides, in order to make the reward more hedonic, a company may also consider introducing the consumers to a new product and induce their future sales.

5. Combined-currency flexibility

To be attractive, a loyalty program must lead to redemption; that means when the benefits really become the most salient to the customer. The key for the company is to take the redemption as inexpensive as possible.

After having a clearer understanding about the important components of a loyalty program, in order to make it more successful company should also keep in mind the following factors which affect the effectiveness of loyalty program.

2. Specifications of loyalty program by Yuping Liu and Rong Yang

According to Liu and Yang (2009), a loyalty program needs three key specifications.

1. Cost of participation

The first element is participation requirement which pertains to the convenience and cost of participation. Participation modes can be differentiated by voluntary versus automatic enrollment and free verse fee-based membership. Loyalty programs also vary in terms of how convenient it is for consumers to participate. In some loyalty programs, points automatically accumulate while manual code entry by consumers is required in some other types of loyalty programs. The mentioned convenience of participation of a loyalty program is said to affect the appeal of the program.

2. Point structure

The second element affecting the effectiveness of a loyalty program is point structure.

Point structure involves how rewards are issued, what the point thresholds are for redeeming rewards, and whether a tiered structure is used. It is suggested that if the point threshold is too high, it will be considered unobtainable for the average customers and thus will be dismissed as irrelevant. Also program tiers create a point pressure effect on purchase by both price-conscious and service-oriented consumer, whereas the frequency reward itself creates such an effect only for price-conscious customers.

3. Choice and availability of rewards.

The third factors which suggested affecting the effectiveness of a loyalty program is the choice and availability of rewards. The design element includes reward value and cost, actual reward offered, and their compatibility with the focal brand. It is suggested that reward ratio, variety of reward redemption options, and inspirational value of rewards are of same importance in loyalty program effectiveness. Customers prefer luxury rewards when the requirement for their effort is high and they prefer less aspirational necessity rewards when the requirement for their effort is low. Besides, it is also found that brand-congruent rewards are more effective than incongruent rewards.

Chapter Four

Literature Review: Customer Satisfaction

As we know that the successfulness of a loyalty program can be affected by several factors mentioned in the last chapter, in this chapter, customer satisfaction, which is another factor affecting the effectiveness of loyalty programs, will be discussed. In Section One, literatures about the definition of customer satisfaction will be presented followed by discussing the relationship between customer satisfaction and customer loyalty in Section Two.

Section One

Definition of customer satisfaction

Satisfaction is a person's feelings of pleasure or disappointment resulting from comparing product's perceived performance (or outcome) in relation to his or her expectations. Whether the buyer is satisfied after purchase depends on the provider's performance in relation to the buyer's expectation. If the performance falls short of expectations, the customer is dissatisfied. If the performance matches the expectations, the customer is satisfied. If the performance exceeds the expectations, the customer is highly satisfied or delighted (Kotler 2003).

1. Customer satisfaction model by Richard L. Oliver

Oliver (1980) has already mentioned and agreed to the above concept. As mentioned above, satisfaction is a person's feelings of pleasure or disappointment resulting from comparing product's perceived performance (or outcome) in relation to his or her expectations. According to Oliver (1980), these expectations are influenced by several factors:

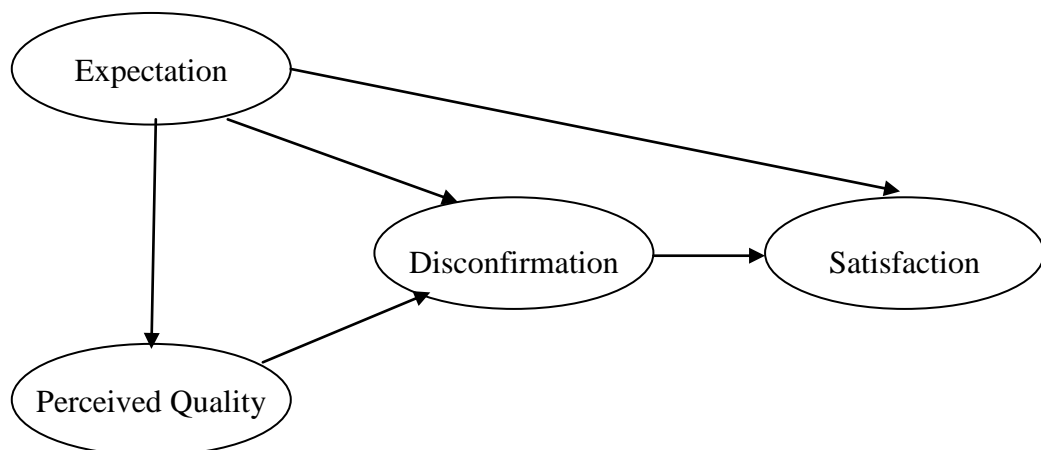
1. The product itself including one's prior experience, brand connotations, and symbolic elements

2. The context including the content of communications from salespeople and social referents
3. Individual characteristics including perusability and perceptual distortion

Post-decision deviations from the adaptation level are thought to be caused by which the product exceeds, meets or falls short of one's expectations, i.e., positive, zero, or negative disconfirmation. Satisfaction can then be seen as an additive combination of the expectation level and the resulting disconfirmation. Other than disconfirmation, Oliver (1980) suggested that satisfaction also interacts with other cognition of an emotional nature which includes the traditional criteria of attitude and purchase intention that has been performed to date. Oliver (1980)'s model implies that consumers judge satisfaction with a product or service by comparing previously held expectation with perceived product performance. If performance is above (below) expectations, positive (negative) disconfirmation occurs and increased (decreased) in customer satisfaction is expected. Therefore, customer satisfaction is a function of expectations and disconfirmation, and predictive expectations are used as the standard for comparison. The concept can be summarized by the following figure.

Fig. 4.1

Antecedents and consequence of customer satisfaction



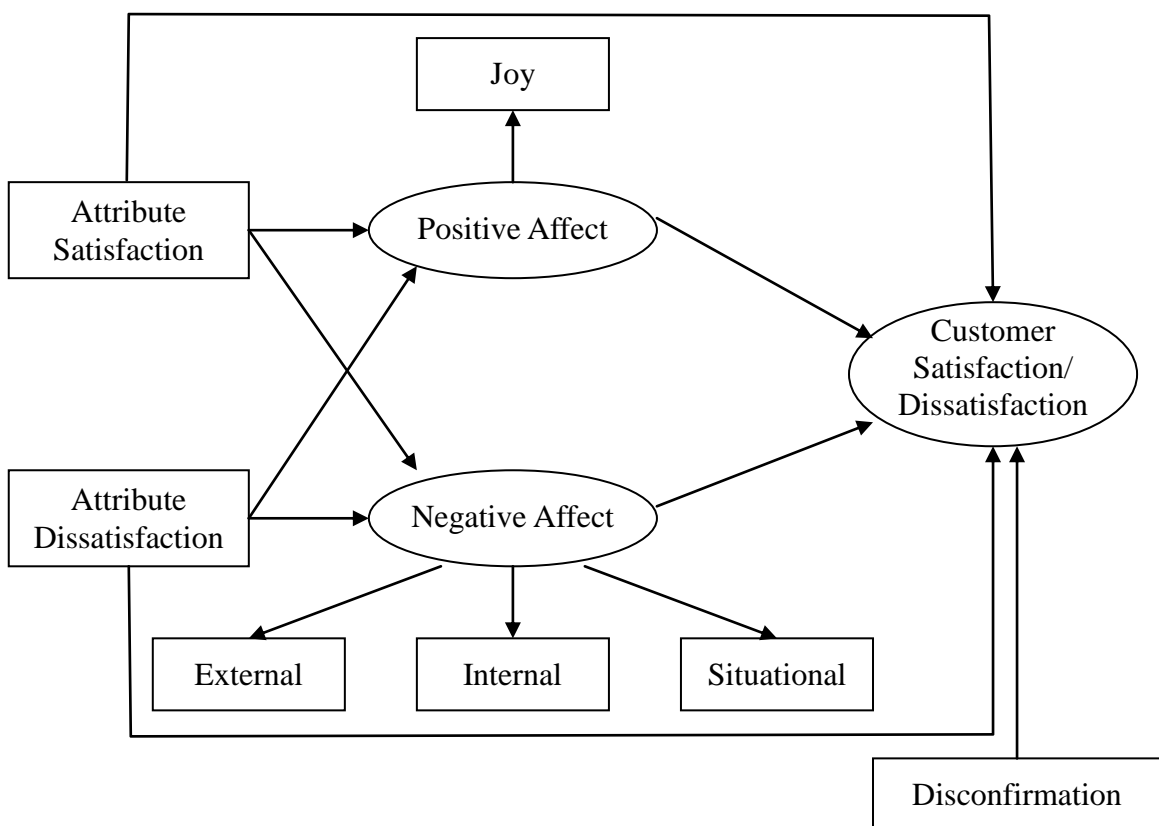
Source: Oliver, Richard L. (1980), "A cognitive model of the antecedent and consequences of satisfaction decisions," *Journal of Marketing Research*, 17 (4), 460-469

2. Customer satisfaction model by Richard L. Oliver

The above mentioned interactions between customer satisfactions and disconfirmation are further discussed by Oliver by incorporating new elements at his later stage of research. Oliver (1993) presented an extended model about how customer satisfaction is affected by affect and attribute which is shown as follow:

Fig. 4.2

Attribute-based satisfaction model



Source: Oliver, Richard L. (1993), "Cognitive, affective, and attribute bases of satisfaction response," *The Journal of Consumer Research*, 20 (3), 422

The above figure suggested that the structure in consumption have two dimensions relating to three negative factors and a positive factor. The first of the negative causal ascriptions appears to be externally targeted at the provider of the product or service, the second apparently is directed inward at the user him/herself, while the third is situational in

nature. For the positive dimension, only joy is related to satisfaction. The figure further explains that attribute satisfaction affects overall customer satisfaction directly and influences positive affect, while attribute dissatisfaction affects overall customer dissatisfaction directly and influences negative affect. Besides, positive and negative affect are positive and negative influences, respectively, on customer satisfaction. The expectancy of disconfirmation paradigm is primary cognitive in nature because the comparison process in disconfirmation judgments requires the deliberate processing of information. It is suggested that disconfirmation is the more influential variable in affecting customer satisfaction.

Factors affecting customer satisfaction

The above models show how customer satisfaction is affected by affect and attribute as well as disconfirmation. However, besides the mentioned three factors, there are variables influence customer satisfactions rating in additional to the stimulus (product or service). Peterson and Wilson (1992) summarized them as follows: 1) General levels of (global, life) satisfaction, 2) Stress caused by negative changes in life status, 3) Overall life satisfaction, 4) Perceived personal competence, 5) Organizational variables, 6) Attitudes toward business, 7) Personal values, 8) Number of shopping choice alternatives (brands, stores, etc.) available to customer, and 9) Amount of brand information.

Section Two

Relationship between customer satisfaction and customer loyalty

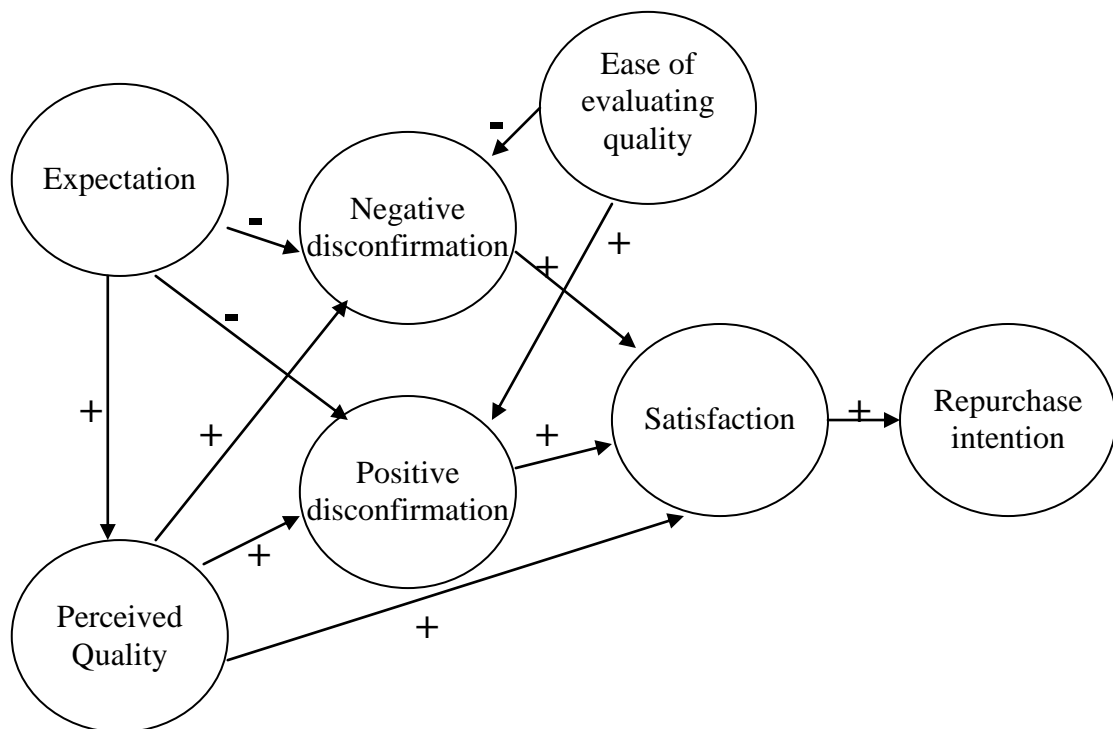
After asserting what kind of factors affect customer satisfaction, it is also important to find out the relationship between customer satisfaction and customer loyalty. In this section, literature reviews related will be presented to stress the relationship between customer satisfaction and customer loyalty

- 1. Relationship between customer satisfaction and customer loyalty by Eugene W. Anderson and Mary W. Sullivan**

Anderson and Sullivan (1993) suggested that customer satisfaction and customer loyalty are positively related. The conceptual framework of their idea is shown in the following figure. Anderson and Sullivan (1993) introduced a framework in which satisfaction to have a positive impact on purchase intention, in other words, customer loyalty. In this model, satisfaction is a function of perceived quality and disconfirmation. In the disconfirmation paradigm, expectations are expected to have a direct positive effect on perceived quality. However, expectations affect satisfaction only via perceived quality and disconfirmation. Besides, disconfirmation has both negative and positive component with separate effects on satisfaction. Finally, ease of evaluating quality is also an important moderating influent on the extent of disconfirmation.

Fig. 4.3

Antecedents and consequence of customer satisfaction



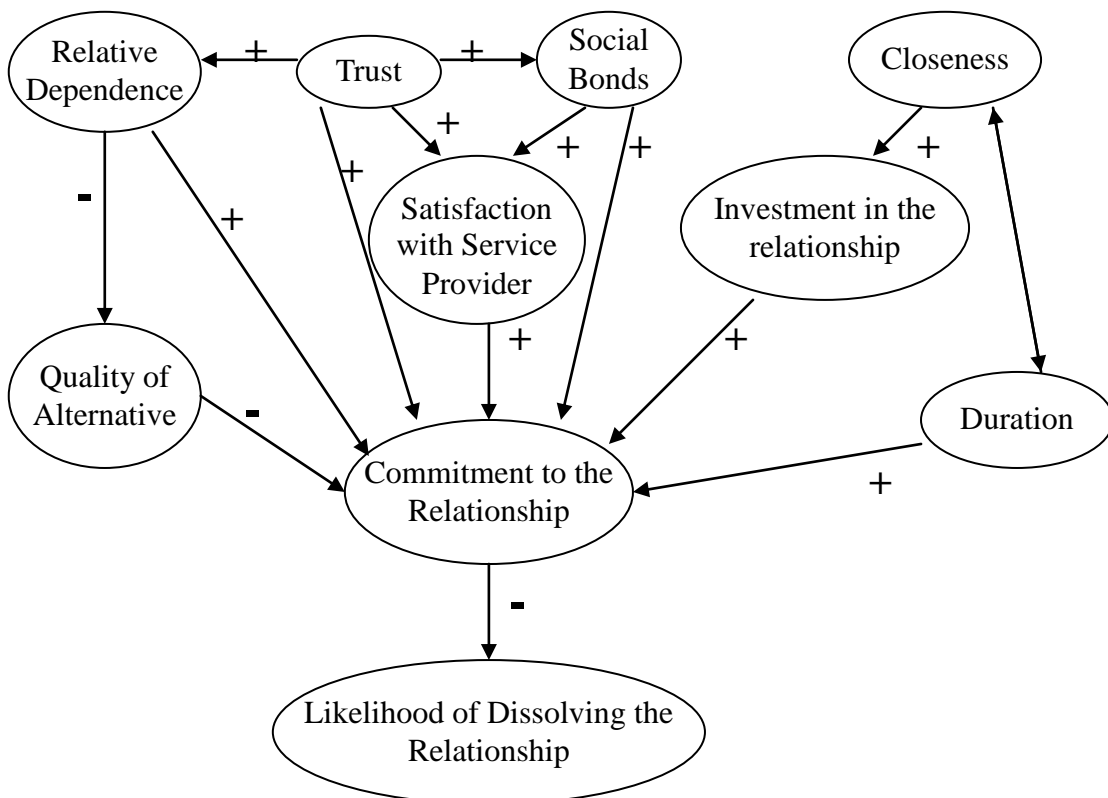
Source: Anderson, Eugene W. and Mary W. Sullivan (1993), "The antecedents and consequences of customer satisfaction for firms," *Marketing Science*, 12 (2), 127

2. Relationship between customer satisfaction and customer loyalty by Mary Ann Hocutt

The concept of customer satisfaction and customer loyalty are positively related was further supported by Hocutt (1998). By using an investment model framework, Hocutt (1998) developed the relationship dissolution model with the intention of applying it to a consumer-service provider relationship. The focus of this model is on the relationship commitment (customer loyalty) and it is shown as follows:

Fig 4.4

Relationship dissolution model



Source: Hocutt, Mary Ann (1998), "Relationship dissolution model: antecedents of relationship commitment and the likelihood of dissolving a relationship," *International Journal of Service Industry Management*, 9 (2), 191

According to Hocutt (1998), it is important to assess customer satisfaction

continuously in a relationship marketing situation. Higher levels of satisfaction have been found to lead to higher levels of commitment (customer loyalty). In other words, there is a positive correlation between relationship satisfaction and commitment. However, it is important to note that relationship satisfaction ratings alone do not necessarily reflect customer's future loyalty. The model in fact depicts another two key structural antecedents to relationship commitment (customer loyalty) in addition to relationship satisfaction. They are available alternatives and investment size.

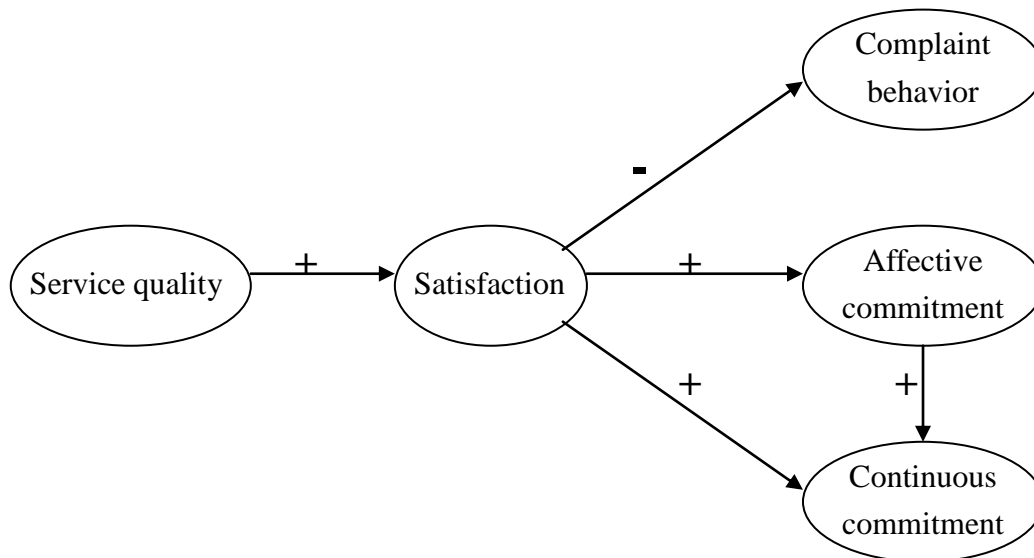
For example, a customer may be dissatisfied with a consumer-provider relationship, but still remain in that relationship because there is no other choice (i.e. either there are no viable alternatives or the amount of investment is too great). Therefore, the above model implies that commitment is stronger with satisfaction levels are high; quality of alternatives is perceived to be poor, and when the investment size is large. Besides, commitment can also be strong when both large investments and poor alternatives manage to trap a consumer in an unhappy relationship.

3. Relationship between customer satisfaction and customer loyalty by Shemwell, Donald J., Ugur Yavas and Zeynep Bilgin

Customer satisfaction and customer loyalty are suggested to have a positively relationship by the two conceptual framework mentioned above. However, as declared in the pervious section, customer loyalty can be further interpreted as attitudinal loyalty and behavioral loyalty. Shemwell, Yavas and Bilgin (1998) have introduced another conceptual framework to explain the relationship of customer satisfaction with attitudinal loyalty and behavioral loyalty respectively. The following figure provides an overview about their framework.

Fig 4.5

Conceptual model



Source: Shemwell, Donald J., Ugur Yavas and Zeynep Bilgin (1998), "Customer-service provider relationships: an empirical test of a model of service quality, satisfaction and relationship-oriented outcomes," *International Journal of Service Industry Management*, 9 (2), 157

The framework indicated that customer satisfaction is positively related with affective commitment and continuous commitment. Affective commitment (attitudinal loyalty) here means the level of trust between consumer and supplier, the strength of emotional bonds felt by one or both parties. On the other hand, Continuous commitment (behavioral loyalty) is cognitive or evaluative, bottom line consequences such as a consumer's propensity of repeat purchase. The empirical result of Shemwell, Yavas and Bilgin (1998)'s study shown that there is a strong relationship between customer satisfaction and affective commitment and continuance commitment.

To summarize, all the above early researches proved that customer satisfaction do affect customer loyalty, no matter as a whole or separately as attitudinal loyalty and behavioral loyalty. Besides, their relationship is a positive one.

4. Relationship between customer satisfaction and customer loyalty by Philip Kotler

Although the above frameworks suggested that customer satisfaction and customer loyalty is positively related, it is suggested by Kotler (2003) that the link between customer satisfaction and customer loyalty is not proportional. Suppose customer satisfaction is rate on a scale from one to five, customer is predicted to have different reactions in each level shown by the table below

Table 4.1

Relationship between customer satisfaction and customer loyalty

Customer satisfaction level	Customer loyalty reaction
1	➤ Customers are likely to abandon the company and even bad-mouth it
2	➤ Customers are fairly satisfied but still find it easy to switch when a better offer comes along
3	
4	
5	➤ Customers are very likely to re-purchase and even spread good word-of-mouth about the company

The above table indicates that only extremely high satisfaction or delight creates not only rational preference, but also emotional bond with the brand or company. This confirmed with Oliver (1997) that consumer satisfaction is defined as pleasurable fulfillment. That is, the consumer senses that consumption fulfills some need, desire, goal or so forth and this fulfillment is pleasurable. Thus, satisfaction is the consumer's sense that consumption provides outcomes against a standard of pleasure versus displeasure. For satisfaction to affect loyalty, frequent or cumulative satisfaction is required so that individual satisfaction episodes become aggregated or blended.

After having a deeper understanding about customer loyalty, loyalty programs and

customer satisfaction, the foundation of our empirical research written by Keh and Lee will be introduced in details in the next chapter.

Chapter Five

Summary of the original research

This study is completed base on the framework of a pervious research paper “Do reward programs build loyalty for services? The moderating effect of satisfaction on type and timing of rewards,” written by Hean Tat Keh & Yih Hwai Lee, published at Journal of Retailing, 82 (2), page 127-136 in 2006. In this chapter, the context of the original research will be abbreviated. The research background will be briefly introduced in Section One. Then in Section Two, the hypotheses used in the original research will be presented, followed by detailed explanation of the methodology adopted in Section Three. In the last section, the result of the research will be announced.

Section One

Research background

Since the effectiveness of loyalty program, which is an important component of customer relationship management (CRM), has been questioned, Keh & Lee investigated how the type and timing of rewards affect customer loyalty of service as well as whether the effectiveness of this reward structures is moderated by customer satisfaction. Through their investigation, they would like to find out the answers of the following questions:

1. Between redeeming an immediate reward that has lower value and redeeming a delayed reward that has higher value, which one has a stronger effect on customer loyalty?
2. How does relatedness of reward affect customer loyalty?
3. Does customer satisfaction moderate the relative effectiveness of these different reward configurations?

Section Two

Hypotheses development

In order to find out the answers of the above questions, Keh & Lee developed their investigation with several hypotheses. Further, the hypotheses are set under different conditions, when customers are satisfied and dissatisfied. The details of the hypotheses are as follows:

H1: When the customers experienced satisfied service,

- a. Delayed rewards of higher value, compared to immediate rewards, would build higher loyalty
- b. Direct rewards, compared to indirect rewards, would build higher loyalty
- c. The positive effects of direct over indirect rewards on loyalty would be more pronounced if the rewards were delayed rather than immediate

H2: When the customers experienced dissatisfied service,

- a. Immediate rewards, compared to delayed rewards of higher value, would build higher loyalty
- b. Direct rewards, compared to indirect rewards, would build higher loyalty
- c. The positive effects of direct over indirect rewards on loyalty would be more pronounced if the rewards were immediate rather than delayed

Section Three

Methodology

Keh and Lee (2006) used a 2 x 2 x 2 full-factorial, randomized, mixed effects experimental design. Timing of reward redemption (immediate vs. delayed), type of rewards (direct vs. indirect) and service experience (satisfied vs. dissatisfied) are designed as between-subject variables; while two service organization settings (bank and restaurant) serve as a within-subject replication factor. The treatment groups are dissimilar from each

other by manipulating reward type, reward timing, and service experience through scenario exposures.

1. Pre-test

After positing different scenarios, Keh and Lee (2006) conducted several pre-testes to confirm which scenarios to be chosen. Those pre-testes are:

1. Reward setting

The proposed reward are presented to 25 participants where they rate their preferences on 5-point Liker scales (1 = Do not like at all, 5 = Like very much). The finalized rewards used in the survey are as follows:

Table 5.1

Reward program used in the original research

	Type of rewards	
	Direct	Indirect
Bank		
Timing of redemption		
Immediate	<ul style="list-style-type: none"> ● For every \$100 spent on the credit card, a rebate of \$1 is credited immediately into the account to offset bank charges 	<ul style="list-style-type: none"> ● For every \$100 spent on the credit card, the customer gets a \$1 shopping voucher valid immediately at select department stores
Delayed	<ul style="list-style-type: none"> ● For every \$100 spent on the credit card, a rebate of \$2 is credited immediately into the account, which can be used at the end of the year to offset future monthly bank charges 	<ul style="list-style-type: none"> ● For every \$100 spent on the credit card, the customer gets a \$2 shopping voucher valid at select department stores during the upcoming Christmas season
Restaurant		
Timing of redemption		
Immediate	<ul style="list-style-type: none"> ● For every \$100 spent at the restaurant, the customer gets a \$10 immediate discount off the current bill 	<ul style="list-style-type: none"> ● For every \$100 spent at the restaurant, the customer gets a \$10 movie ticket voucher valid immediately
Delayed	<ul style="list-style-type: none"> ● For every \$100 spent at the restaurant, the customer gets a \$15 discount coupon valid from December 	<ul style="list-style-type: none"> ● For every \$100 spent at the restaurant,, the customer gets a \$15 movie ticket voucher valid two from December onwards

Source: Keh, Hean Tat and Yih Hwai Lee (2006), “Do reward programs build loyalty for services? The moderating effect of satisfaction on type and timing of rewards,” *Journal of Retailing*, 82 (2), 130

2. Satisfaction level

The same pretest subjects for the reward manipulations are asked to evaluate the level of their satisfaction with the proposed scenarios through a 5-point Likert scales anchored by “Unfavorable / Favorable,” “Unpleasant / Pleasant,” “Displeased / Pleased,” “Frustrated / Delighted,” and “Dissatisfied / Satisfied.” The finalized satisfied and dissatisfied scenarios used for bank and restaurant in the survey are as follows:

Table 5.2

Satisfied and dissatisfied scenarios used

<p>Bank Context:</p> <p>Assume that you are a customer of Innofirst Bank. The banking services you have with the bank include a savings account, intra-bank transfers and credit services through your credit card. Most of the time you make use of the automated services (e.g., ATM, cash deposit, updating bank book), hence, the time you spend on the back premises is rather short. The ATMs of Asian Bank are conveniently located at various places and breakdown is minimal...</p> <p>Experience Manipulation...</p> <p>Satisfactory Experience</p> <p>In general, whatever queries and issues you have had using your credit card from Asian Bank have been handled promptly and fairly.</p> <p>Dissatisfactory Experience</p> <p>Lately, you have been over-billed on two pervious credit card transactions. On each occasion, you had to make a few phone calls before the issue was resolved.</p>
<p>Restaurant Context:</p>

Assume that you are a customer of PotterHouse Restaurant, which is rated favorably by food critics in terms of its food quality and reasonable prices. It serves fresh seafood, which is popular with you and your family...

Experience Manipulation...

Satisfactory Experience

In general, you have observed that the waiters are prompt and pleasant. They are usually able to accommodate your requests, such as seating you quickly even when you have not made a prior reservation.

Dissatisfactory Experience

In the past few visits, you were kept waiting for about 15 minutes upon arrival even after you had made reservations. There were times when you had to remind the waiters twice before they served you the main course, even though you had long finished the soup.

Source: Keh, Hean Tat and Yih Hwai Lee (2006), "Do reward programs build loyalty for services? The moderating effect of satisfaction on type and timing of rewards," *Journal of Retailing*, 82 (2), 135

3. Scenario evaluation

Since there are altogether four approaches (timing x type) to structure reward programs, and participants were being placed in either service experience (satisfied vs. dissatisfied), Keh and Lee designed eight different sets of questionnaires for the eight treatment groups. The questionnaire first started with the scenario which begins with a description of the service and the context (to prime the subject accordingly), followed by the details of the reward (explaining exactly what it entails and how to redeem it). The scenario ends with an account of the service experience (satisfied vs. dissatisfied) the participants have with the firm. 20 participants are shown the various scenarios for another pre-tested. The participants value those scenarios for their credibility (1 = not credible, 5 = creditable), realism (1 = not realistic, 5 = realistic) and ease of understanding (1 = difficult to understand, 5 = easy to understand).

2. Survey

After confirming the scenarios being used in the survey through the pre-testes, questions using to assert the level of customers are being added to the scenarios in order to finalize the questionnaire. The questions being asked can be divided into five different aspects in order to measure customer loyalty, they are:

1. Repeat-purchase intention
2. Self-stated retention
3. Price insensitivity
4. Commitment to vendor
5. Likelihood of spreading positive word-of-mouth

The following is a sample of the scenarios and measures used by Keh and Lee (2006).

Fig. 5.1

Sample scenarios and measure used

For immediate-direct rewards in the satisfied service experience context

Assume that you are a customer of Innofirst Bank. The banking services you have with the bank include a savings account, intra-bank transfers and credit services through your credit card. Most of the time you make use of the automated services (e.g., ATM, cash deposit, updating bank book), hence, the time you spend on the back premises is rather short. The ATMs of Asian Bank are conveniently located at various places and breakdown is minimal.

On average you spend \$500 per credit card transaction. Recently, in its monthly flyer to all of its credit card holders the bank informed you that for every \$100 spent on the credit card, a rebate of \$1 is credited immediately into the account to offset bank charges

In general, whatever queries and issues you have had using your credit card from Asian Bank have been handled promptly and fairly.

Measures

Manipulation Checks for Service Experience

(Five 5-point Likert scales anchored by “Unfavorable / Favorable,” “Unpleasant / Pleasant,” “Displeased / Pleased,” “Frustrated / Delighted,” and “Dissatisfied / Satisfied.”)

Dependent Measures for Customer Loyalty

Repeat purchase intention

I am likely to return to the bank

I intend to use the services offered by the bank as often as I can in the future.

Self-stated retention

I do not foresee myself switching to another bank

I would consider this bank my first choice when banking

Price insensitivity

I would still continue to be a customer of this bank even if it were to rise fees slightly.

I would switch to a competing bank that offers a better price on their service.

Commitment to vendor

I would switch to a competing bank if I experience a problem with its service.

I would stand by this bank even if its service has dropped in standard on rare occasions.

Word-of-mouth

I would highly recommend the bank to my friends and family.

I would say positive things about the bank to other people.

Source: Keh, Hean Tat and Yih Hwai Lee (2006), “Do reward programs build loyalty for

services? The moderating effect of satisfaction on type and timing of rewards,”
Journal of Retailing, 82 (2), 135

Section Four

Data Collection

With the help of a research firm, Keh and Lee (2006) recruited 205 participants (55 percent females/45 percent males; average age-30 years old) in Singapore for the experiment (conducted in the research firm’s facility), who were paid \$15 each for their efforts.

Table 5.3

The research sample size of Keh and Lee

	Questionnaires completed and returned
Satisfied	
Immediate x Direct	27
Immediate x Indirect	28
Delayed x Direct	24
Delayed x Indirect	25
Dissatisfied	
Immediate x Direct	23
Immediate x Indirect	26
Delayed x Direct	24
Delayed x Indirect	25
Total	205

Participants first read either the bank or restaurant scenario, followed by the manipulation check for service experience satisfaction and the dependent measures of assessing customer loyalty. This process is then repeated for the second service context (either restaurant or bank).

Section Five

Results

Cronbach's alphas for the customer loyalty responses are .91 and .89 for the bank and restaurant respectively. Simple averages are then calculated from the raw scores of these items for further analysis. Customers' loyalty responses for the two scenarios are treated as repeated measures and used to examine the between-subjects effects of service experience (satisfied vs. dissatisfied), reward type (direct vs. indirect), and reward timing (immediate vs. delayed).

As the result, under satisfied service experience condition, delayed rewards with higher value shows higher loyalty than immediate rewards. On the other hand, under dissatisfied service experience condition, loyalty is significantly higher for immediate rewards than delayed rewards with higher value. The findings supported both H1a and H2a. Besides, the result indicated that no matter under satisfied service experience condition or dissatisfied service experience condition, direct rewards gain higher loyalty than indirect rewards. Therefore, both H1b and H2b are being supported.

Finally, the results shown that in satisfied service experience condition, the superiority of direct over indirect rewards is greater when they are delayed than when they are immediate. And in dissatisfied service experience condition, the results shown that the superiority of direct over indirect rewards is greater when they are immediate than when they are delayed. Hence, both H1c and H2c are being supported. The above results are shown by the following tables.

Table 5.4

Descriptive statistics and ANOVA results

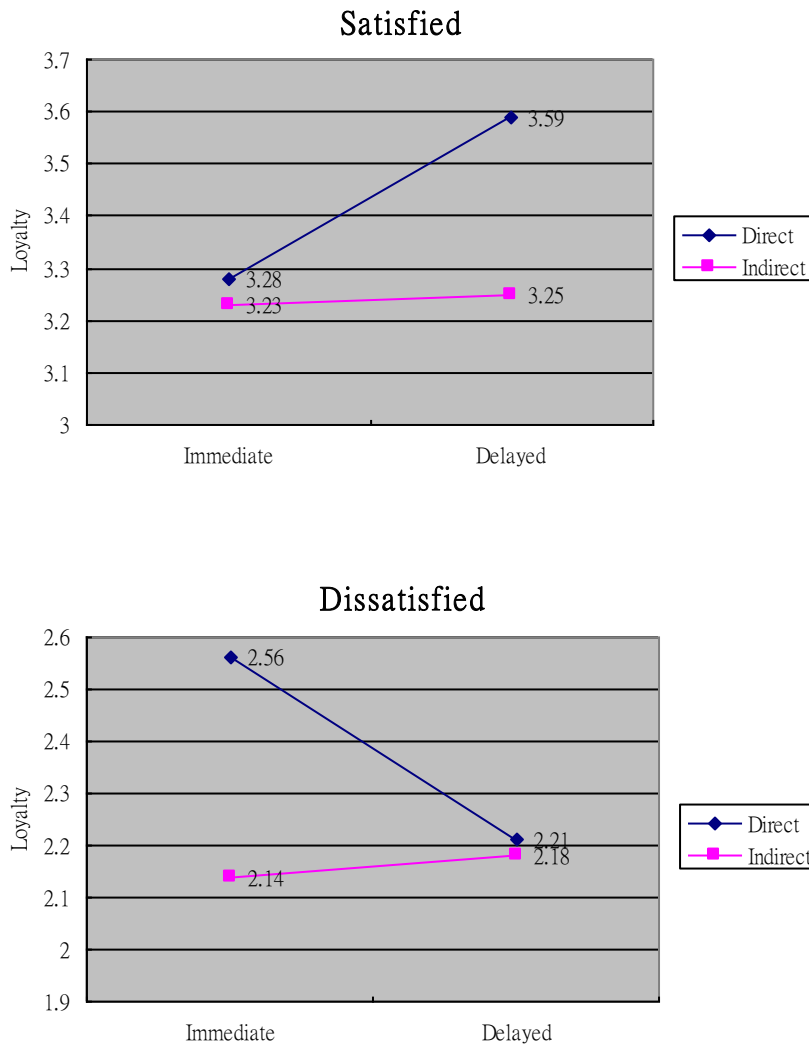
Descriptive	Bank		Restaurant	
	Mean	SD	Mean	SD
Satisfied				
Immediate-Direct (n=28)	3.18	.49	3.37	.50
Immediate-Indirect (n=30)	3.13	.29	3.33	.30
Delayed-Direct (n=21)	3.60	.42	3.59	.46
Delayed-Indirect (n=20)	3.17	.51	3.34	.51
Dissatisfied				
Immediate-Direct (n=30))	2.48	.27	2.64	.38
Immediate-Indirect (n=25)	2.18	.46	2.09	.58
Delayed-Direct (n=30)	2.22	.26	2.21	.36
Delayed-Indirect (n=25)	2.14	.42	2.21	.46

ANOVA	df	MS	F	Sig.
Reward Timing	1	.008	.03	.860
Reward Type	1	4.580	17.89	<.001
Satisfaction	1	116.620	456.04	<.001
Timing x Type	1	.050	.20	.66
Timing x Satisfaction	1	2.670	10.45	<.005
Type x Satisfaction	1	.040	.14	.71
Timing x Type x Satisfaction	1	2.990	11.69	<.005
Error	197	.260		

Source: Keh, Hean Tat & Yih Hwai Lee (2006), "Do reward programs build loyalty for services? The moderating effect of satisfaction on type and timing of rewards," *Journal of Retailing*, 82 (2), 132

Fig 5.2

Plot of three-way interactions among reward type, reward timing, and satisfaction (using marginal means).



Source: Keh, Hean Tat & Yih Hwai Lee (2006), “Do reward programs build loyalty for services? The moderating effect of satisfaction on type and timing of rewards,” *Journal of Retailing*, 82 (2), 133

The above figures imply that the delayed-direct reward dominates in the satisfied service experience condition over all other rewards, while the immediate-direct reward dominates in the dissatisfied service experience condition over all other rewards.

To summarize, Keh and Lee (2006)'s research suggested that in satisfied service experience condition, no significant differences among immediate-direct, immediate-indirect, and delayed-indirect rewards are found, and these three rewards are less effective in inducing loyalty than delayed-direct rewards. On the other hand, in dissatisfied service experience condition, no significant differences among immediate-indirect, delayed-direct, and delayed-indirect rewards are found, and all three rewards are less effective in inducing loyalty than immediate-direct rewards.

Keh and Lee (2006) concluded that delayed rewards work better than immediate ones only if the service experience is satisfactory. Therefore, in order to enhance loyalty, direct rewards should be delayed for satisfactory experiences but the same rewards should be immediate for dissatisfactory experiences.

The details of the research done by keh and Lee (2006) can be summarized as follows:

Table 5.5

Summarization of the research done by keh and Lee (2006)

Research area:	Singapore
Targeted industry:	Service industry only (bank and restaurant)
Number of scenarios:	16 (industry X satisfaction X reward timing X reward type)
Sample size:	205 (24-28 participants per each scenario)
Pretest:	<ol style="list-style-type: none"> 1. Reward setting 2. Satisfaction level 3. Scenario evaluation

Chapter Six

Hypotheses development

In this study, hypotheses are developed following the original research with additional propositions. Hypotheses in the first part, which related to customer satisfaction, are exactly the same with the original research done by Keh and Lee in 2006. However, in the second part, which related to product involvement, is an addition concept added in this study.

Section One

Customer satisfaction

As mentioned in the pervious section, Keh and Lee suggested that it is still a quarrel that satisfied and dissatisfied customers perceive reward programs loyalty in different way and further study is needed to verify this relation. Further evidence supported this concept. Gomez, Arranz and Cillan (2006) claimed that one of the ability of loyalty program is to raise customer satisfaction and also to reduce the customer dissatisfaction when a problem arises in the relationship with the supplier. Besides, it is also advocated that obtaining certain rewards can generate positive feelings toward the retailer implementing the program (Gomez, Arranz and Cillan 2006). These feelings linked to the purchaser experience involve a greater satisfaction leading to a higher purchase intention and further lead to customer loyalty (Oliver 1997).

Therefore, in order to verify the relation between customer satisfaction and loyalty program, hypotheses in this study are developed by separately examining the effectiveness of different reward configurations (type and timing) under customer satisfied and dissatisfied conditions.

The idea will be demonstrated by specifying the differences between satisfactory and

dissatisfactory experiences interplay between reward type and reward timing. In other words, a three-way interaction involving reward type, reward timing, and customer satisfaction is proposed.

1. H1: Relationship between customer satisfaction and customer loyalty

As mentioned in the previous section, customer satisfaction and customer loyalty are positively related (Anderson and Sullivan 1993, Hocutt 1998, Shemwell, Yavas and Bilgin 1998, Kolter 2003). Therefore, we first expected that:

- Loyalty response would be higher in the satisfied than in the dissatisfied conditions

2. H2: Reward programs when customers are satisfied

Previous researches showed the reward timing and reward type play important role in forming different types of reward programs. Considering the time of redemption, Keh and Lee (2006) claimed that higher perceived value of delayed rewards is seen as more attractive to customers. This is because “customers tend to prefer delayed reward to immediate reward when delayed reward is of higher value. Besides, when the value of the reward is only a small fraction of the total value of the product or service, consumer would not mind postponing the reward to a late date, especially if the delay reward offers a higher value (Keh and Lee, 2006, p. 129)”.

On the other hand, in choosing the types of reward, Keh and Lee (2006) suggested that a direct reward should be more easily and unambiguously integrated to form an evaluation of the mental account of the product or service and customer satisfaction is greater when resources from similar categories are exchanged, holding the values constant. This is further supported by Rothschild and Gaidis (1981), who claimed that primary reinforces (the core product or service), are more powerful than secondary reinforces (coupon and tokens). In addition to this, Dowling and Uncles (1997) also suggested that loyalty programs that directly support the value proposition

and positioning of the target product is better when compare to rewards which are designed to motivate loyalty in a more indirect route.

Under the condition that a direct reward is more preferable than an indirect reward, Keh and Lee (2006) further stated that since the value of the rewards are higher for delayed than for immediate rewards, the positive incremental effect of direct over indirect rewards should be greater for delayed than immediate rewards. Therefore, reward timing and reward type in a satisfied condition will affect customer loyalty as follows:

- a. Delayed rewards of higher value, compared to immediate rewards, would build higher loyalty
- b. Direct rewards, compared to indirect rewards, would build higher loyalty

Since it is suggested that delayed reward is better than immediate reward and direct reward is better than indirect one, it is assumed that the combination of delayed and direct reward would be the best within all types of program settings. Therefore, base on hypotheses H1a and H1b, we further posit that

- c. Delayed-direct reward would generate the highest loyalty responses among all types of loyalty programs

3. H3: Rewards programs when customers are dissatisfied

Post-purchase determines customer loyalty (Kotler 2003). Satisfaction or dissatisfaction with the product or service will influence a consumer's subsequent behavior. Dissatisfied consumers may abandon or return the product. Certainly, it is important for the supplier or service provider to satisfy their customers. However, sometimes it is unavoidable for dissatisfaction to occur. As mentioned earlier, since one of the advantages of loyalty program is to raise customer satisfaction and to reduce the customer dissatisfaction when a problem arises in the relationship with the

supplier (Gomez, Arranz and Cillan 2006), we are interested to examine the relative effectiveness of loyalty programs for a dissatisfied condition in this study.

As suggested by Keh and Lee (2006), when a customer is dissatisfied, immediate rewards, instead of delayed rewards, would enhance effective value and more effectively buffer the displeasure felt. On the contrary, delayed rewards, whether direct or indirect, are less likely to be effective. This is because “the dissatisfactory experience could dissuade the customer from revisiting the retail or service organization, hence negating the reinforcement effect from delayed benefits” (Keh and Lee, 2006, p. 129).

More to the point, Keh and Lee (2006) claimed that direct reward should be more effective in offsetting the negative experience. Therefore, reward timing and reward type in a dissatisfactory condition will affect customer loyalty as follows:

- a. Immediate rewards, compared to delayed rewards of higher value, would build higher loyalty
- b. Direct rewards, compared to indirect rewards, would build higher loyalty

Since it is suggested immediate reward is better than delayed reward and direct reward is better than indirect one, it is assumed that the combination of immediate and direct reward would be the best within all types of program settings. Therefore, based on hypotheses H2a and H2b, we further posit that

- c. Immediate-direct reward would generate the highest loyalty responses among all types of loyalty programs

Section Two

Product involvement

In order to add originality to this study, product involvement is added as another moderating factor which affects the effectiveness of the loyalty program (Dowling and Uncles, 1997, Keh and Lee 2006, Te'eni-Harari and Lehman-Wilzig 2009). Keh and Lee (2006) mentioned that it is also possible that the type of organization could have a moderating effect. Keh and Lee (2006) considered that the organizations (bank and restaurant) they used in the original research have high level of involvement. Therefore, in this study, another organization (supermarket), which is considered to have lower level of involvement, is added in order to examine whether product involvement will or will not affect the effectiveness of loyalty program.

According to Te'eni-Harari and Lehman-Wilzig (2009), involvement is created by the personal significance that the individual ascribes to the features of the object (product or service). Involvement level of different people will vary in relation to the same object, due to differences in personality, previous experience, the consumer's socio-demographic status, etc. Since involvement is a matter of interpretation instead of the stimulus itself, "Product involvement reflects recognition that a particular product or service category maybe more or less central to people's lives, their sense of identity and their relationship with the rest of the world. In other words, product involvement is the perceived personal relevance of the product, based on needs, values or interest (Te'eni-Harari and Lehman-Wilzig, 2009, p.205)."

Earlier researches suggested that product involvement affects customer in the following ways:

1. The decision-making process regarding a product
2. The extent of the customer's search for information about the product
3. The manner in which the consumer's attitudes and preferences regarding the product

4. The consumer's perceptions regarding the various alternatives to the same product category

Product involvement can be further divided into high and low level.

1. **H4: High-involvement product**

High-involvement products need consumers to hold attitudes toward both brands and products (Guthrie and Kim 2009). Therefore, high-involvement products are products which the relation with customer values and needs are perceived as important and/or create feelings of uncertainty or risk. Besides, high-involvement product requires more time, attention and effort from customers when they search for product information, process product-related information in advertisements and evaluate brands. Keh and Lee (2006) considered the organizations (bank and restaurant) they used in the original research have high level of involvement. In this study, bank is the organization which providing high-involvement product and service.

Guthrie and Kim (2009) suggested that consumer involvement can be described as the personal relationship one holds with a product or service provider. In this case, high-involvement products might imply longer relationship a customer would like to have with a product or service provider. Therefore, they will prefer to have delayed reward over immediate rewards. According to Dowling and uncle (1997), for high-involvement products and services, the product but not the incentive should be the reward to enhance loyalty. As a result, we expected that:

- a. Delayed rewards of higher value, compared to immediate rewards, would build higher loyalty in the bank scenarios
- b. Direct reward, compared to indirect rewards, would build higher loyalty in the bank scenarios

2. **H5: Low-involvement product**

In contrast, Low-involvement products only need consumer to display positive attitudes toward specific product classes (Guthrie and Kim 2009). Low-involvement products are products which have no relation with customer values, needs or beliefs, and/or are not perceived as important and risky. In addition, low-involvement product requires fewer attributes from consumers during product and brand evaluations. Time required to spend on brand name comparison is also lesser and decision making process is then more simple. Kuenzel and Musters (2007) with support from Knox and Walker (1992) considered grocery products having low-involvement. Therefore, in this study, supermarket is the organization which providing low-involvement products and services.

Guthrie and Kim (2009) suggested that consumer involvement can be described as the personal relationship one holds with a product or service provider. In this case, low-involvement product might imply shorter relationship a customer would like to have with a product or service provider. Therefore, they will value immediate reward over delayed rewards. According to Dowling and uncle (1997), for low-involvement products and service, the incentive but not the product should be the reward to enhance loyalty. Based on these, it is expected that:

- a. Immediate rewards, compared to delayed rewards of higher value, would build higher loyalty in the supermarket scenarios.
- b. Indirect rewards, compared to direct reward would build higher loyalty in the supermarket scenarios.

Chapter Seven

Survey information

The survey in this study is done by imitating the original research with little modifications added. A comparison of the survey information between the original research and this study is shown as follows:

Table 7.1

Comparison of the survey information between the original research and this study

	Original research	Current study
Research area	Singapore	Hong Kong
Targeted industry	High-involvement (bank and restaurant)	Low-involvement (supermarket) and High-involvement (bank)
Number of scenarios	16 (industry X satisfaction X reward timing X reward type)	16 (industry X satisfaction X reward timing X reward type)
Sample size	205 (24-28 participants per each scenario)	209 (20-30 participants per each scenario)
Pretest	<ol style="list-style-type: none"> 4. Reward setting 5. Satisfaction level 6. Scenario evaluation 	<ol style="list-style-type: none"> 1. Satisfaction level for satisfied and dissatisfied experience for supermarket

The above table indicated that there is a change in research area, target industry and the number of pre-test done. These modifications are due to different reasons which will be explained in details in Section One and Two. Then, in Section Three, the methodology used in the survey will be presented. In Section Four, the details of the data will be announced. Finally in Section Five, the result of our findings will be presented.

Section One

Scenario background

1. Research area

The reason that Hong Kong is chosen as the target area for this survey is because of the high level of awareness of loyalty programs for both the customers and the companies. An evidence to support this is that in August 2004, the Hong Kong Association for Customer Service Excellence commissioned the Strategic Information and Intelligence Division of the Hong Kong Productivity Council (HKPC) to carry out a research project known as “Service Appreciation and Customer Loyalty”. The survey was conducted between August and November 2004. Not only companies but also customers were targeted by the research. 600 companies adopting loyalty program were interviewed and among them, a total of 23 companies were selected for an in-depth face-to-face interview. On the other hand, a telephone survey on 501 general consumers aged between 18 and 64 were also conducted to collect consumers’ opinion.

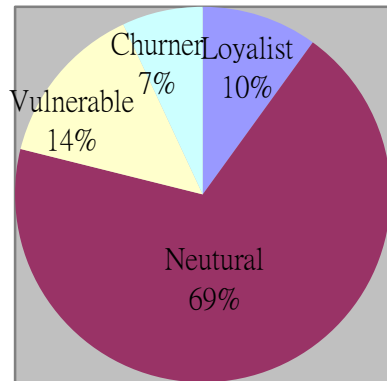
The result of the survey indicated that both the customers and companies in Hong Kong are highly aware of the appearance of loyalty program and they also demand for improvements in present loyalty programs. The survey implied that there is a need for an assessment of an effective loyalty program in Hong Kong which can be further divided into consumer needs and company needs.

1. Consumer side

According to the survey, among the 501 consumer participants, only 10% of them were truly loyal who only want to do patronage from the current brands or service providers. Most customers (69%) considered themselves as “neutral”, staying with their existing brands or service providers subject to no change in the level of satisfaction. Another 14% are “vulnerable”, who are looking for alternatives constantly. The reminding 7% never stuck to a single service provider or brand.

Fig. 7.1

Type of consumer in Hong Kong



Although only 10% of the customer claimed themselves as loyal customers, over 95% rated the product or service quality in Hong Kong as average or above average, which indicated that companies in Hong Kong are attaining customer satisfaction. Besides, most of the customers used loyalty programs such as bonus point rewards, loyalty card and end-of-year rebates in their purchase experience.

Furthermore, consumers in Hong Kong also agreed that loyalty could be consolidated results in more frequent visit, repeated purchase and higher spending if the loyalty program led to better service and a strengthened relationship. Customers in Hong Kong also listed up loyalty programs which they considered as effective in retention. Two out of four loyalty programs listed related to the loyalty program setting in this study, they are:

1. Buy-ahead discount, expenses repaid by credit card companies and special discount when the customer buys more
2. Reward after reaching designated purchase level

The above finding shows that consumers in Hong Kong aware that loyalty program can enhance their loyalty towards the brands or service providers. However, over 90% of them lack of loyalty. In other words, there are still 90% potential

customers that can be changed to become loyal if appropriate loyalty program is launched. Therefore, there is a need to assess which type of program is more effective in enhancing customer loyalty towards a product or service provider.

2. Company side

There is not only a need to find out an effective loyalty program for customers, but also for companies in Hong Kong. In Hong Kong, loyalty programs have penetrated virtually in every industry⁶ with most of them having an average of at least one loyalty program. According to the research, appreciation program is the major type of loyalty program offered by the surveyed companies. Followed by rebates, affinity, partnership and, reward programs. When asked to rate the effectiveness of their loyalty programs in customer retention, companies rated affinity program the most effective one while reward program the least effective.

The above finding suggested that companies in Hong Kong do realized that loyalty program can be a very useful tool in enhancing customer loyalty. However, there are still difficulties in assessing which type of loyalty program is the most effective in enhancing customer loyalty among Hong Kong consumers. Therefore, Hong Kong is chosen as the target area for this study.

2. Product involvement

Instead of just having a high-product involvement industry represented by a bank, a low-product involvement industry represented by a supermarket is also included as the scenario background in the survey of this study. This is because it is believed that many retail companies have introduced loyalty program (Leenheer, Heerde, Bijmolt and smidts 2007).

In addition to the above, not only did pervious studies focus on the loyalty program in

⁶ hotel, catering, retail, personal service, telecommunications, real estate, property management, banking, insurance, transport and utilities

high-product involvement industry, such as airline (Sharp and Sharp 1997, Long, McMellon, Clark and Schiffman 2006, Lederman 2007, Wagner, Hennig-Thurau and Rudolph 2009), researchers also focused on loyalty program in low-product involvement industry, (Leenheer Heerde, Bijmolt and smidts 2007, Leenheer and Bijmolt 2008, Smith and Sparks 2008, Kim, Lee, Gable, Fiorito and Topol 2008, Bu and Lee 2009), especially supermarket loyalty program (Allaway, Gooner Berkowitz and Davis 2006, Miranda and Konya 2008).

Therefore, other than using high-product involvement industry alone, a low-product involvement industry represented by a supermarket was added in the survey of this study. The reason why a bank and a supermarket were chosen in this study will be explained, respectively, in the following parts.

1. Supermarket

In order to differentiate this study with the original research, other than using two industries from the high-product involvement industry (bank and restaurant), a supermarket is chosen as an example of grocery industry from the low-product involvement industry to replace the restaurant in this study. The reason why a retail sector is chosen can be explained by the conception framework classifying a loyalty programs suggested by Adrian Palmer, Una McMahon-Beattie & Rosalind Beggs (2000)

According to Palmer, McMahon-Beattie & Beggs (2000), information collection and marketing segmentation is two of the important motivations underlying firms' efforts to create loyalty programs. Information and market segmentation are used as a basis for a conceptual framework in which industry sectors can be located. The schematic positioning of service sectors can be shown by the following figure.

Fig. 7.2

A schematic positioning of service sector

		Ability to differentiate between market segments	
		Low	High
Information needs of organization currently unfulfilled	High	e.g. many public service utilities	e.g. short haul airlines grocery retailers train service
	Low	e.g. car/passenger ferries social security agencies	e.g. hotels mobile phones

Source: Palmer, Adrian, Una McMahon-Beattie & Rosalind Beggs

(2000), "Influences on loyalty programme effectiveness: a conceptual framework and case study investigation," *Journal of strategic Marketing*, 8 (1), 55

From the above figure, the quadrants in the first half of the matrix described the industry sectors where information needs are the greatest. This could come out because there is no history of collecting information about customer and/or where firms could profitably use such information in understanding customer characteristics and targeting. The quadrants in the right side of the matrix describe those industry sectors where the ability to segment markets with differentiated product offers is relatively high. This ability could arise because the presence of buyers from different types of decision making unit, with differing schedules of needs and varying levels of price sensitivity. The ability to segment markets is of little value if firms are unable to differentiate their response due to limitation of technology or scale. The ability dimension therefore also necessarily incorporates a firm's ability to deliver differentiated product offers.

It is suggested by Palmer, McMahon-Beattie & Beggs, from the framework

presented in Fig 7.2, loyalty programs are most likely to be effective in industry sectors in the upper right hand corner that is where the information needs of firms are the highest and where opportunities for segmentation and differentiation are the highest. Besides, loyalty programs in retail store chains have been common for a long time (Bagdoniene and Jakstaite 2007). Even before a decade, customer loyalty programs were accepted as part of the UK contemporary life. In the United States almost 80 percent of all households have at least one retail store chain's loyalty card, and in Canada, the figure is 10 percent higher.

Supermarket is chosen as one of the retail industries in this study because it has a long loyalty program history. According to Bellizzi and Brisol (2004), supermarkets have used a variety of means to encourage customer loyalty for years. Common in the 1950s and 1960s, many supermarkets used merchandise set collection promotions. These programs included individual merchandise items that are combined into sets such as encyclopedias, dinnerware, or cutlery sets. During each promotion period, different items in the promotion set were offered to shoppers. In order to accumulate the entire set, customers need to regularly return to the store, spend the required amount on groceries and purchase (or receive free) the items in the set offered during the period.

During the 1990's, card-based loyalty programs have been growing in popularity with the arrival of point-of-sales scanners and cheaper means of collecting and storing consumer purchase histories in computerized database. Card-based programs normally require shoppers to obtain an individualized plastic card that is scanned during shopper check-out. The scanner records customer identity and all purchases. Under this program, only loyalty card holders are charged at sale price for the sale item through the scanner. But non-card holders will be charged at the store's regular price which is higher than the sale price. Consumers usually do not pay a fee to obtain the card but must supply some limited personal information such as name, address, phone number and the number of household members. In addition to offering sale

price to loyalty card holders, another format to reward frequent users of supermarket is by earning points each time the card is used which can be redeemed later for free merchandise and tie-ins with other non-supermarket merchants.

The above findings not only suggested grocery retailers as one of the industry sectors which loyalty programs are most likely to be effective but also indicated that loyalty programs are commonly invented in supermarkets. Therefore, in this study, supermarket with a loyalty card program is chosen as an example of grocery retailers in addition to the service sector (bank), which being used in the original research, to form the scenarios in order to examine how the reward type and reward timing affect the effectiveness of loyalty program as well as to evaluate the moderating effect of satisfaction on type and timing of rewards.

2. Bank

One of the reasons for using a bank to represent the high-product involvement industry in this study is that we would like to follow the original research to a certain extent. Besides, previous research found that credit card plays an important role in major loyalty programs around the world (Capizzi, Ferguson and Cuthvertson 2004). For example, in Turkey, the Garanti Bank Bonus Master Card program already reached 2 million households in members. This coalition program now boats more than 750 stores with over 18,000 outlets where cardholders can redeem bonus points. The first coalition loyalty program in Poland, Premium Club is based on a smart card. Program partners including Scandinavian Oil giant statoil as well as fast food chains KFC and Pizza Hut. Japanese bank JCB International and Singapore shopping mall Bugis Junction announced the joint launch of the Bugis Junction Mizu Card, the first chip-based credit card to offer a loyalty program from all the retail tenants in an entire shopping center. Therefore, we decided to keep the bank scenario in this study.

3. Reward type

According to Keh and Lee (2006), Rothschild and Gaidis (1981) distinguished two

types of promotional strategies, primary and secondary. Primary reinforce means the core product or service while examples for secondary reinforce are coupons or tokens. Their difference is that primary promotional strategy have intrinsic utility while secondary promotional strategy do not have such utility and need to be converted. Besides, as mentioned in the pervious chapter, there are two types of rewards suggested by Dowling and Uncles (1997). They are direct and indirect rewards. Direct rewards are rewards which directly support the value proposition and positioning of the target product or service while indirect rewards are rewards which are designed to motivate loyalty by a more indirect route.

In this study, following the original research, we consider two types of rewards, direct and indirect. Direct reward is defined as reward that supports the value proposition of the core product or service. On the other hand, indirect reward is defined as other types of reward that have no linkage with the core product or service. Rothschild and Gaidis (1981) suggested that primary reinforces are more powerful than secondary reinforces. Besides, Dowling and Uncles (1997) suggested that loyalty programs that directly support the value proposition and positioning of the target product better fit the goal of loyalty marketing. In this study, through an empirical research, we will examine which type of rewards, direct or indirect, do customers prefer.

4. Reward timing

Reward timing here refers to the redemption time of the reward. According to Dowling and Uncles (1997), the potential of a loyalty program to attract members depends not only on the value of its rewards but also on when the rewards are available. In this study, the setting of reward timing also follows the original research. Therefore, there are two reward timing, immediate and delayed. Immediate rewards refer to benefits that are experienced at the point of transaction. Examples are discounts or price cuts offered to customer at the point of sale. On the other hand, delayed rewards are benefits and incentives (with higher value) that are redeemable at a later date from the point of sale.

A point to note here is that the delayed rewards that completely following the original research is set with higher value. This is because of two reasons suggested by Keh and Lee (2006).

1. When given a choice between necessity and luxury rewards of similar value, higher redemption efforts shift consumer preference towards luxury rewards. Redemption effort is more salient for consumers who feel guilty about luxury consumption, and for those who relate the effort to work rather than to pleasure
2. Consumers who see themselves as having effort advantage (idiosyncratic fit) with the reward program have higher perceived value of the program

In addition to the above two reasons emphasized by Keh and Lee in the original research paper, Nunes and Dreze (2006) also claimed that the most successful loyalty programs often feature more pleasure-providing rewards. Therefore, delayed reward in this study is defined as benefits and incentives (with higher value) that are redeemable at a later date from the point of sale. Dowling and Uncles (1997) suggested that more immediate rewards are preferable to delayed rewards and that direct support of the target product's value proposition increase the chance that the program will build loyalty for the product and not just the program. This study will test which kind of reward program is more preferable by customers.

5. Reward programs setting

According to original research, reward timing and reward type are operationalized by a careful choice of rewards to represent the appropriate configuration. While timing (differentiated by the time of redemption) and type (differentiated by the relatedness of the reward to the main service) are relatively objective manipulation, the potential effect of reward preference on customer loyalty has already been controlled in the original research.

In the original research, Keh and Lee (2006) pre-tested each reward programs by asking 25 participants to rate their preferences on 5-point Likert scales (1 = Do not like at all, 5 = Like very much) towards the proposed rewards. Therefore, pre-test about reward

programs won't be done again in this study. This is because the reward programs in this study are exactly the same programs settings of the original research. There will not be any change on either the amount of purchase, the amount of reward or the types of rewards in each of the eight reward programs (industry type X reward timing X reward type). However, a point to note here is that since there is a changed in the scenario background from a restaurant to a supermarket, some tiny modifications related to the wording use in describing the reward programs have been amended accordingly. One of them is from "restaurant" to "supermarket" and the other one is from "bill" to "transaction". All other wordings remain the same as the original research. The finalized reward programs used in this study are shown by the following table.

Table 7.3

Reward programs used in this study

	Type of rewards	
	Direct	Indirect
Bank		
Timing of redemption		
Immediate	<ul style="list-style-type: none"> For every \$100 spent on the credit card, a rebate of \$1 is credited immediately into the account to offset bank charges 	<ul style="list-style-type: none"> For every \$100 spent at the credit card, the customer gets a \$1 shopping voucher valid immediately at selected department stores.
Delayed	<ul style="list-style-type: none"> For every \$100 spent on the credit card, a rebate of \$2 is credited immediately into the account, which can be used at the end of the year to offset future monthly bank charges 	<ul style="list-style-type: none"> For every \$100 spent at the credit card, the customer gets a \$2 shopping voucher at selected department stores during the upcoming Christmas season.
Supermarket		
Timing of redemption		
Immediate	<ul style="list-style-type: none"> For every \$100 spent at the supermarket, the customer gets a \$10 immediate discount off the current transaction 	<ul style="list-style-type: none"> For every \$100 spent on the credit card, the customer gets a \$10 movie ticket voucher valid immediately
Delayed	<ul style="list-style-type: none"> For every \$100 spent at the supermarket, the customer gets a \$15 discount coupon valid from December onwards. 	<ul style="list-style-type: none"> For every \$100 spent on the credit card, the customer gets a \$15 movie ticket voucher valid from December onwards

6. Satisfaction and loyalty

As mentioned in the previous section, customer satisfaction affects customer loyalty. According to Anderson and Sullivan (1993), Yi (1991) provides a review of customer satisfaction and the main antecedents identified by consumer research: expectations, perceived quality and disconfirmation. This concept is further supported by Olivier (1980) as mentioned in the pervious chapter, which explained the process by which satisfaction judgments are reached in the expectancy-disconfirmation framework. Consumers first form expectations of the specific product or service provider prior to the purchase decision. After that, consumption reveals a perceived quality level which is influenced by expectations. Consumers then compare their prior expectations against the service performance received to evaluate how it would or should perform. Perceived quality may either confirm or disconfirm the pre-purchase expectations. And the disconfirmation then affects satisfaction which further affects customer loyalty.

According to Keh and Lee (2006), it has been argued that satisfied and dissatisfied customers perceive reward programs loyalty in different ways. In this study, customer satisfaction is used as a moderating variable to examine the effectiveness of the different reward configurations (type and timing) under customer satisfied and dissatisfied conditions.

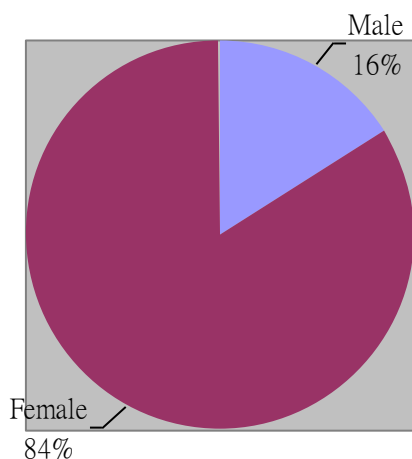
7. Scenarios setting

Service satisfaction is operationalized through scenario manipulation detailing either a satisfactory or dissatisfactory service encounter. Since the satisfied and dissatisfied service experience is a relatively objective manipulation, a pre-test was done in order to decide the most objective satisfied and dissatisfied scenarios for the background scenario in the original research. In this study, the same scenarios of satisfied and dissatisfied experiences of the bank will be use. Therefore, no pre-test will be done for satisfied and dissatisfied experiences the bank situation.

On the other hand, as mentioned above, a supermarket scenario will be used to replace the restaurant scenario in this study. It is necessary to hold a pre-test in order to decide the most objective satisfied and dissatisfied scenarios for the supermarket scenario. Therefore, 25 participants were recruited to complete the pre-test. Among those, 16 percent of them are male while 84 percent of them are female. 16 percent of the participants are aged below 20 and the remaining 84 percent are between 20 to 25 years old. More detailed distributions of the gender and age of the 25 participants are shown as follows:

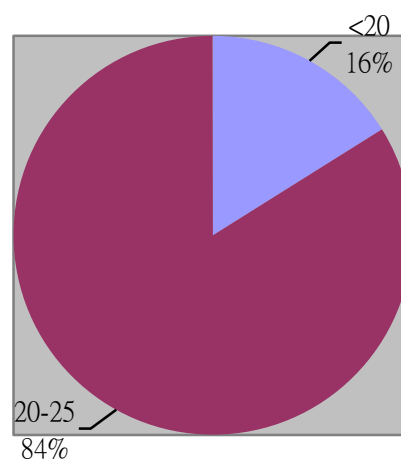
Chat 7.1

Sex distribution of the pre-test participants



Chat 7.2

Age distribution of the pre-test participants



In the pre-test, the 25 participants were shown the proposed three sets of satisfied experience scenarios (summarized in Table 2) and three sets of dissatisfied experience scenarios (summarized in table 3) where they rated their preferences on 5-point Likert scales anchored by “Unfavorable/Favorable,” “Unpleasant/Pleasant,” “Displeased/Pleased,” “Frustrated/Delighted,” and “Dissatisfied/Satisfied”

Table 7.4

The proposed satisfied service experiences of the supermarket

1. In general, whatever products you wanted could be bought from the supermarket and all the products are in good qualities. Therefore, you can shop at one supermarket and get all you want.

2. In general, you use the self-cashier system for checking out. The self-cashier system adopted by the supermarket is highly convenience and save you much time by lining up for the manual cashier. It is under good maintenance with minimal breakdown rate.

3. In general, the staffs of the supermarket are very nice and helpful. Whenever you have questions, they always answering you in a very good attitude without keep you waiting.

Table 7.5

The proposed dissatisfied service experiences of the supermarket

1. In the past few visits, you noticed that some of the products that you wanted were out of stock for more than weeks. And the most of the products are displaying in a mess which cost you a lot more time to find the products you needed than usual.

2. In the past few visits, you found that the self-cashier system adopted by the supermarket has been broken down. Therefore, you need to line up for the manual cashiers which took you average 15 minutes more for lining up than usual.

3. In the past few visits, you found that there is lack of staff in the supermarket. Even you got questions; you could hardly find someone to ask. When finally one of the staff could have you, he/her could not give you a proper answer.

Following the original research, the above five items were then averaged to form a composite satisfaction index ranging from 1 to 5. As a result, the satisfaction ratings for satisfied service experiences and dissatisfied service experiences are as follows:

Satisfied service experiences

Among the three proposed satisfied service experiences, the satisfaction index of scenario 1 (satisfied = 4.312, $F(5, 144) = 111.381, p < 0$) is the highest. Therefore, it is chosen to be the scenario of satisfied experience of the grocery organization.

Chart 7.3

The satisfaction index of the proposed satisfied service experiences

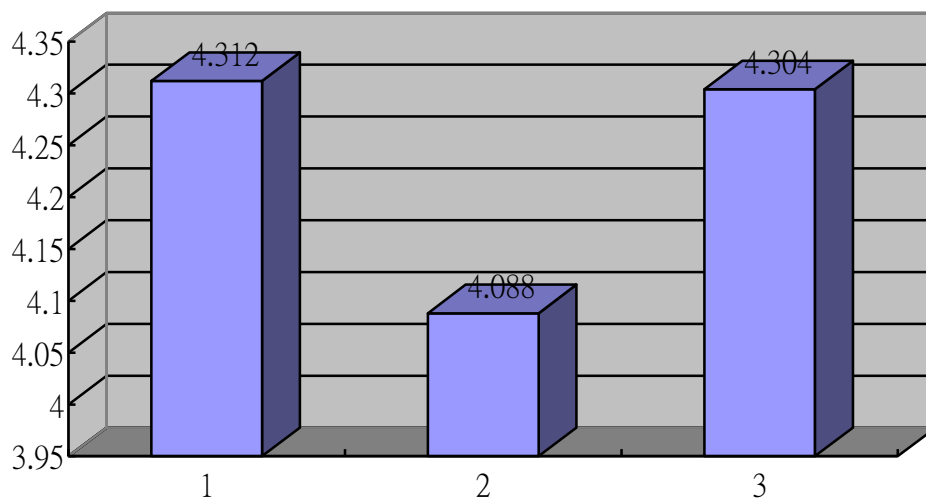


Table 7.6

ANOVA results of satisfaction index of the proposed satisfied service experiences

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	188.939	5	37.788	111.381	.000
Within Groups	48.854	144	.339		
Total	237.793	149			

On the other hand, the satisfaction index of scenario 3 (dissatisfied = 1.904, $F(5, 144) = 111.381, p < 0$) is the lowest among the three proposed dissatisfied service experiences.

And it is then being chosen to be the scenario of dissatisfied experience of the grocery organization.

Chart 7.4

The satisfaction index of the proposed dissatisfied service experiences

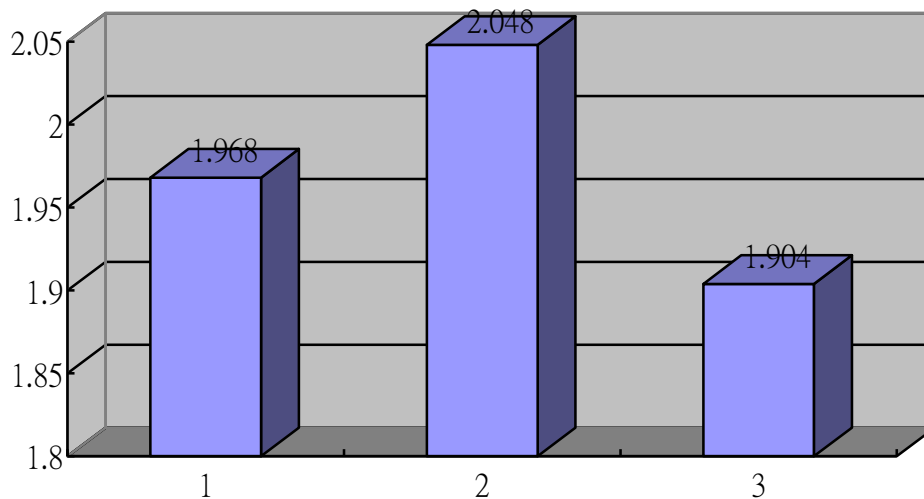


Table 7.7

ANOVA results of satisfaction index of the proposed dissatisfied service experiences

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	188.939	5	37.788	111.381	.000
Within Groups	48.854	144	.339		
Total	237.793	149			

As a result, the satisfactory and dissatisfactory scenarios for the supermarket context are portrayed as follows:

Supermarket Context:

Assume that you are a customer of Fabulous Supermarket, which is rated highly accessible with plenty of stores selling various fresh foods, daily necessities and sundry goods at

reasonable price. The supermarket provides a good selection of all product brands with “never out of stock” as their slogan.

Satisfactory Experience:

In general, any product you want could be bought from the supermarket and all the products are in good qualities. Therefore, you can shop at one supermarket and get all you want.

Dissatisfactory Experience:

In the past few visits, you found that there is lack of staff in the supermarket. Even you got questions; you could hardly find someone to ask. When finally one of the staff could help you, he/her could not give you a proper answer.

For the scenarios of the bank, this study used exactly the same portrayed satisfactory and dissatisfactory scenarios as the original research, and the context are as follows:

Bank Context:

Assume that you are a customer of Asian Bank. The banking services you have with the bank include a savings account, intra-bank transfers and credit services through your credit card. Most of the time you make use of the automated services (e.g., ATM, cash deposit, updating bank book), hence, the time you spend on the bank premises is rather short. The ATMs of Asian Bank are conveniently located at various places and breakdown is minimal.

Satisfactory Experience:

In general, whatever queries and issues you have had using your credit card from Asian Bank have been handled promptly and fairly.

Dissatisfactory Experience:

Lately, you have been over-billed on two previous credit card transactions. On each occasion, you had to make a few phone calls before the issue was resolved.

Section Two

Research Instrument

1. Scenarios

After deciding the reward programs, the satisfactory and dissatisfactory conditions, the whole scenario used in the survey is formed. Since there are altogether four approaches (Reward timing x Reward type) that can be used to structure reward programs, and participants are placed in either service experience (satisfied vs. dissatisfied), eight different sets of questionnaires for the supermarket and bank condition were designed respectively to complete the whole survey. The followings are the eight combinations of the questionnaires under different organization types.

Chart 7.5

The eight scenarios details of supermarket

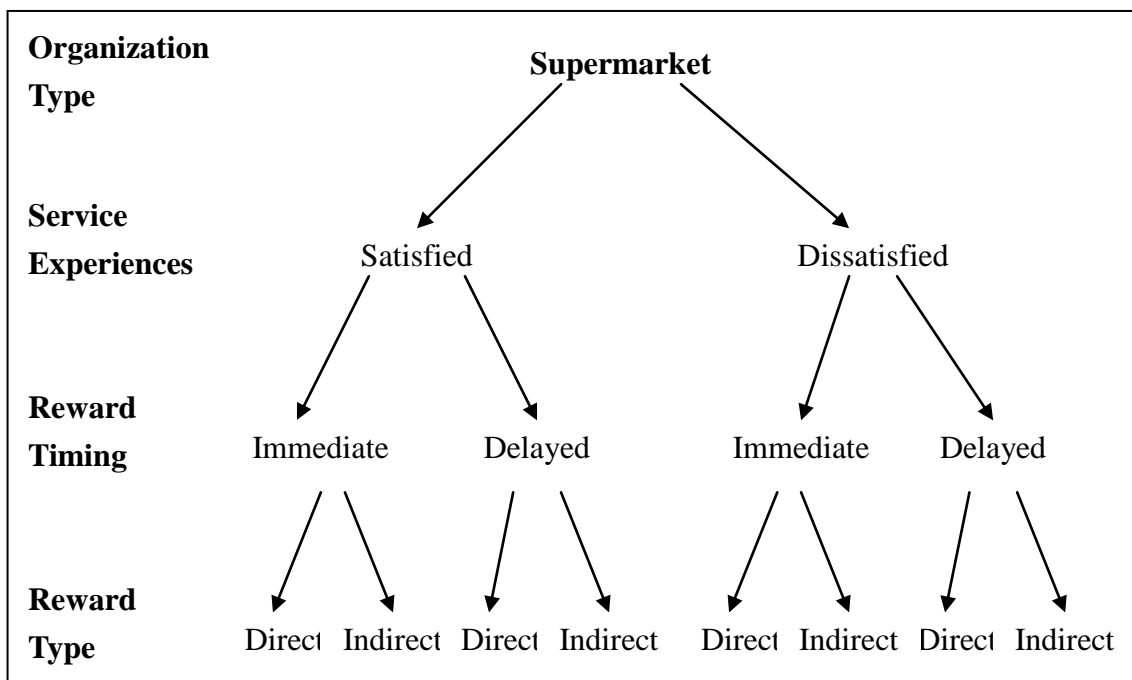
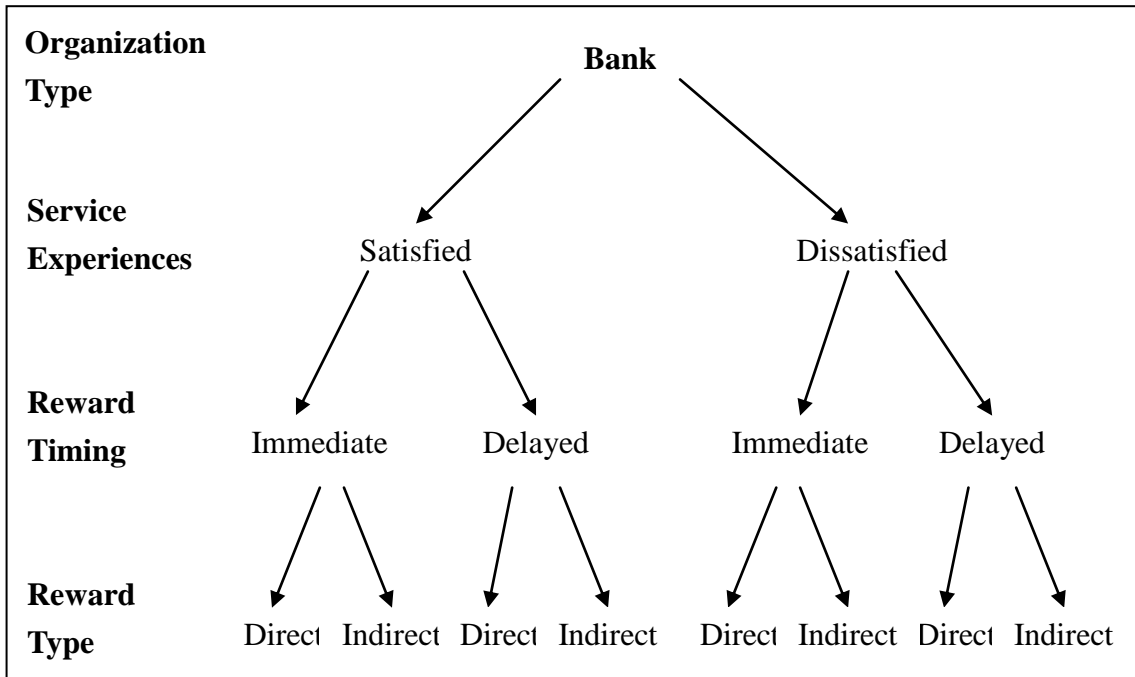


Chart 7.6

The eight scenarios details of bank



The manipulations of reward timing, reward type and service satisfaction are combined so that the scenario begins with a description of the service and the context (to prime the subjects accordingly) followed by the details of the reward (explaining exactly what it entails and how to redeem it). The scenario ends with an account of the service experience (satisfied or dissatisfied) the participants had with the firm. An example of the scenarios with Organization type = Supermarket, Service experience = Satisfied, Reward timing = Immediate and Reward type = Direct is shown as follow:

Table 7.8

Sample scenario

Description of the service and the context	Assume that you are a customer of Fabulous Supermarket, which is rated highly accessible with plenty of stores selling various fresh foods, daily necessities and sundry goods with reasonable price. The supermarket provides a good selection of all product brands with “never out of stock” as their slogan.
Details of the reward	On average you spend \$300 per purchase. Recently, in its monthly flyer to all of its loyalty card holders the supermarket informed you that for every \$100 spent at the supermarket, the customer gets a \$10 immediate discount off the current transaction.
Service experience	In general, any product you want could be bought from the supermarket and all the products are in good qualities. Therefore, you can shop at one supermarket and get all you want.

2. Dependence measures

Consumer loyalty is the key dependent variable in this study. The dependence measures used in this study follows those being used in the original study with additional measures. These measures are use to measure customer loyalty for the following reasons:

1. Repeat-purchase intention (Question 1 and 2)

According to Palmer, McMahon-Beattie and Beggs (2000), customer loyalty at behavioral level can be measured by repeat buying behavior. This idea is further supported by (Fornell, 1992, Dowling and Uncles, 1997, Kotler 2003, Uncles, Dowling and Hammond 2003, and Rowley 2005). Therefore the more loyal the customer is, the more likely they are to purchase from that particular retailer or service provider repeatedly.

2. Self-stated retention (Question 3 and 4)

Sirohi, Niren, Edward W. McLaughlin and Dick R. Wittink (1998) suggested that one

of the measures of the construction of store loyalty intentions is the willingness to purchase more in the future. Besides, Bagdoniene, Liudmila and Rasa Jakstaite, 2006 claimed that hard core loyalty is distinguished by staying with the current retailer or service provider. Therefore, the more loyal the customer is, the higher the possibility that he or she will state about their repeat purchase.

3. Price insensitivity (Question 5 and 6)

Loyal customer is less price sensitive (Fornell, 1992, Griffin, 1995, Dowling and Uncles, 1997, Ganesh, Arnold and Reynolds 2000, Kotler 2003, Uncles, Dowling and Hammond 2003, and Rowley 2005). Thus, it is believed that loyal customer has lower price sensitivity.

4. Commitment to vendor (Question 7 and 8)

Loyalty is a committed and affect-laden partnership between customer and supplier or service provider (Dowling and Uncles, 1997, Uncles, Dowling and Hammond 2003, East, Gendall, Hammond and Lomax, 2005). Bagdoniene, Liudmila and Rasa Jakstaite (2007) also suggested that customer loyalty is termed as customer commitment to do business with particular retailer or service provider. Hence, it is believed that loyalty customer is more committed to the vendor.

5. Likelihood of spreading positive word-of-mouth (Question 9 and 10)

Dowling and Uncles (1997) suggested that loyal customers pass on favorable word-of-mouth about a company or a product. In addition to this, Palmer, McMahon-Beattie and Beggs (2000) claimed that loyalty can be measured by whether a consumer feels motivated to recommend a retailer or service provider to friends. Therefore, we posit a loyal customer to be more willing to spread positive word-of-mouth.

6. Frequency of visits to the retailer (Question 11 and 12)

According to Palmer, McMahon-Beattie and Beggs (2000) and Gomez Arranz and

Cillan (2006), customer loyalty can be indicated by the number of visits to a retailer or service provider and frequency of purchase from a retailer or service provider. This is supported by Meyer-Waarden (2002) who stated that loyal customers make a higher number of visits to the retailer than non loyal customers and loyal customers purchase more than non loyal customers. For this reason, loyal customer will visit a particular product or service provider more frequently.

7. Percentage of purchase (Question 13)

Another indicator which is also suggested by Gomez Arranz and Cillan (2006) and East, Gendall, Hammond and Lomax (2005) is the percentage of purchase, which defined as the ratio of total expenses a customer made in one specific retail or service provider. Higher share of purchase implies higher customer loyalty.

8. Attitude (Question 14)

Attitude was defined by Oliver (1980) as a consumer's relatively lasting affection towards an object or an experience. The role of attitude in customer loyalty is vital since it required a previous positive attitude to consider a repetitive behavior as true loyalty (Day, 1969). Besides, Dick and Basu (1994) also suggested that customer loyalty can be measured by how much positive beliefs and feelings a customer has about it. Therefore the more loyal the customer is, the more positive attitude he/she will show to his/her retailer or service provider.

9. Trust (Question 15, and 16)

Gomez Arranz and Cillan (2006) claimed that a loyalty program allows a relationship between supplier and consumer to be built, that favors the concept of trust. Besides, (Uncles, Dowling and Hammond 2003) also claimed that loyal customers are much less susceptible to negative information about the retailer or service provider. Thus a loyal customer is more likely to trust the retailer or service provider.

10. Switching cost (Question 17, 18, 19 and 20)

Switching cost lead the consumer to visit a limited number of points of sale as they reduce the appeal of other choices. Gomez Arranz and Cillan (2006). Therefore a loyal customer is less likely to switch to other retailer or service provide.

Participants are asked to indicate the extent of their agreement with the above respective items, each anchored from 1 (very unlikely) to 5 (very likely). Below shows the questions that related to customer loyalty of supermarket and bank used in the survey respectively.

Table 7.9

Questions used in the supermarket scenario

- | |
|---|
| <ol style="list-style-type: none">1. I am likely to return to the supermarket2. I intend to use the services offered by the supermarket as often as I can in the future.3. I do not foresee myself switching to another supermarket4. I would consider the supermarket my first choice when shopping5. I would still continue to be a customer of the supermarket even if it were to raise prices slightly.6. I would switch to a competing supermarket that offers a better price on their service.7. I would switch to a competing supermarket if I experience a problem with its service.8. I would stand by the supermarket even if its service has dropped its standard on rare occasions.9. I would highly recommend the supermarket to my friends and family.10. I would say positive things about the supermarket to other people.11. I would visit this supermarket more frequently compared to a competing supermarket without a loyalty program12. I would purchase from this supermarket more frequently compared to a competing supermarket without a loyalty program |
|---|

13.	I would spend more in this supermarket than in a competing supermarket without a loyalty program
14.	I consider this supermarket a good retailer compared to a competing supermarket without a loyalty program
15.	I trust this supermarket more than a competing supermarket without a loyalty program
16.	The supermarket makes an effort to know its customers by providing the loyalty program
17.	I would still continue to be a customer of the supermarket even if another supermarket located nearer to my home is opened
18.	I would switch to a competing supermarket that is located nearer to my place
19.	I would like to develop a relationship with this supermarket compared to a competing supermarket without a loyalty program
20.	In the future I intend to purchase from this supermarket compared to a competing supermarket without a loyalty program

Table 7.10

Questions used in the supermarket scenario

1.	I am likely to return to the bank
2.	I intend to use the services offered by the bank as often as I can in the future.
3.	I do not foresee myself switching to another bank
4.	I would consider this bank my first choice when banking
5.	I would still continue to be a customer of this bank even if it were to rise fees slightly.
6.	I would switch to a competing bank that offers a better price on their service.
7.	I would switch to a competing bank if I experience a problem with its service.
8.	I would stand by this bank even if its service has dropped in standard on rare occasions.
9.	I would highly recommend the bank to my friends and family.
10.	I would say positive things about the bank to other people.

11. I would visit this bank more frequently compared to a competing bank without a loyalty program
12. I would use this bank more frequently compared to a competing bank without a loyalty program
13. I would spent more in this bank than in a competing bank without a loyalty program
14. I consider this bank a good service provider compared to a competing bank without a loyalty program
15. I trust this bank more than a competing bank without a loyalty program
16. The bank makes an effort to know its customers by providing the loyalty program
17. I would still continue to be a customer of this bank even if another bank located nearer to my place is opened
18. I would switch to a competing bank that locating nearer to my place
19. I would like to develop a relationship with this bank compare to a competing bank without a loyalty program
20. I tend to use this bank in the future compared to a competing bank without a loyalty program

Section Three

Methodology

In order to test the research framework, a 2 x 2 x 2 full-factorial, randomized, mixed-effects experimental design was used. Timing of reward redemption (immediate vs. delayed), type of reward (direct vs. indirect) and service experience (satisfied vs. dissatisfied) are designed as between-subject variables. Unlike the original research paper which two service organization settings (bank and restaurant) were used in order to test as a within-subject replication factor, one grocery organization (supermarket) and one service organization (bank) settings were used in this study in order to find out how consumer loyalty various under different organization types.

Eight different sets of questionnaires were designed for eight treatment groups to complete the whole survey. Each set of questionnaire begins with the supermarket scenario following by the bank scenario. The treatment groups are dissimilar from each other by manipulating the reward type, reward timing and service experience through scenario exposures.

Section Four

Data collection

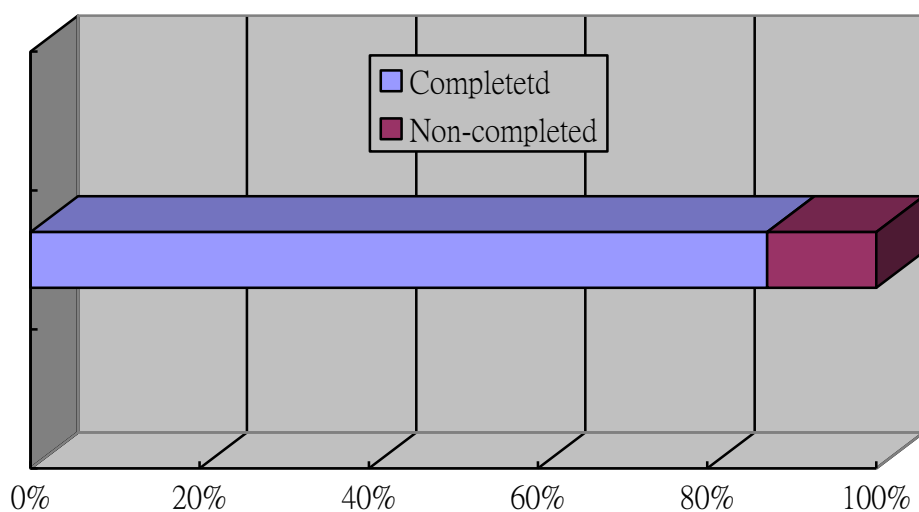
Collection of data was made through personal survey carried out in Hong Kong targeting all types of consumer regardless age and gender. The survey was conducted in February 2010. All questionnaires were sent to the participants via email and returned by email. Participants first read the supermarket scenario. This is followed by the manipulation check for service experience satisfaction and then the dependent measures for assessing customer loyalty. This process is then repeated for the bank service context.

1. Return rate

As mentioned above, there are a total eight different sets of questionnaires for eight treatment groups. 30 questionnaires were sent to each treatment group to form a total sample size of 240 participants (treatment group x sample size = $8 \times 30 = 240$). Out of the 240 questionnaires sent, 209 of them are completed and returned, indicating the return rate of the questionnaires is 87.1 percent. The chart below shows the return rate of the questionnaires.

Chat 7.7

Return rate of the questionnaires



More detailed information of the return rate of the questionnaires by scenarios is shown by the following table.

Table 7.11

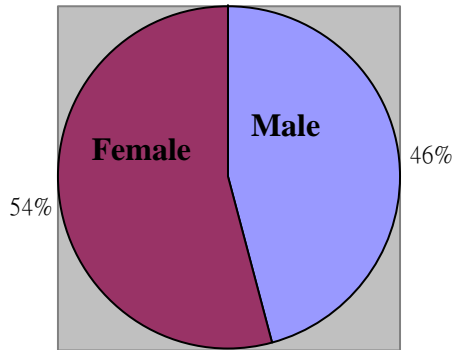
Return rate of the questionnaires by scenarios

	Questionnaires sent	Questionnaires completed and returned	Questionnaire return rate (percentage)
Satisfied			
Immediate x Direct	30	28	93.33
Immediate x Indirect	30	30	100.00
Delayed x Direct	30	21	70.00
Delayed x Indirect	30	20	66.67
Dissatisfied			
Immediate x Direct	30	30	100.00
Immediate x Indirect	30	25	83.33
Delayed x Direct	30	30	100.00
Delayed x Indirect	30	25	83.33
Total	240	209	87.08

2. Sex and age distribution

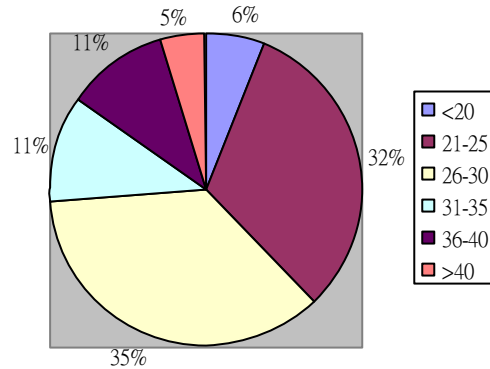
Chat 7.8

Sex distribution of the sample size



Chat 7.9

Age distribution of the sample size



Among the 209 completed and returned questionnaires, 113 of them were completed by female while the remaining 96 were completed by male. A better image of the sex distribution of the returned questionnaire can be shown by the chat above. On the other hand, among the 209 completed and returned questionnaires, 13 of them were completed by customers aged below 20, 66 out of 209 were done by customer aged from 21 to 25, 75 questionnaires were filled in by customers aged between 25 and 30, 23 of them were finished by customers aged between 31 and 35, 22 out of 209 are customers aged from 36 to 40, while the reminding 10 questionnaires are done by customers aged above 40. The age range of the sample size can be summarized by the above chat.

Section Five

Results

1. Preliminary analyses

In order to measure the internal consistency of the dependent measures of the questionnaire, Cronbach's alpha is calculated to show how closely related the set of questions are as a group.

Table 9.1

Reliability Statistics

	Supermarket	Bank
Cronbach's Alpha	.841	.861

According to the table above, the Cronbach's alphas for the customer loyalty responses are .841 and .861 for the supermarket and bank scenarios, respectively. The results suggested that the items have relatively high internal consistency. Simple averages are then calculated from the raw scores of these items for further analysis.

2. Satisfaction analysis

In order to double check the satisfaction index of the portrayed satisfied and dissatisfied service experience scenarios for supermarket and bank respectively, 5-point Likert scales anchored by “Unfavorable/Favorable,” “Unpleasant/Pleasant,” “Displeased/Pleased,” “Frustrated/Delighted,” and “Dissatisfied/Satisfied” is used again in the questionnaire to evaluate the satisfaction index. Consequently, the satisfaction index scored can be summarized as follows:

Table 9.2

Satisfaction Index

	Supermarket	Bank
Satisfied service experience	3.83	3.67
Dissatisfied service experience	2.52	2.35

Table 9.3

ANOVA results of satisfaction index of supermarket context

	df	Mean Square	F	Sig.
Between Groups	1	90.012	191.496	.000
Within Groups	207	.407		
Total	208			

Table 9.4

ANOVA results of satisfaction index of bank context

	df	Mean Square	F	Sig.
Between Groups	1	90.206	140.805	.000
Within Groups	207	.644		
Total	208			

Checks for the service experience manipulations yield significant main effects (satisfied vs. dissatisfied). Specifically, for the supermarket context, the satisfied and dissatisfied scores are 3.83 and 2.52 ($F(1, 207) = 191.496, p < 0$), respectively; while for the restaurant context, the satisfied and dissatisfied scores are 3.67 and 2.35 ($F(1, 207) = 140.085, p < 0$), respectively.

3. Hypothesis testing

Customer loyalty responses for the two scenarios are used to examine the between-subjects effects of service experience (satisfied vs. dissatisfied), reward type (direct vs. indirect), and reward timing (immediate vs. delayed).

Table 9.5

Descriptive statistics of customer loyalty under each scenario

Descriptive	Supermarket	Bank
Satisfied		
Immediate-Direct (n=28)	3.37	3.36
Immediate-Indirect (n=30)	3.31	3.33
Delayed-Direct (n=21)	3.51	3.72
Delayed-Indirect (n=20)	3.34	3.44
Dissatisfied		
Immediate-Direct (n=30))	2.83	2.81
Immediate-Indirect (n=25)	2.63	2.64
Delayed-Direct (n=30)	3.13	3.23
Delayed-Indirect (n=25)	2.72	2.74

Table 9.6

ANOVA result for supermarket

Source	df	Mean Square	F	Sig.
Satisfaction	1	15.608	23.691	<.000
Timing	1	2.718	4.126	<.044
Type	1	2.651	4.024	<.046
Satisfaction * Timing	1	.295	.447	.504
Satisfaction * Type	1	.177	.268	.605
Timing * Type	1	.054	.081	.776
Satisfaction * Timing * Type	1	2.161	3.280	<.072
Error	201	.659		

Table 9.7

ANOVA results for bank

Source	df	Mean Square	F	Sig.
Satisfaction	1	14.499	20.849	<.000
Timing	1	3.210	4.616	<.033
Type	1	2.206	3.172	<.076
Satisfaction * Timing	1	.470	.676	.412
Satisfaction * Type	1	.077	.111	.740
Timing * Type	1	.008	.011	.916
Satisfaction * Timing * Type	1	2.602	3.741	<.054
Error	201	.695		

1. Effect of service experience (H1)

According to our hypothesis, since customer satisfaction and customer loyalty is positively related, loyalty responses are supposed to be higher in the satisfied than in the dissatisfied condition. Under the supermarket condition, the average loyalty responses for satisfactory experience and dissatisfactory experience are 3.38 and 2.83 respectively. The significant main effect of the product or service experience further confirms this ($F(1, 201) = 23.691, p < .0$). On the other hand, in the bank condition, the average loyalty responses for satisfactory experience and dissatisfactory experience are 3.46 and 2.86 respectively. The significant main effect of the product and service experience further confirms this ($F(1, 201) = 20.849, p < .0$). Overall, the above table shows that loyalty response among dissatisfied customers is relatively low under any of the reward program offered. Therefore, H1 is supported.

2. Effect of reward timing (H2a and H3a)

Satisfied condition

H2a suggested that under satisfactory conditions, delayed rewards of higher value, compared to immediate rewards, would build higher loyalty. The finding

consistent with the interaction tests between product or service experience and reward timing which shown as follows:

Table 9.8

Pairwise comparisons between satisfaction and reward timing (supermarket)

Satisfaction (I) Timing (J) Timing			Mean Difference (I-J)	Std. Error	Sig. ^a	95% Confidence Interval for Difference ^a	
						Lower Bound	Upper Bound
Satisfied	Delayed	Immediate	.441 [*]	.159	.006	.128	.754
	Immediate	Delayed	-.441 [*]	.159	.006	-.754	-.128

Table 9.9

Univariate Tests between satisfaction and reward timing (supermarket)

Satisfaction	df	Mean Square	F	Sig.
Satisfied Contrast	1	4.665	7.697	.006
Error	205	.606		

Table 9.10

Pairwise Comparisons between satisfaction and reward timing (bank)

Satisfaction (I) Timing (J) Timing			Mean Difference (I-J)	Std. Error	Sig. ^a	95% Confidence Interval for Difference ^a	
						Lower Bound	Upper Bound
Satisfied	Delayed	Immediate	.471 [*]	.181	.010	.114	.829
	Immediate	Delayed	-.471 [*]	.181	.010	-.829	-.114

Table 9.11

Univariate Tests between satisfaction and reward timing (bank)

Satisfaction		df	Mean Square	F	Sig.
Satisfied	Contrast	1	5.338	6.772	.010
	Error	205	.788		

Under supermarket condition, we can see that loyalty response for delayed reward and immediate reward are 3.43 and 3.34 respectively in satisfactory experience ($F(1, 205) = 7.697, p < .01$). On the other hand, under bank condition, loyalty response of delayed reward and immediate reward are 3.58 and 3.35 respectively in satisfactory experience ($F(1, 205) = 6.772, p < .01$). In both conditions, under satisfactory experience, delayed rewards of higher value generate higher loyalty responses than immediate rewards. Hence, H2a is supported.

Dissatisfied condition

H3a suggested that under dissatisfactory conditions, immediate rewards, compared to delayed rewards of higher value, would build higher loyalty.

Table 9.12

Pairwise Comparisons between satisfaction and reward timing (supermarket)

Satisfaction (I)	Timing (J)	Timing	Mean Difference (I-J)	Std. Error	Sig. ^a	95% Confidence Interval for Difference ^a	
						Lower Bound	Upper Bound
Dissatisfied	Delayed	Immediate	.418*	.167	.013	.089	.748
	Immediate	Delayed	-.418*	.167	.013	-.748	-.089

Table 9.13

Univariate Tests between satisfaction and reward timing (supermarket)

Satisfaction	df	Mean Square	F	Sig.
dissatisfied Contrast	1	4.809	6.268	.013
Error	205	.767		

Table 9.14

Pairwise Comparisons between satisfaction and reward timing (bank)

Satisfaction (I) Timing (J) Timing	Mean Difference (I-J)	Std. Error	Sig. ^a	95% Confidence Interval for Difference ^a	
				Lower Bound	Upper Bound
Dissatisfied Delayed Immediate	.509 [*]	.171	.003	.173	.845
Immediate Delayed	-.509 [*]	.171	.003	-.845	-.173

Table 9.15

Univariate Tests between satisfaction and reward timing (bank)

Satisfaction	df	Mean Square	F	Sig.
Dissatisfied Contrast	1	7.127	8.911	.003
Error	205	.800		

The data above indicated that either in supermarket or bank conditions, under dissatisfactory experience, delayed rewards of higher value generate higher loyalty responses than immediate rewards. (Supermarket: Immediate = 2.73, Delayed = 2.93, $F(1, 205) = 6.268, p < .02$, Bank: Immediate = 2.73, Delayed = 2.99, $F(1, 205) = 8.911, p < .005$). Hence, H3b is not supported.

3. Effect of reward type (H2b and H3b)

Both H2b and H3b predicted that direct rewards would create higher loyalty response than indirect rewards. This is supported by the result that the average loyalty index generated by direct rewards is higher than indirect rewards, regardless the organization type and customers' satisfactory level. This is further supported by the significant reward type main effect. Under satisfied experience, loyalty response generated by direct rewards is higher than indirect rewards. (Supermarket: Direct = 3.44, Indirect = 3.33, $F(1, 201) = 4.024$, $p < .05$, Bank: Direct = 3.54, Indirect = 3.39, $F(1, 201) = 3.172$, $p < 0.1$). Furthermore, under dissatisfied experience, loyalty response generated by direct rewards is higher than indirect rewards. (Supermarket: Direct = 2.98, Indirect = 2.68, $F(1, 201) = 4.024$, $p < .05$, Bank: Direct = 3.02, Indirect = 2.69, $F(1, 201) = 3.172$, $p < .1$). Hence, both H2b and H3b are supported.

4. Three-way interaction (H2c and H3c)

Both H2c and H3c posit the three-way interaction between satisfactory level, reward type and reward timing. H2c suggested that under satisfied conditions, delayed-direct rewards would generate the highest loyalty responses among all types of loyalty programs. On the other hand, under dissatisfied condition, immediate-direct rewards would generate the highest loyalty responses among all types of loyalty programs. The result is found to be consistent with these predictions since the three-way interaction in the ANOVA results is significant (Supermarket: $F(1, 201) = 3.280$, $p < 0.1$, Bank: $F(1, 201) = 3.741$, $p < 0.1$).

Satisfied condition

Table 9.16

Pairwise Comparisons between satisfaction, reward timing and reward type
(supermarket)

Satisfaction	Timing	(I) Type	(J) Type	Mean Difference (I-J)	Std. Error	Sig. ^a	95% Confidence Interval for Difference ^a	
							Lower Bound	Upper Bound
Satisfied	Delayed	Indirect	Direct	.524	.270	.053	-.008	1.055
		Direct	Indirect	-.524	.270	.053	-1.055	.008
	Immediate	Indirect	Direct	-.453*	.204	.027	-.856	-.051
		Direct	Indirect	.453*	.204	.027	.051	.856

Table9.17

Univariate Tests between satisfaction, reward timing and reward type (supermarket)

Satisfaction	Timing		df	Mean Square	F	Sig.
Satisfied	Delayed	Contrast	1	2.811	3.776	.053
		Error	201	.744		
	Immediate	Contrast	1	2.802	4.933	.027
		Error	201	.568		

Table 9.18

Pairwise Comparisons between satisfaction, reward timing and reward type (bank)

Satisfaction	Timing	(I) Type	(J) Type	Mean Difference (I-J)	Std. Error	Sig. ^a	95% Confidence Interval for Difference ^a	
							Lower Bound	Upper Bound
Satisfied	Delayed	Indirect	Direct	-.436*	.215	.044	-.859	-.013
		Direct	Indirect	.436*	.215	.044	.013	.859
	Immediate	Indirect	Direct	-.548*	.231	.019	-1.004	-.092
		Direct	Indirect	.548*	.231	.019	.092	1.004

Table 9.19

Univariate Tests between satisfaction, reward timing and reward type (bank)

Satisfaction	Timing		df	Mean Square	F	Sig.
Satisfied	Delayed	Contrast	1	2.750	4.125	.044
		Error	201	.667		
	Immediate	Contrast	1	4.343	5.608	.019
		Error	201	.775		

According to hypothesis H2c, in satisfied situation, delayed-direct rewards would generate the highest loyalty responses among all types of loyalty programs. Further comparison is then performed for confirmation. Under the supermarket scenarios, delayed-direct reward generates the highest loyalty responses among all types of loyalty programs. (Delayed-Direct = 3.51, Delay-Indirect = 3.34, $F(1, 201) = 3.776$, $p < .06$, Immediate-Direct = 3.37, Immediate-Indirect = 3.31, $F(1, 201) = 4.933$, $p < .03$). On the other hand, under the Bank situation, delayed-direct reward also generates the highest loyalty responses among all types of loyalty programs.

(Delayed-Direct = 3.72, Delay-Indirect = 3.44, $F(1, 201) = 4.125, p < .05$,
 Immediate-Direct = 3.36, Immediate-Indirect = 3.33, $F(1, 205) = 5.608, p < .02$).

Therefore, H2c is being supported.

Dissatisfied condition

Table 9.20

Pairwise Comparisons between satisfaction, reward timing and reward type

(supermarket)

Satisfaction	Timing	(I) Type	(J) Type	Mean Difference (I-J)	Std. Error	Sig. ^a	95% Confidence Interval for Difference ^a	
							Lower Bound	Upper Bound
Dissatisfied	Delayed	Indirect	Direct	-.573*	.261	.029	-1.087	-.059
		Direct	Indirect	.573*	.261	.029	.059	1.087
	Immediate	Indirect	Direct	-.487*	.189	.011	-.859	-.115
		Direct	Indirect	.487*	.189	.011	.115	.859

Table 9.21

Univariate Tests between satisfaction, reward timing and reward type (supermarket)

Satisfaction	Timing		df	Mean Square	F	Sig.
Dissatisfied	Delayed	Contrast	1	4.482	4.836	.029
		Error	201	.927		
	Immediate	Contrast	1	3.230	6.658	.011
		Error	201	.485		

Table 9.22

Pairwise Comparisons between satisfaction, reward timing and reward type (bank)

Satisfaction	Timing	(I) Type	(J) Type	Mean Difference (I-J)	Std. Error	Sig. ^a	95% Confidence Interval for Difference ^a	
							Lower Bound	Upper Bound
Dissatisfied	Delayed	Indirect	Direct	-.487*	.231	.036	-.942	-.031
		Direct	Indirect	.487*	.231	.036	.031	.942
	Immediate	Indirect	Direct	-.460*	.226	.043	-.905	-.015
		Direct	Indirect	.460*	.226	.043	.015	.905

Table 9.23

Univariate Tests between satisfaction, reward timing and reward type (bank)

Satisfaction	Timing		df	Mean Square	F	Sig.
Dissatisfied	Delayed	Contrast	1	3.230	4.436	.036
		Error	201	.728		
	Immediate	Contrast	1	2.885	4.149	.043
		Error	201	.695		

According to hypothesis H3c, under dissatisfied situation, immediate-direct rewards would generate the highest loyalty responses among all types of loyalty programs. Further comparison is then performed for confirmation. Under the supermarket scenarios, delayed-direct reward generates the highest loyalty responses among all types of loyalty programs. (Delayed-Direct = 3.13, Delay-Indirect = 2.72, $F(1, 201) = 4.836, p < .03$, Immediate-Direct = 2.83, Immediate-Indirect = 2.63, $F(1, 205) = 6.658, p < .02$). On the other hand, in the Bank situation, delayed-direct reward also generates the highest loyalty responses among all types of loyalty programs. (Delayed-Direct = 3.23, Delay-Indirect = 2.74, $F(1, 205) = 4.436, p < .04$,

Immediate-Direct = 2.81, Immediate-Indirect = 2.64, $F(1, 205) = 4.149, p < .05$.
Therefore, H2c is not supported.

Fig. 9.1

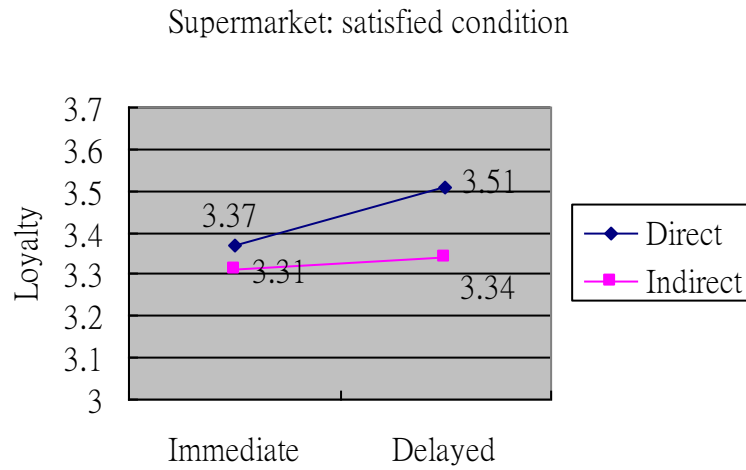


Fig. 9.2

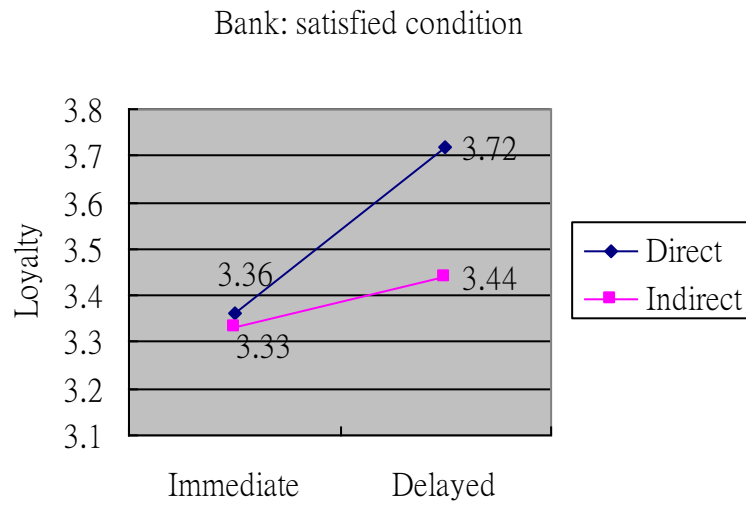


Fig. 9.3

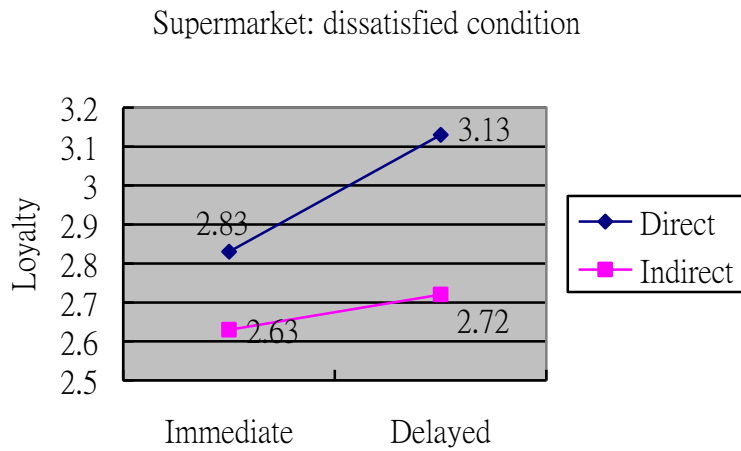
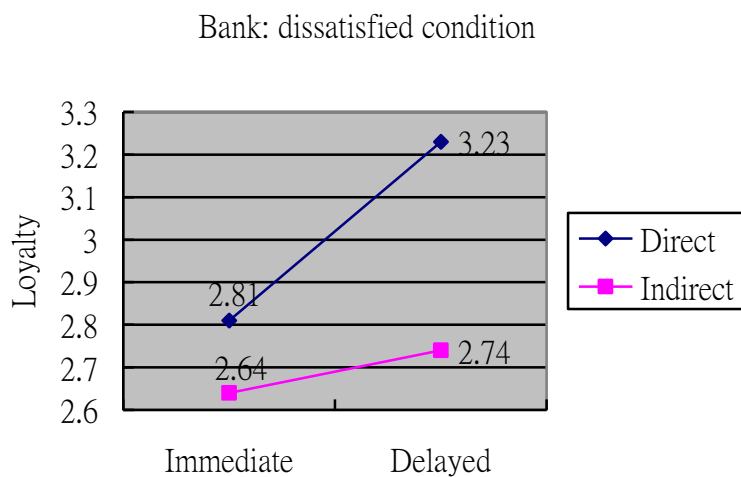


Fig. 9.3



Further examination of the above figures shows that the delayed-direct reward dominates in both satisfied and dissatisfied conditions in both supermarket and bank scenarios.

5. High involvement product (H4a and H4b)

H4a suggested that delayed rewards of higher value, compared to immediate rewards, would build higher loyalty in the bank scenarios. The significant main effect of reward timing is consistent with our predication. The loyalty response of delayed

reward and immediate reward are 3.28 and 3.04 respectively ($F(1, 201) = 4.616$, $p < .04$). Besides, H4b suggested that direct reward, compared to indirect rewards, would build higher loyalty in the bank scenarios. The significant main effect of reward type confirms with the suggestion. The loyalty response of direct reward and indirect reward are 3.28 and 3.04 respectively ($F(1, 201) = 3.172$, $p < 0.1$). Therefore, both H4a and H4b are being supported.

6. Low-involvement product (H5a and H5b)

H5a suggested that immediate rewards, compared to delayed rewards of higher value, would build higher loyalty in the supermarket scenarios. However, the loyalty response of delayed reward and immediate reward are 3.18 and 3.04 respectively ($F(1, 201) = 4.126$, $p < .05$). The data shows that the loyalty response is higher for delayed rewards than immediate reward. Therefore, H5a is not supported. Besides, H5b suggested that indirect rewards, compared to direct reward would build higher loyalty in the supermarket scenarios. This is also not supported by our result. The loyalty response of direct reward and indirect reward are 3.21 and 3.00 respectively ($F(1, 201) = 4.024$, $p < .05$), which shows a higher loyalty responses in direct reward than indirect reward. Therefore H5b is also not supported.

Chapter Eight

Conclusion

In this chapter, we will first have our discussion of our findings in Section One. Then, we will state the implications of our findings in Section Two. Finally, we will conclude the whole study in Section Three.

Section One

Discussion

Although the data resulted were with small-effect to medium-effect in size, to a certain extent, they do support our major argument which is, the effectiveness of loyalty program varies due to different reasons including satisfaction level, reward type, reward timing as well as product involvement level. The findings, implying the opinions of the consumers, provide valuable insights for the development of successful and effective loyalty program.

First of all, our findings further confirmed that customer satisfaction is positively related to customer loyalty which implies that a satisfied experience will magnify the effect of a loyal program regardless the reward timing and reward type. This suggested that providing satisfied product or service to customer is the basic condition for a loyalty program to become effective. However, since sometimes it may be unavoidable for dissatisfactory purchase or service experience to occur, this study not only focuses on the loyalty programs under satisfactory conditions but also those dissatisfactory ones.

In general, delayed rewards generate higher loyalty responses when compare with immediate reward. This finding is only partially consistent with the original research. In the original research, Keh and Lee (2006) suggested that delayed rewards work better than immediate rewards only if the service experience is satisfactory. On the other hand,

immediate rewards work better under dissatisfactory experience. However, in this study, it is found that regardless the satisfaction level; customer prefers delayed reward in a higher value than an immediate one. This maybe due to several reasons:

1. Willingness to continue the relationship

Since loyalty program is a tool of relationship marketing (Hart, Smith, Sparks and Tzokas 1999), consumers may like to develop longer relationship with the product or service provider by joining the loyalty program. Therefore, even the current purchase or service experience is not that satisfactory; customers are still willing to give the product or service provider another chance in such a long-term relationship.

2. Prefer higher value delayed reward

According to our loyalty program setting, delayed reward is to be higher-valued than the immediate one. Customer may prefer a future reward with a higher value than an immediate reward with a lower value under both satisfied and dissatisfied experience. This may because luxury rewards are more attractive (Nunes and Dreze 2006).

3. Underestimating the cost of redemption

Customers who prefer delayed rewards rather than immediate rewards may underestimate the cost of redeeming the reward in the future. Although not discussed in this study, redemption cost is said to be another factor affecting the effectiveness of loyalty programs (Nunes and Dreze 2006, Smith and Sparks 2008).

The result of this study indicates that direct rewards are more preferable than indirect rewards as a whole. This agreed with Keh and Lee (2006)'s result, which further suggested that rewards which directly support the value proposition of the product or service offered to customers increase the chance for a loyalty program to generate customers' loyalty response (Dowling and Uncles 1997). Therefore, in order to guarantee the effectiveness of a loyalty program, direct rewards instead of the indirect ones should be used.

Product involvement is a new factor that is suggested to have influence on the

effectiveness of loyalty program in this study. Our findings showed that for high-involvement products or services, loyalty program with delayed rewards of higher value, compared to immediate rewards generate higher loyalty. In addition to this, direct rewards, compared to indirect rewards, also enhance higher loyalty responses for high-involvement products or services. These results, agreed with the findings of Guthrie and Kim (2009) and Dowling and uncle (1997) respectively. They suggested that a loyalty program with delayed-direct rewards is the most effective in generating customer loyalty for high involvement products or services.

On the other hand, the results suggested that loyalty program with delayed-direct rewards is also the most effective in generating customer loyalty for low involvement products or services. This result contrast to the findings of Guthrie and Kim (2009) which suggested that since low-involvement product implies a shorter relationship a customer would like to have with a product or service provider, so they will value immediate rewards toward delayed rewards. It also contradicts with the findings of Dowling and uncle (1997) which stated that it is indirect rewards which enhancing loyalty for low-involvement products. In this study, our findings emphasis on that although customer might hold shorter relationship with low-involvement product or service providers, they still want to enter into that relationship. This implies that companies providing low-involvement products or services could still generate customer loyalty through the establishment of loyalty program if the loyalty program is appropriately designed to strengthen their relationship with customer.

Section Two

Implication

Our findings implied that providing satisfied products or services is a must for companies to make their loyalty programs successful. In general, companies should consider using delayed-direct rewards in there loyalty programs since our findings suggested that loyalty programs with delayed-direct rewards gains higher loyalty responses from customers. Besides, our findings suggested both high-product involvement

companies and low-product involvement company should use delayed-direct rewards in their loyalty programs in order to enhance higher customer loyalty.

Section Three

Conclusion

To conclude, this study first presents a general understanding about customer loyalty, loyalty programs, customer satisfaction and the relationship between customer loyalty and customer satisfaction by reviewing past literatures. Then, an empirical study researching for the moderating effect of satisfaction on the type and timing of rewards is introduced. The focus of this paper is the research study which aim at evaluating the factors affecting the effectiveness of loyalty programs. The result of this empirical study provides implications on how a (successful) reward programs should be designed in order to magnify the effectiveness they could generate.

However, there is still a large scope of expansion for this study. Further research may be needed in order to investigate other possible factors that may affect the effectiveness of loyalty programs. As mentioned in the pervious chapter, Nunes and Dreze (2006) suggested that there are several important components in designing a loyalty program, namely divisibility of rewards, sense of momentum, nature of rewards, expansion of relationship and combined-currency flexibility.

In addition to this, Liu and Yang (2009) also suggested that there are several factors affecting the effectiveness of a loyalty program, which are cost of participation, choice and availability of rewards and point structure. Among these suggested important components, we examined only the nature of rewards and the choice and availability of rewards. Future research can also take into account other important factors in assessing the factors affecting the effectiveness of loyalty programs. For example, cost of redemption can be focus to evaluate which type of redemption is more effective in enhancing customer loyalty.

Besides, product involvement is a new factor that is suggested to have influence on the effectiveness of loyalty programs in this study. Only low-involvement and high-involvement product or service providers are examined in this empirical research. Future study can also take into account the medium-involvement product or service provider.

Moreover, although this study took both grocery industry and service industries into consideration, only a supermarket and a bank have been taken as an example. Since many industries are said to be interested in the effectiveness of loyalty programs, such as financing and insurance, transport and utilities, tourism, hotel, catering, entertainment, communication and telecommunications, real estate and property management, personal services, etc., future study could investigate loyalty program in these industries.

Last but not least, the targeted areas of both empirical researches taken by this study (Hong Kong) or the original study carried out by Keh and Lee in 2006 (Singapore) are regard as having mixed culture in background. Further research may consider targeting on countries which have a stronger cultural background such as Japan, United Kingdom, France, etc.

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Appendix 1: Questionnaire

Scenario 1a Supermarket, Satisfied experience, Immediate-Direct reward

Please read the following scenario carefully.

Assume that you are a customer of Fabulous Supermarket, which is rated highly accessible with plenty of stores selling various fresh foods, daily necessities and sundry goods with reasonable price. The supermarket provides a good selection of all product brands with “never out of stock” as their slogan.

On average you spend \$300 per purchase. Recently, in its monthly flyer to all of its loyalty card holders the supermarket informed you that for every \$100 spent at the supermarket, the customer gets a \$10 immediate discount off the current transaction

In general, any product you want could be bought from the supermarket and all the products are in good qualities. Therefore, you can shop at one supermarket and get all you want.

Please comment on the above experience

- | | | | | | | | |
|--------------------------|----------------------|---------------------------------|---|---|---|---|---|
| 1. Strongly Unfavorable | ↔ Neutral | ↔ Strongly Favorable | 1 | 2 | 3 | 4 | 5 |
| 2. Strongly Unpleasant | ↔ Neutral | ↔ Strongly Pleasant | 1 | 2 | 3 | 4 | 5 |
| 3. Strongly Displeased | ↔ Neutral | ↔ Strongly Pleased | 1 | 2 | 3 | 4 | 5 |
| 4. Strongly Frustrated | ↔ Neutral | ↔ Strongly Delighted | 1 | 2 | 3 | 4 | 5 |
| 5. Strongly Dissatisfied | ↔ Neutral | ↔ Strongly Satisfied | 1 | 2 | 3 | 4 | 5 |

Please comment on the following statements with scale

Very Unlikely	Unlikely	Neutral	Likely	Very likely
1	2	3	4	5

- | | | | | | |
|--|---|---|---|---|---|
| 21. I am likely to return to the supermarket | 1 | 2 | 3 | 4 | 5 |
| 22. I intend to use the services offered by the supermarket as often as I can in the future. | 1 | 2 | 3 | 4 | 5 |
| 23. I do not foresee myself switching to another supermarket | 1 | 2 | 3 | 4 | 5 |
| 24. I would consider the supermarket my first choice when shopping | 1 | 2 | 3 | 4 | 5 |
| 25. I would still continue to be a customer of the supermarket even if it were to raise prices slightly. | 1 | 2 | 3 | 4 | 5 |
| 26. I would switch to a competing supermarket that offers a better price on their service. | 1 | 2 | 3 | 4 | 5 |
| 27. I would switch to a competing supermarket if I experience a problem with its service. | 1 | 2 | 3 | 4 | 5 |
| 28. I would stand by the supermarket even if its service has dropped its standard on rare occasions. | 1 | 2 | 3 | 4 | 5 |

- | | | | | | |
|--|---|---|---|---|---|
| 29. I would highly recommend the supermarket to my friends and family. | 1 | 2 | 3 | 4 | 5 |
| 30. I would say positive things about the supermarket to other people. | 1 | 2 | 3 | 4 | 5 |
| 31. I would visit this supermarket more frequently compared to a competing supermarket without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 32. I would purchase from this supermarket more frequently compared to a competing supermarket without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 33. I would spend more in this supermarket than in a competing supermarket without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 34. I consider this supermarket a good retailer compared to a competing supermarket without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 35. I trust this supermarket more than a competing supermarket without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 36. The supermarket makes an effort to know its customers by providing the loyalty program | 1 | 2 | 3 | 4 | 5 |
| 37. I would still continue to be a customer of the supermarket even if another supermarket located nearer to my home is opened | 1 | 2 | 3 | 4 | 5 |
| 38. I would switch to a competing supermarket that is located nearer to my place | 1 | 2 | 3 | 4 | 5 |
| 39. I would like to develop a relationship with this supermarket compared to a competing supermarket without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 40. In the future I intend to purchase from this supermarket compared to a competing supermarket without a loyalty program | 1 | 2 | 3 | 4 | 5 |

Scenario 1b Bank, Satisfied experience, Immediate-Direct reward

Please read the following scenario carefully.

Assume that you are a customer of Asian Bank. The banking services you have with the bank include a savings account, intra-bank transfers and credit services through your credit card. Most of the time you make use of the automated services (e.g., ATM, cash deposit, updating bank book), hence, the time you spend on the bank premises is rather short. The ATMs of Asian Bank are conveniently located at various places and breakdown is minimal.

On average you spend \$500 per credit card transaction. Recently, in its monthly flyer to all of its credit card holders the bank informed you that for every \$100 spent on the credit card, a rebate of \$1 is credited immediately into the account to offset bank charges

In general, whatever queries and issues you have had using your credit card from Asian Bank have been handled promptly and fairly.

Please comment on the above experience

- | | | | | | | | |
|--------------------------|--------------------|-------------------------------|---|---|---|---|---|
| 1. Strongly Unfavorable | Neutral | Strongly Favorable | 1 | 2 | 3 | 4 | 5 |
| 2. Strongly Unpleasant | Neutral | Strongly Pleasant | 1 | 2 | 3 | 4 | 5 |
| 3. Strongly Displeased | Neutral | Strongly Pleased | 1 | 2 | 3 | 4 | 5 |
| 4. Strongly Frustrated | Neutral | Strongly Delighted | 1 | 2 | 3 | 4 | 5 |
| 5. Strongly Dissatisfied | Neutral | Strongly Satisfied | 1 | 2 | 3 | 4 | 5 |

Please comment on the following statements with scale

Very Unlikely	Unlikely	Neutral	Likely	Very likely
1	2	3	4	5

- | | | | | | |
|---|---|---|---|---|---|
| 1. I am likely to return to the bank | 1 | 2 | 3 | 4 | 5 |
| 2. I intend to use the services offered by the bank as often as I can in the future. | 1 | 2 | 3 | 4 | 5 |
| 3. I do not foresee myself switching to another bank | 1 | 2 | 3 | 4 | 5 |
| 4. I would consider this bank my first choice when banking | 1 | 2 | 3 | 4 | 5 |
| 5. I would still continue to be a customer of this bank even if it were to raise fees slightly. | 1 | 2 | 3 | 4 | 5 |
| 6. I would switch to a competing bank that offers a better price on their service. | 1 | 2 | 3 | 4 | 5 |
| 7. I would switch to a competing bank if I experience a problem with its service. | 1 | 2 | 3 | 4 | 5 |
| 8. I would stand by this bank even if its service has dropped in standard on rare occasions. | 1 | 2 | 3 | 4 | 5 |
| 9. I would highly recommend the bank to my friends and family. | 1 | 2 | 3 | 4 | 5 |

- | | | | | | |
|--|---|---|---|---|---|
| 10. I would say positive things about the bank to other people. | 1 | 2 | 3 | 4 | 5 |
| 11. I would visit this bank more frequently compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 12. I would use this bank more frequently compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 13. I would spent more in this bank than in a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 14. I consider this bank a good service provider compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 15. I trust this bank more than a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 16. The bank makes an effort to know its customers by providing the loyalty program | | | | | |
| 17. I would still continue to be a customer of this bank even if another bank located nearer to my place is opened | 1 | 2 | 3 | 4 | 5 |
| 18. I would switch to a competing bank that locating nearer to my place | 1 | 2 | 3 | 4 | 5 |
| 19. I would like to develop a relationship with this bank compare to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 20. I tend to use this bank in the future compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |

Scenario 2a Supermarket, Satisfied experience, Immediate-Indirect reward

Please read the following scenario carefully.

Assume that you are a customer of Fabulous Supermarket, which is rated highly accessible with plenty of stores selling various fresh foods, daily necessities and sundry goods with reasonable price. The supermarket provides a good selection of all product brands with “never out of stock” as their slogan.

On average you spend \$300 per purchase. Recently, in its monthly flyer to all of its loyalty card holders the supermarket informed you that for every \$100 spent on the credit card, the customer gets a \$10 movie ticket voucher valid immediately

In general, any product you want could be bought from the supermarket and all the products are in good qualities. Therefore, you can shop at one supermarket and get all you want.

Please comment on the above experience

- | | | | | | | | |
|--------------------------|----------|---------------------|---|---|---|---|---|
| 1. Strongly Unfavorable | ↔Neutral | ↔Strongly Favorable | 1 | 2 | 3 | 4 | 5 |
| 2. Strongly Unpleasant | ↔Neutral | ↔Strongly Pleasant | 1 | 2 | 3 | 4 | 5 |
| 3. Strongly Displeased | ↔Neutral | ↔Strongly Pleased | 1 | 2 | 3 | 4 | 5 |
| 4. Strongly Frustrated | ↔Neutral | ↔Strongly Delighted | 1 | 2 | 3 | 4 | 5 |
| 5. Strongly Dissatisfied | ↔Neutral | ↔Strongly Satisfied | 1 | 2 | 3 | 4 | 5 |

Please comment on the following statements with scale

Very Unlikely	Unlikely	Neutral	Likely	Very likely
1	2	3	4	5

- | | | | | | |
|---|---|---|---|---|---|
| 1. I am likely to return to the supermarket | 1 | 2 | 3 | 4 | 5 |
| 2. I intend to use the services offered by the supermarket as often as I can in the future. | 1 | 2 | 3 | 4 | 5 |
| 3. I do not foresee myself switching to another supermarket | 1 | 2 | 3 | 4 | 5 |
| 4. I would consider the supermarket my first choice when shopping | 1 | 2 | 3 | 4 | 5 |
| 5. I would still continue to be a customer of the supermarket even if it were to raise prices slightly. | 1 | 2 | 3 | 4 | 5 |
| 6. I would switch to a competing supermarket that offers a better price on their service. | 1 | 2 | 3 | 4 | 5 |
| 7. I would switch to a competing supermarket if I experience a problem with its service. | 1 | 2 | 3 | 4 | 5 |
| 8. I would stand by the supermarket even if its service has dropped its standard on rare occasions. | 1 | 2 | 3 | 4 | 5 |
| 9. I would highly recommend the supermarket to my friends | 1 | 2 | 3 | 4 | 5 |

- and family.
10. I would say positive things about the supermarket to other people. 1 2 3 4 5
 11. I would visit this supermarket more frequently compared to a competing supermarket without a loyalty program 1 2 3 4 5
 12. I would purchase from this supermarket more frequently compared to a competing supermarket without a loyalty program 1 2 3 4 5
 13. I would spend more in this supermarket than in a competing supermarket without a loyalty program 1 2 3 4 5
 14. I consider this supermarket a good retailer compared to a competing supermarket without a loyalty program 1 2 3 4 5
 15. I trust this supermarket more than a competing supermarket without a loyalty program 1 2 3 4 5
 16. The supermarket makes an effort to know its customers by providing the loyalty program 1 2 3 4 5
 17. I would still continue to be a customer of the supermarket even if another supermarket located nearer to my home is opened 1 2 3 4 5
 18. I would switch to a competing supermarket that is located nearer to my place 1 2 3 4 5
 19. I would like to develop a relationship with this supermarket compared to a competing supermarket without a loyalty program 1 2 3 4 5
 20. In the future I intend to purchase from this supermarket compared to a competing supermarket without a loyalty program 1 2 3 4 5

Scenario 2b Bank, Satisfied experience, Immediate-Indirect reward

Please read the following scenario carefully.

Assume that you are a customer of Asian Bank. The banking services you have with the bank include a savings account, intra-bank transfers and credit services through your credit card. Most of the time you make use of the automated services (e.g., ATM, cash deposit, updating bank book), hence, the time you spend on the bank premises is rather short. The ATMs of Asian Bank are conveniently located at various places and breakdown is minimal.

On average you spend \$500 per credit card transaction. Recently, in its monthly flyer to all of its credit card holders the bank informed you that for every \$100 spent at the credit card, the customer gets a \$1 shopping voucher valid immediately at selected department stores.

In general, whatever queries and issues you have had using your credit card from Asian Bank have been handled promptly and fairly.

Please comment on the above experience

- | | | | | | | | |
|--------------------------|--------------------|-------------------------------|---|---|---|---|---|
| 1. Strongly Unfavorable | Neutral | Strongly Favorable | 1 | 2 | 3 | 4 | 5 |
| 2. Strongly Unpleasant | Neutral | Strongly Pleasant | 1 | 2 | 3 | 4 | 5 |
| 3. Strongly Displeased | Neutral | Strongly Pleased | 1 | 2 | 3 | 4 | 5 |
| 4. Strongly Frustrated | Neutral | Strongly Delighted | 1 | 2 | 3 | 4 | 5 |
| 5. Strongly Dissatisfied | Neutral | Strongly Satisfied | 1 | 2 | 3 | 4 | 5 |

Please comment on the following statements with scale

Very Unlikely	Unlikely	Neutral	Likely	Very likely
1	2	3	4	5

- | | | | | | |
|---|---|---|---|---|---|
| 1. I am likely to return to the bank | 1 | 2 | 3 | 4 | 5 |
| 2. I intend to use the services offered by the bank as often as I can in the future. | 1 | 2 | 3 | 4 | 5 |
| 3. I do not foresee myself switching to another bank | 1 | 2 | 3 | 4 | 5 |
| 4. I would consider this bank my first choice when banking | 1 | 2 | 3 | 4 | 5 |
| 5. I would still continue to be a customer of this bank even if it were to raise fees slightly. | 1 | 2 | 3 | 4 | 5 |
| 6. I would switch to a competing bank that offers a better price on their service. | 1 | 2 | 3 | 4 | 5 |
| 7. I would switch to a competing bank if I experience a problem with its service. | 1 | 2 | 3 | 4 | 5 |
| 8. I would stand by this bank even if its service has dropped in standard on rare occasions. | 1 | 2 | 3 | 4 | 5 |
| 9. I would highly recommend the bank to my friends and family. | 1 | 2 | 3 | 4 | 5 |

- | | | | | | |
|--|---|---|---|---|---|
| 10. I would say positive things about the bank to other people. | 1 | 2 | 3 | 4 | 5 |
| 11. I would visit this bank more frequently compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 12. I would use this bank more frequently compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 13. I would spent more in this bank than in a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 14. I consider this bank a good service provider compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 15. I trust this bank more than a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 16. The bank makes an effort to know its customers by providing the loyalty program | | | | | |
| 17. I would still continue to be a customer of this bank even if another bank located nearer to my place is opened | 1 | 2 | 3 | 4 | 5 |
| 18. I would switch to a competing bank that locating nearer to my place | 1 | 2 | 3 | 4 | 5 |
| 19. I would like to develop a relationship with this bank compare to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 20. I tend to use this bank in the future compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |

Scenario 3a Supermarket, Satisfied experience, Delayed-Direct reward

Please read the following scenario carefully.

Assume that you are a customer of Fabulous Supermarket, which is rated highly accessible with plenty of stores selling various fresh foods, daily necessities and sundry goods with reasonable price. The supermarket provides a good selection of all product brands with “never out of stock” as their slogan.

On average you spend \$300 per purchase. Recently, in its monthly flyer to all of its loyalty card holders the supermarket informed you that for every \$100 spent at the supermarket, the customer gets a \$15 discount coupon valid from December onwards.

In general, any product you want could be bought from the supermarket and all the products are in good qualities. Therefore, you can shop at one supermarket and get all you want.

Please comment on the above experience

- | | | | | | | | |
|--------------------------|----------|---------------------|---|---|---|---|---|
| 1. Strongly Unfavorable | ↔Neutral | ↔Strongly Favorable | 1 | 2 | 3 | 4 | 5 |
| 2. Strongly Unpleasant | ↔Neutral | ↔Strongly Pleasant | 1 | 2 | 3 | 4 | 5 |
| 3. Strongly Displeased | ↔Neutral | ↔Strongly Pleased | 1 | 2 | 3 | 4 | 5 |
| 4. Strongly Frustrated | ↔Neutral | ↔Strongly Delighted | 1 | 2 | 3 | 4 | 5 |
| 5. Strongly Dissatisfied | ↔Neutral | ↔Strongly Satisfied | 1 | 2 | 3 | 4 | 5 |

Please comment on the following statements with scale

Very Unlikely	Unlikely	Neutral	Likely	Very likely
1	2	3	4	5

- | | | | | | |
|---|---|---|---|---|---|
| 1. I am likely to return to the supermarket | 1 | 2 | 3 | 4 | 5 |
| 2. I intend to use the services offered by the supermarket as often as I can in the future. | 1 | 2 | 3 | 4 | 5 |
| 3. I do not foresee myself switching to another supermarket | 1 | 2 | 3 | 4 | 5 |
| 4. I would consider the supermarket my first choice when shopping | 1 | 2 | 3 | 4 | 5 |
| 5. I would still continue to be a customer of the supermarket even if it were to raise prices slightly. | 1 | 2 | 3 | 4 | 5 |
| 6. I would switch to a competing supermarket that offers a better price on their service. | 1 | 2 | 3 | 4 | 5 |
| 7. I would switch to a competing supermarket if I experience a problem with its service. | 1 | 2 | 3 | 4 | 5 |
| 8. I would stand by the supermarket even if its service has dropped its standard on rare occasions. | 1 | 2 | 3 | 4 | 5 |
| 9. I would highly recommend the supermarket to my friends | 1 | 2 | 3 | 4 | 5 |

- and family.
10. I would say positive things about the supermarket to other people. 1 2 3 4 5
 11. I would visit this supermarket more frequently compared to a competing supermarket without a loyalty program 1 2 3 4 5
 12. I would purchase from this supermarket more frequently compared to a competing supermarket without a loyalty program 1 2 3 4 5
 13. I would spend more in this supermarket than in a competing supermarket without a loyalty program 1 2 3 4 5
 14. I consider this supermarket a good retailer compared to a competing supermarket without a loyalty program 1 2 3 4 5
 15. I trust this supermarket more than a competing supermarket without a loyalty program 1 2 3 4 5
 16. The supermarket makes an effort to know its customers by providing the loyalty program 1 2 3 4 5
 17. I would still continue to be a customer of the supermarket even if another supermarket located nearer to my home is opened 1 2 3 4 5
 18. I would switch to a competing supermarket that is located nearer to my place 1 2 3 4 5
 19. I would like to develop a relationship with this supermarket compared to a competing supermarket without a loyalty program 1 2 3 4 5
 20. In the future I intend to purchase from this supermarket compared to a competing supermarket without a loyalty program 1 2 3 4 5

Scenario 3b Bank, Satisfied experience, Delayed-Direct reward

Please read the following scenario carefully.

Assume that you are a customer of Asian Bank. The banking services you have with the bank include a savings account, intra-bank transfers and credit services through your credit card. Most of the time you make use of the automated services (e.g., ATM, cash deposit, updating bank book), hence, the time you spend on the bank premises is rather short. The ATMs of Asian Bank are conveniently located at various places and breakdown is minimal.

On average you spend \$500 per credit card transaction. Recently, in its monthly flyer to all of its credit card holders the bank informed you that for every \$100 spent on the credit card, a rebate of \$2 is credited immediately into the account, which can be used at the end of the year to offset future monthly bank charges.

In general, whatever queries and issues you have had using your credit card from Asian Bank have been handled promptly and fairly.

Please comment on the above experience

- | | | | | | | | | | | |
|--------------------------|-----------------------|---------|-----------------------|--------------------|-----------------------|---|---|---|---|---|
| 1. Strongly Unfavorable | <input type="radio"/> | Neutral | <input type="radio"/> | Strongly Favorable | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 2. Strongly Unpleasant | <input type="radio"/> | Neutral | <input type="radio"/> | Strongly Pleasant | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 3. Strongly Displeased | <input type="radio"/> | Neutral | <input type="radio"/> | Strongly Pleased | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 4. Strongly Frustrated | <input type="radio"/> | Neutral | <input type="radio"/> | Strongly Delighted | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 5. Strongly Dissatisfied | <input type="radio"/> | Neutral | <input type="radio"/> | Strongly Satisfied | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |

Please comment on the following statements with scale

Very Unlikely	Unlikely	Neutral	Likely	Very likely
1	2	3	4	5

- | | | | | | | |
|---|-----------------------|---|---|---|---|---|
| 1. I am likely to return to the bank | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 2. I intend to use the services offered by the bank as often as I can in the future. | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 3. I do not foresee myself switching to another bank | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 4. I would consider this bank my first choice when banking | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 5. I would still continue to be a customer of this bank even if it were to raise fees slightly. | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 6. I would switch to a competing bank that offers a better price on their service. | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 7. I would switch to a competing bank if I experience a problem with its service. | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 8. I would stand by this bank even if its service has dropped in standard on rare occasions. | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |

- | | | | | | |
|--|---|---|---|---|---|
| 9. I would highly recommend the bank to my friends and family. | 1 | 2 | 3 | 4 | 5 |
| 10. I would say positive things about the bank to other people. | 1 | 2 | 3 | 4 | 5 |
| 11. I would visit this bank more frequently compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 12. I would use this bank more frequently compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 13. I would spent more in this bank than in a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 14. I consider this bank a good service provider compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 15. I trust this bank more than a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 16. The bank makes an effort to know its customers by providing the loyalty program | | | | | |
| 17. I would still continue to be a customer of this bank even if another bank located nearer to my place is opened | 1 | 2 | 3 | 4 | 5 |
| 18. I would switch to a competing bank that locating nearer to my place | 1 | 2 | 3 | 4 | 5 |
| 19. I would like to develop a relationship with this bank compare to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 20. I tend to use this bank in the future compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |

Scenario 4a Supermarket, Satisfied experience, Delayed-Indirect reward

Please read the following scenario carefully.

Assume that you are a customer of Fabulous Supermarket, which is rated highly accessible with plenty of stores selling various fresh foods, daily necessities and sundry goods with reasonable price. The supermarket provides a good selection of all product brands with “never out of stock” as their slogan.

On average you spend \$300 per purchase. Recently, in its monthly flyer to all of its loyalty card holders the supermarket informed you that for every \$100 spent on the credit card, the customer gets a \$15 movie ticket voucher valid from December onwards

In general, any product you want could be bought from the supermarket and all the products are in good qualities. Therefore, you can shop at one supermarket and get all you want.

Please comment on the above experience

- | | | | | | | | |
|--------------------------|----------|---------------------|---|---|---|---|---|
| 1. Strongly Unfavorable | ↔Neutral | ↔Strongly Favorable | 1 | 2 | 3 | 4 | 5 |
| 2. Strongly Unpleasant | ↔Neutral | ↔Strongly Pleasant | 1 | 2 | 3 | 4 | 5 |
| 3. Strongly Displeased | ↔Neutral | ↔Strongly Pleased | 1 | 2 | 3 | 4 | 5 |
| 4. Strongly Frustrated | ↔Neutral | ↔Strongly Delighted | 1 | 2 | 3 | 4 | 5 |
| 5. Strongly Dissatisfied | ↔Neutral | ↔Strongly Satisfied | 1 | 2 | 3 | 4 | 5 |

Please comment on the following statements with scale

Very Unlikely	Unlikely	Neutral	Likely	Very likely
1	2	3	4	5

- | | | | | | |
|---|---|---|---|---|---|
| 1. I am likely to return to the supermarket | 1 | 2 | 3 | 4 | 5 |
| 2. I intend to use the services offered by the supermarket as often as I can in the future. | 1 | 2 | 3 | 4 | 5 |
| 3. I do not foresee myself switching to another supermarket | 1 | 2 | 3 | 4 | 5 |
| 4. I would consider the supermarket my first choice when shopping | 1 | 2 | 3 | 4 | 5 |
| 5. I would still continue to be a customer of the supermarket even if it were to raise prices slightly. | 1 | 2 | 3 | 4 | 5 |
| 6. I would switch to a competing supermarket that offers a better price on their service. | 1 | 2 | 3 | 4 | 5 |
| 7. I would switch to a competing supermarket if I experience a problem with its service. | 1 | 2 | 3 | 4 | 5 |
| 8. I would stand by the supermarket even if its service has dropped its standard on rare occasions. | 1 | 2 | 3 | 4 | 5 |
| 9. I would highly recommend the supermarket to my friends | 1 | 2 | 3 | 4 | 5 |

- and family.
10. I would say positive things about the supermarket to other people. 1 2 3 4 5
 11. I would visit this supermarket more frequently compared to a competing supermarket without a loyalty program 1 2 3 4 5
 12. I would purchase from this supermarket more frequently compared to a competing supermarket without a loyalty program 1 2 3 4 5
 13. I would spend more in this supermarket than in a competing supermarket without a loyalty program 1 2 3 4 5
 14. I consider this supermarket a good retailer compared to a competing supermarket without a loyalty program 1 2 3 4 5
 15. I trust this supermarket more than a competing supermarket without a loyalty program 1 2 3 4 5
 16. The supermarket makes an effort to know its customers by providing the loyalty program 1 2 3 4 5
 17. I would still continue to be a customer of the supermarket even if another supermarket located nearer to my home is opened 1 2 3 4 5
 18. I would switch to a competing supermarket that is located nearer to my place 1 2 3 4 5
 19. I would like to develop a relationship with this supermarket compared to a competing supermarket without a loyalty program 1 2 3 4 5
 20. In the future I intend to purchase from this supermarket compared to a competing supermarket without a loyalty program 1 2 3 4 5

Scenario 4b Bank, Satisfied experience, Delayed-Indirect reward

Please read the following scenario carefully.

Assume that you are a customer of Asian Bank. The banking services you have with the bank include a savings account, intra-bank transfers and credit services through your credit card. Most of the time you make use of the automated services (e.g., ATM, cash deposit, updating bank book), hence, the time you spend on the bank premises is rather short. The ATMs of Asian Bank are conveniently located at various places and breakdown is minimal.

On average you spend \$500 per credit card transaction. Recently, in its monthly flyer to all of its credit card holders the bank informed you that for every \$100 spent at the credit card, the customer gets a \$2 shopping voucher at selected department stores during the upcoming Christmas season.

In general, whatever queries and issues you have had using your credit card from Asian Bank have been handled promptly and fairly.

Please comment on the above experience

- | | | | | | | | | | | |
|--------------------------|-----------------------|---------|-----------------------|--------------------|-----------------------|---|---|---|---|---|
| 1. Strongly Unfavorable | <input type="radio"/> | Neutral | <input type="radio"/> | Strongly Favorable | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 2. Strongly Unpleasant | <input type="radio"/> | Neutral | <input type="radio"/> | Strongly Pleasant | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 3. Strongly Displeased | <input type="radio"/> | Neutral | <input type="radio"/> | Strongly Pleased | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 4. Strongly Frustrated | <input type="radio"/> | Neutral | <input type="radio"/> | Strongly Delighted | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 5. Strongly Dissatisfied | <input type="radio"/> | Neutral | <input type="radio"/> | Strongly Satisfied | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |

Please comment on the following statements with scale

Very Unlikely	Unlikely	Neutral	Likely	Very likely
1	2	3	4	5

- | | | | | | | |
|---|-----------------------|---|---|---|---|---|
| 1. I am likely to return to the bank | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 2. I intend to use the services offered by the bank as often as I can in the future. | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 3. I do not foresee myself switching to another bank | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 4. I would consider this bank my first choice when banking | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 5. I would still continue to be a customer of this bank even if it were to raise fees slightly. | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 6. I would switch to a competing bank that offers a better price on their service. | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 7. I would switch to a competing bank if I experience a problem with its service. | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 8. I would stand by this bank even if its service has dropped in standard on rare occasions. | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |

- | | | | | | |
|--|---|---|---|---|---|
| 9. I would highly recommend the bank to my friends and family. | 1 | 2 | 3 | 4 | 5 |
| 10. I would say positive things about the bank to other people. | 1 | 2 | 3 | 4 | 5 |
| 11. I would visit this bank more frequently compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 12. I would use this bank more frequently compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 13. I would spent more in this bank than in a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 14. I consider this bank a good service provider compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 15. I trust this bank more than a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 16. The bank makes an effort to know its customers by providing the loyalty program | | | | | |
| 17. I would still continue to be a customer of this bank even if another bank located nearer to my place is opened | 1 | 2 | 3 | 4 | 5 |
| 18. I would switch to a competing bank that locating nearer to my place | 1 | 2 | 3 | 4 | 5 |
| 19. I would like to develop a relationship with this bank compare to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 20. I tend to use this bank in the future compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |

Scenario 5a Supermarket, Dissatisfied experience, Immediate-Direct reward

Please read the following scenario carefully.

Assume that you are a customer of Fabulous Supermarket, which is rated highly accessible with plenty of stores selling various fresh foods, daily necessities and sundry goods with reasonable price. The supermarket provides a good selection of all product brands with “never out of stock” as their slogan.

On average you spend \$300 per purchase. Recently, in its monthly flyer to all of its loyalty card holders the supermarket informed you that for every \$100 spent at the supermarket, the customer gets a \$10 immediate discount off the current transaction.

In the past few visits, you found that there is lack of staff in the supermarket. Even you got questions; you could hardly find someone to ask. When finally one of the staff could have you, he/her could not give you a proper answer.

Please comment on the above experience

- | | | | | | | | |
|--------------------------|----------|---------------------|---|---|---|---|---|
| 1. Strongly Unfavorable | ↔Neutral | ↔Strongly Favorable | 1 | 2 | 3 | 4 | 5 |
| 2. Strongly Unpleasant | ↔Neutral | ↔Strongly Pleasant | 1 | 2 | 3 | 4 | 5 |
| 3. Strongly Displeased | ↔Neutral | ↔Strongly Pleased | 1 | 2 | 3 | 4 | 5 |
| 4. Strongly Frustrated | ↔Neutral | ↔Strongly Delighted | 1 | 2 | 3 | 4 | 5 |
| 5. Strongly Dissatisfied | ↔Neutral | ↔Strongly Satisfied | 1 | 2 | 3 | 4 | 5 |

Please comment on the following statements with scale

Very Unlikely	Unlikely	Neutral	Likely	Very likely
1	2	3	4	5

- | | | | | | |
|---|---|---|---|---|---|
| 1. I am likely to return to the supermarket | 1 | 2 | 3 | 4 | 5 |
| 2. I intend to use the services offered by the supermarket as often as I can in the future. | 1 | 2 | 3 | 4 | 5 |
| 3. I do not foresee myself switching to another supermarket | 1 | 2 | 3 | 4 | 5 |
| 4. I would consider the supermarket my first choice when shopping | 1 | 2 | 3 | 4 | 5 |
| 5. I would still continue to be a customer of the supermarket even if it were to raise prices slightly. | 1 | 2 | 3 | 4 | 5 |
| 6. I would switch to a competing supermarket that offers a better price on their service. | 1 | 2 | 3 | 4 | 5 |
| 7. I would switch to a competing supermarket if I experience a problem with its service. | 1 | 2 | 3 | 4 | 5 |
| 8. I would stand by the supermarket even if its service has dropped its standard on rare occasions. | 1 | 2 | 3 | 4 | 5 |
| 9. I would highly recommend the supermarket to my friends | 1 | 2 | 3 | 4 | 5 |

- and family.
10. I would say positive things about the supermarket to other people. 1 2 3 4 5
 11. I would visit this supermarket more frequently compared to a competing supermarket without a loyalty program 1 2 3 4 5
 12. I would purchase from this supermarket more frequently compared to a competing supermarket without a loyalty program 1 2 3 4 5
 13. I would spend more in this supermarket than in a competing supermarket without a loyalty program 1 2 3 4 5
 14. I consider this supermarket a good retailer compared to a competing supermarket without a loyalty program 1 2 3 4 5
 15. I trust this supermarket more than a competing supermarket without a loyalty program 1 2 3 4 5
 16. The supermarket makes an effort to know its customers by providing the loyalty program 1 2 3 4 5
 17. I would still continue to be a customer of the supermarket even if another supermarket located nearer to my home is opened 1 2 3 4 5
 18. I would switch to a competing supermarket that is located nearer to my place 1 2 3 4 5
 19. I would like to develop a relationship with this supermarket compared to a competing supermarket without a loyalty program 1 2 3 4 5
 20. In the future I intend to purchase from this supermarket compared to a competing supermarket without a loyalty program 1 2 3 4 5

Scenario 5b Bank, Dissatisfied experience, Immediate-Direct reward

Please read the following scenario carefully.

Assume that you are a customer of Asian Bank. The banking services you have with the bank include a savings account, intra-bank transfers and credit services through your credit card. Most of the time you make use of the automated services (e.g., ATM, cash deposit, updating bank book), hence, the time you spend on the bank premises is rather short. The ATMs of Asian Bank are conveniently located at various places and breakdown is minimal.

On average you spend \$500 per credit card transaction. Recently, in its monthly flyer to all of its credit card holders the bank informed you that for every \$100 spent on the credit card, a rebate of \$1 is credited immediately into the account to offset bank charges.

Lately, you have been over-billed on two previous credit card transactions. On each occasion, you had to make a few phone calls before the issue was resolved.

Please comment on the above experience

- | | | | | | | | |
|--------------------------|--------------------|-------------------------------|---|---|---|---|---|
| 1. Strongly Unfavorable | Neutral | Strongly Favorable | 1 | 2 | 3 | 4 | 5 |
| 2. Strongly Unpleasant | Neutral | Strongly Pleasant | 1 | 2 | 3 | 4 | 5 |
| 3. Strongly Displeased | Neutral | Strongly Pleased | 1 | 2 | 3 | 4 | 5 |
| 4. Strongly Frustrated | Neutral | Strongly Delighted | 1 | 2 | 3 | 4 | 5 |
| 5. Strongly Dissatisfied | Neutral | Strongly Satisfied | 1 | 2 | 3 | 4 | 5 |

Please comment on the following statements with scale

Very Unlikely	Unlikely	Neutral	Likely	Very likely
1	2	3	4	5

- | | | | | | |
|---|---|---|---|---|---|
| 1. I am likely to return to the bank | 1 | 2 | 3 | 4 | 5 |
| 2. I intend to use the services offered by the bank as often as I can in the future. | 1 | 2 | 3 | 4 | 5 |
| 3. I do not foresee myself switching to another bank | 1 | 2 | 3 | 4 | 5 |
| 4. I would consider this bank my first choice when banking | 1 | 2 | 3 | 4 | 5 |
| 5. I would still continue to be a customer of this bank even if it were to raise fees slightly. | 1 | 2 | 3 | 4 | 5 |
| 6. I would switch to a competing bank that offers a better price on their service. | 1 | 2 | 3 | 4 | 5 |
| 7. I would switch to a competing bank if I experience a problem with its service. | 1 | 2 | 3 | 4 | 5 |
| 8. I would stand by this bank even if its service has dropped in standard on rare occasions. | 1 | 2 | 3 | 4 | 5 |
| 9. I would highly recommend the bank to my friends and family. | 1 | 2 | 3 | 4 | 5 |

- | | | | | | |
|--|---|---|---|---|---|
| 10. I would say positive things about the bank to other people. | 1 | 2 | 3 | 4 | 5 |
| 11. I would visit this bank more frequently compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 12. I would use this bank more frequently compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 13. I would spent more in this bank than in a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 14. I consider this bank a good service provider compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 15. I trust this bank more than a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 16. The bank makes an effort to know its customers by providing the loyalty program | | | | | |
| 17. I would still continue to be a customer of this bank even if another bank located nearer to my place is opened | 1 | 2 | 3 | 4 | 5 |
| 18. I would switch to a competing bank that locating nearer to my place | 1 | 2 | 3 | 4 | 5 |
| 19. I would like to develop a relationship with this bank compare to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 20. I tend to use this bank in the future compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |

Scenario 6a Supermarket, Dissatisfied experience, Immediate-Indirect reward

Please read the following scenario carefully.

Assume that you are a customer of Fabulous Supermarket, which is rated highly accessible with plenty of stores selling various fresh foods, daily necessities and sundry goods with reasonable price. The supermarket provides a good selection of all product brands with “never out of stock” as their slogan.

On average you spend \$300 per purchase. Recently, in its monthly flyer to all of its loyalty card holders the supermarket informed you that for every \$100 spent on the credit card, the customer gets a \$10 movie ticket voucher valid immediately.

In the past few visits, you found that there is lack of staff in the supermarket. Even you got questions; you could hardly find someone to ask. When finally one of the staff could have you, he/her could not give you a proper answer.

Please comment on the above experience

- | | | | | | | | |
|--------------------------|----------|---------------------|---|---|---|---|---|
| 1. Strongly Unfavorable | ↔Neutral | ↔Strongly Favorable | 1 | 2 | 3 | 4 | 5 |
| 2. Strongly Unpleasant | ↔Neutral | ↔Strongly Pleasant | 1 | 2 | 3 | 4 | 5 |
| 3. Strongly Displeased | ↔Neutral | ↔Strongly Pleased | 1 | 2 | 3 | 4 | 5 |
| 4. Strongly Frustrated | ↔Neutral | ↔Strongly Delighted | 1 | 2 | 3 | 4 | 5 |
| 5. Strongly Dissatisfied | ↔Neutral | ↔Strongly Satisfied | 1 | 2 | 3 | 4 | 5 |

Please comment on the following statements with scale

Very Unlikely	Unlikely	Neutral	Likely	Very likely
1	2	3	4	5

- | | | | | | |
|---|---|---|---|---|---|
| 1. I am likely to return to the supermarket | 1 | 2 | 3 | 4 | 5 |
| 2. I intend to use the services offered by the supermarket as often as I can in the future. | 1 | 2 | 3 | 4 | 5 |
| 3. I do not foresee myself switching to another supermarket | 1 | 2 | 3 | 4 | 5 |
| 4. I would consider the supermarket my first choice when shopping | 1 | 2 | 3 | 4 | 5 |
| 5. I would still continue to be a customer of the supermarket even if it were to raise prices slightly. | 1 | 2 | 3 | 4 | 5 |
| 6. I would switch to a competing supermarket that offers a better price on their service. | 1 | 2 | 3 | 4 | 5 |
| 7. I would switch to a competing supermarket if I experience a problem with its service. | 1 | 2 | 3 | 4 | 5 |
| 8. I would stand by the supermarket even if its service has dropped its standard on rare occasions. | 1 | 2 | 3 | 4 | 5 |
| 9. I would highly recommend the supermarket to my friends | 1 | 2 | 3 | 4 | 5 |

- and family.
10. I would say positive things about the supermarket to other people. 1 2 3 4 5
 11. I would visit this supermarket more frequently compared to a competing supermarket without a loyalty program 1 2 3 4 5
 12. I would purchase from this supermarket more frequently compared to a competing supermarket without a loyalty program 1 2 3 4 5
 13. I would spend more in this supermarket than in a competing supermarket without a loyalty program 1 2 3 4 5
 14. I consider this supermarket a good retailer compared to a competing supermarket without a loyalty program 1 2 3 4 5
 15. I trust this supermarket more than a competing supermarket without a loyalty program 1 2 3 4 5
 16. The supermarket makes an effort to know its customers by providing the loyalty program 1 2 3 4 5
 17. I would still continue to be a customer of the supermarket even if another supermarket located nearer to my home is opened 1 2 3 4 5
 18. I would switch to a competing supermarket that is located nearer to my place 1 2 3 4 5
 19. I would like to develop a relationship with this supermarket compared to a competing supermarket without a loyalty program 1 2 3 4 5
 20. In the future I intend to purchase from this supermarket compared to a competing supermarket without a loyalty program 1 2 3 4 5

Scenario 6b Bank, Dissatisfied experience, Immediate-Indirect reward

Please read the following scenario carefully.

Assume that you are a customer of Asian Bank. The banking services you have with the bank include a savings account, intra-bank transfers and credit services through your credit card. Most of the time you make use of the automated services (e.g., ATM, cash deposit, updating bank book), hence, the time you spend on the bank premises is rather short. The ATMs of Asian Bank are conveniently located at various places and breakdown is minimal.

On average you spend \$500 per credit card transaction. Recently, in its monthly flyer to all of its credit card holders the bank informed you that for every \$100 spent at the credit card, the customer gets a \$1 shopping voucher valid immediately at selected department stores.

Lately, you have been over-billed on two previous credit card transactions. On each occasion, you had to make a few phone calls before the issue was resolved.

Please comment on the above experience

- | | | | | | | | |
|--------------------------|----------------------|---------------------------------|---|---|---|---|---|
| 1. Strongly Unfavorable | ↔ Neutral | ↔ Strongly Favorable | 1 | 2 | 3 | 4 | 5 |
| 2. Strongly Unpleasant | ↔ Neutral | ↔ Strongly Pleasant | 1 | 2 | 3 | 4 | 5 |
| 3. Strongly Displeased | ↔ Neutral | ↔ Strongly Pleased | 1 | 2 | 3 | 4 | 5 |
| 4. Strongly Frustrated | ↔ Neutral | ↔ Strongly Delighted | 1 | 2 | 3 | 4 | 5 |
| 5. Strongly Dissatisfied | ↔ Neutral | ↔ Strongly Satisfied | 1 | 2 | 3 | 4 | 5 |

Please comment on the following statements with scale

Very Unlikely	Unlikely	Neutral	Likely	Very likely
1	2	3	4	5

- | | | | | | |
|---|---|---|---|---|---|
| 1. I am likely to return to the bank | 1 | 2 | 3 | 4 | 5 |
| 2. I intend to use the services offered by the bank as often as I can in the future. | 1 | 2 | 3 | 4 | 5 |
| 3. I do not foresee myself switching to another bank | 1 | 2 | 3 | 4 | 5 |
| 4. I would consider this bank my first choice when banking | 1 | 2 | 3 | 4 | 5 |
| 5. I would still continue to be a customer of this bank even if it were to raise fees slightly. | 1 | 2 | 3 | 4 | 5 |
| 6. I would switch to a competing bank that offers a better price on their service. | 1 | 2 | 3 | 4 | 5 |
| 7. I would switch to a competing bank if I experience a problem with its service. | 1 | 2 | 3 | 4 | 5 |
| 8. I would stand by this bank even if its service has dropped in standard on rare occasions. | 1 | 2 | 3 | 4 | 5 |
| 9. I would highly recommend the bank to my friends and family. | 1 | 2 | 3 | 4 | 5 |

- | | | | | | |
|--|---|---|---|---|---|
| 10. I would say positive things about the bank to other people. | 1 | 2 | 3 | 4 | 5 |
| 11. I would visit this bank more frequently compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 12. I would use this bank more frequently compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 13. I would spent more in this bank than in a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 14. I consider this bank a good service provider compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 15. I trust this bank more than a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 16. The bank makes an effort to know its customers by providing the loyalty program | | | | | |
| 17. I would still continue to be a customer of this bank even if another bank located nearer to my place is opened | 1 | 2 | 3 | 4 | 5 |
| 18. I would switch to a competing bank that locating nearer to my place | 1 | 2 | 3 | 4 | 5 |
| 19. I would like to develop a relationship with this bank compare to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 20. I tend to use this bank in the future compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |

Scenario 7a Supermarket, Dissatisfied experience, Delayed-Direct reward

Please read the following scenario carefully.

Assume that you are a customer of Fabulous Supermarket, which is rated highly accessible with plenty of stores selling various fresh foods, daily necessities and sundry goods with reasonable price. The supermarket provides a good selection of all product brands with “never out of stock” as their slogan.

On average you spend \$300 per purchase. Recently, in its monthly flyer to all of its loyalty card holders the supermarket informed you that for every \$100 spent at the supermarket, the customer gets a \$15 discount coupon valid from December onwards.

In the past few visits, you found that there is lack of staff in the supermarket. Even you got questions; you could hardly find someone to ask. When finally one of the staff could have you, he/her could not give you a proper answer.

Please comment on the above experience

- | | | | | | | | |
|--------------------------|----------|---------------------|---|---|---|---|---|
| 1. Strongly Unfavorable | ↔Neutral | ↔Strongly Favorable | 1 | 2 | 3 | 4 | 5 |
| 2. Strongly Unpleasant | ↔Neutral | ↔Strongly Pleasant | 1 | 2 | 3 | 4 | 5 |
| 3. Strongly Displeased | ↔Neutral | ↔Strongly Pleased | 1 | 2 | 3 | 4 | 5 |
| 4. Strongly Frustrated | ↔Neutral | ↔Strongly Delighted | 1 | 2 | 3 | 4 | 5 |
| 5. Strongly Dissatisfied | ↔Neutral | ↔Strongly Satisfied | 1 | 2 | 3 | 4 | 5 |

Please comment on the following statements with scale

Very Unlikely	Unlikely	Neutral	Likely	Very likely
1	2	3	4	5

- | | | | | | |
|---|---|---|---|---|---|
| 1. I am likely to return to the supermarket | 1 | 2 | 3 | 4 | 5 |
| 2. I intend to use the services offered by the supermarket as often as I can in the future. | 1 | 2 | 3 | 4 | 5 |
| 3. I do not foresee myself switching to another supermarket | 1 | 2 | 3 | 4 | 5 |
| 4. I would consider the supermarket my first choice when shopping | 1 | 2 | 3 | 4 | 5 |
| 5. I would still continue to be a customer of the supermarket even if it were to raise prices slightly. | 1 | 2 | 3 | 4 | 5 |
| 6. I would switch to a competing supermarket that offers a better price on their service. | 1 | 2 | 3 | 4 | 5 |
| 7. I would switch to a competing supermarket if I experience a problem with its service. | 1 | 2 | 3 | 4 | 5 |
| 8. I would stand by the supermarket even if its service has dropped its standard on rare occasions. | 1 | 2 | 3 | 4 | 5 |
| 9. I would highly recommend the supermarket to my friends | 1 | 2 | 3 | 4 | 5 |

- and family.
10. I would say positive things about the supermarket to other people. 1 2 3 4 5
 11. I would visit this supermarket more frequently compared to a competing supermarket without a loyalty program 1 2 3 4 5
 12. I would purchase from this supermarket more frequently compared to a competing supermarket without a loyalty program 1 2 3 4 5
 13. I would spend more in this supermarket than in a competing supermarket without a loyalty program 1 2 3 4 5
 14. I consider this supermarket a good retailer compared to a competing supermarket without a loyalty program 1 2 3 4 5
 15. I trust this supermarket more than a competing supermarket without a loyalty program 1 2 3 4 5
 16. The supermarket makes an effort to know its customers by providing the loyalty program 1 2 3 4 5
 17. I would still continue to be a customer of the supermarket even if another supermarket located nearer to my home is opened 1 2 3 4 5
 18. I would switch to a competing supermarket that is located nearer to my place 1 2 3 4 5
 19. I would like to develop a relationship with this supermarket compared to a competing supermarket without a loyalty program 1 2 3 4 5
 20. In the future I intend to purchase from this supermarket compared to a competing supermarket without a loyalty program 1 2 3 4 5

Scenario 7b Bank, Dissatisfied experience, Delayed-Direct reward

Please read the following scenario carefully.

Assume that you are a customer of Asian Bank. The banking services you have with the bank include a savings account, intra-bank transfers and credit services through your credit card. Most of the time you make use of the automated services (e.g., ATM, cash deposit, updating bank book), hence, the time you spend on the bank premises is rather short. The ATMs of Asian Bank are conveniently located at various places and breakdown is minimal.

On average you spend \$500 per credit card transaction. Recently, in its monthly flyer to all of its credit card holders the bank informed you that for every \$100 spent on the credit card, a rebate of \$2 is credited immediately into the account, which can be used at the end of the year to offset future monthly bank charges.

Lately, you have been over-billed on two previous credit card transactions. On each occasion, you had to make a few phone calls before the issue was resolved.

Please comment on the above experience

- | | | | | | | | | | | |
|--------------------------|-----------------------|---------|-----------------------|--------------------|-----------------------|---|---|---|---|---|
| 1. Strongly Unfavorable | <input type="radio"/> | Neutral | <input type="radio"/> | Strongly Favorable | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 2. Strongly Unpleasant | <input type="radio"/> | Neutral | <input type="radio"/> | Strongly Pleasant | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 3. Strongly Displeased | <input type="radio"/> | Neutral | <input type="radio"/> | Strongly Pleased | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 4. Strongly Frustrated | <input type="radio"/> | Neutral | <input type="radio"/> | Strongly Delighted | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 5. Strongly Dissatisfied | <input type="radio"/> | Neutral | <input type="radio"/> | Strongly Satisfied | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |

Please comment on the following statements with scale

Very Unlikely	Unlikely	Neutral	Likely	Very likely
1	2	3	4	5

- | | | | | | | | | |
|---|-----------------------|---|-----------------------|---|-----------------------|---|-----------------------|---|
| 1. I am likely to return to the bank | <input type="radio"/> | 2 | <input type="radio"/> | 3 | <input type="radio"/> | 4 | <input type="radio"/> | 5 |
| 2. I intend to use the services offered by the bank as often as I can in the future. | <input type="radio"/> | 2 | <input type="radio"/> | 3 | <input type="radio"/> | 4 | <input type="radio"/> | 5 |
| 3. I do not foresee myself switching to another bank | <input type="radio"/> | 2 | <input type="radio"/> | 3 | <input type="radio"/> | 4 | <input type="radio"/> | 5 |
| 4. I would consider this bank my first choice when banking | <input type="radio"/> | 2 | <input type="radio"/> | 3 | <input type="radio"/> | 4 | <input type="radio"/> | 5 |
| 5. I would still continue to be a customer of this bank even if it were to raise fees slightly. | <input type="radio"/> | 2 | <input type="radio"/> | 3 | <input type="radio"/> | 4 | <input type="radio"/> | 5 |
| 6. I would switch to a competing bank that offers a better price on their service. | <input type="radio"/> | 2 | <input type="radio"/> | 3 | <input type="radio"/> | 4 | <input type="radio"/> | 5 |
| 7. I would switch to a competing bank if I experience a problem with its service. | <input type="radio"/> | 2 | <input type="radio"/> | 3 | <input type="radio"/> | 4 | <input type="radio"/> | 5 |
| 8. I would stand by this bank even if its service has dropped in standard on rare occasions. | <input type="radio"/> | 2 | <input type="radio"/> | 3 | <input type="radio"/> | 4 | <input type="radio"/> | 5 |

- | | | | | | |
|--|---|---|---|---|---|
| 9. I would highly recommend the bank to my friends and family. | 1 | 2 | 3 | 4 | 5 |
| 10. I would say positive things about the bank to other people. | 1 | 2 | 3 | 4 | 5 |
| 11. I would visit this bank more frequently compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 12. I would use this bank more frequently compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 13. I would spent more in this bank than in a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 14. I consider this bank a good service provider compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 15. I trust this bank more than a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 16. The bank makes an effort to know its customers by providing the loyalty program | | | | | |
| 17. I would still continue to be a customer of this bank even if another bank located nearer to my place is opened | 1 | 2 | 3 | 4 | 5 |
| 18. I would switch to a competing bank that locating nearer to my place | 1 | 2 | 3 | 4 | 5 |
| 19. I would like to develop a relationship with this bank compare to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 20. I tend to use this bank in the future compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |

Scenario 8a Supermarket, Dissatisfied experience, Delayed-Indirect reward

Please read the following scenario carefully.

Assume that you are a customer of Fabulous Supermarket, which is rated highly accessible with plenty of stores selling various fresh foods, daily necessities and sundry goods with reasonable price. The supermarket provides a good selection of all product brands with “never out of stock” as their slogan.

On average you spend \$300 per purchase. Recently, in its monthly flyer to all of its loyalty card holders the supermarket informed you that for every \$100 spent on the credit card, the customer gets a \$15 movie ticket voucher valid from December onwards.

In the past few visits, you found that there is lack of staff in the supermarket. Even you got questions; you could hardly find someone to ask. When finally one of the staff could have you, he/her could not give you a proper answer.

Please comment on the above experience

- | | | | | | | | |
|--------------------------|----------|---------------------|---|---|---|---|---|
| 1. Strongly Unfavorable | ↔Neutral | ↔Strongly Favorable | 1 | 2 | 3 | 4 | 5 |
| 2. Strongly Unpleasant | ↔Neutral | ↔Strongly Pleasant | 1 | 2 | 3 | 4 | 5 |
| 3. Strongly Displeased | ↔Neutral | ↔Strongly Pleased | 1 | 2 | 3 | 4 | 5 |
| 4. Strongly Frustrated | ↔Neutral | ↔Strongly Delighted | 1 | 2 | 3 | 4 | 5 |
| 5. Strongly Dissatisfied | ↔Neutral | ↔Strongly Satisfied | 1 | 2 | 3 | 4 | 5 |

Please comment on the following statements with scale

Very Unlikely	Unlikely	Neutral	Likely	Very likely
1	2	3	4	5

- | | | | | | |
|---|---|---|---|---|---|
| 1. I am likely to return to the supermarket | 1 | 2 | 3 | 4 | 5 |
| 2. I intend to use the services offered by the supermarket as often as I can in the future. | 1 | 2 | 3 | 4 | 5 |
| 3. I do not foresee myself switching to another supermarket | 1 | 2 | 3 | 4 | 5 |
| 4. I would consider the supermarket my first choice when shopping | 1 | 2 | 3 | 4 | 5 |
| 5. I would still continue to be a customer of the supermarket even if it were to raise prices slightly. | 1 | 2 | 3 | 4 | 5 |
| 6. I would switch to a competing supermarket that offers a better price on their service. | 1 | 2 | 3 | 4 | 5 |
| 7. I would switch to a competing supermarket if I experience a problem with its service. | 1 | 2 | 3 | 4 | 5 |
| 8. I would stand by the supermarket even if its service has dropped its standard on rare occasions. | 1 | 2 | 3 | 4 | 5 |
| 9. I would highly recommend the supermarket to my friends | 1 | 2 | 3 | 4 | 5 |

- and family.
10. I would say positive things about the supermarket to other people. 1 2 3 4 5
 11. I would visit this supermarket more frequently compared to a competing supermarket without a loyalty program 1 2 3 4 5
 12. I would purchase from this supermarket more frequently compared to a competing supermarket without a loyalty program 1 2 3 4 5
 13. I would spend more in this supermarket than in a competing supermarket without a loyalty program 1 2 3 4 5
 14. I consider this supermarket a good retailer compared to a competing supermarket without a loyalty program 1 2 3 4 5
 15. I trust this supermarket more than a competing supermarket without a loyalty program 1 2 3 4 5
 16. The supermarket makes an effort to know its customers by providing the loyalty program
 17. I would still continue to be a customer of the supermarket even if another supermarket located nearer to my home is opened 1 2 3 4 5
 18. I would switch to a competing supermarket that is located nearer to my place 1 2 3 4 5
 19. I would like to develop a relationship with this supermarket compared to a competing supermarket without a loyalty program 1 2 3 4 5
 20. In the future I intend to purchase from this supermarket compared to a competing supermarket without a loyalty program 1 2 3 4 5

Scenario 8b Bank, Dissatisfied experience, Delayed-Indirect reward

Please read the following scenario carefully.

Assume that you are a customer of Asian Bank. The banking services you have with the bank include a savings account, intra-bank transfers and credit services through your credit card. Most of the time you make use of the automated services (e.g., ATM, cash deposit, updating bank book), hence, the time you spend on the bank premises is rather short. The ATMs of Asian Bank are conveniently located at various places and breakdown is minimal.

On average you spend \$500 per credit card transaction. Recently, in its monthly flyer to all of its credit card holders the bank informed you that for every \$100 spent at the credit card, the customer gets a \$2 shopping voucher at selected department stores during the upcoming Christmas season.

Lately, you have been over-billed on two previous credit card transactions. On each occasion, you had to make a few phone calls before the issue was resolved.

Please comment on the above experience

- | | | | | | | | | | | |
|--------------------------|-----------------------|---------|-----------------------|--------------------|-----------------------|---|---|---|---|---|
| 1. Strongly Unfavorable | <input type="radio"/> | Neutral | <input type="radio"/> | Strongly Favorable | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 2. Strongly Unpleasant | <input type="radio"/> | Neutral | <input type="radio"/> | Strongly Pleasant | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 3. Strongly Displeased | <input type="radio"/> | Neutral | <input type="radio"/> | Strongly Pleased | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 4. Strongly Frustrated | <input type="radio"/> | Neutral | <input type="radio"/> | Strongly Delighted | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 5. Strongly Dissatisfied | <input type="radio"/> | Neutral | <input type="radio"/> | Strongly Satisfied | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |

Please comment on the following statements with scale

Very Unlikely	Unlikely	Neutral	Likely	Very likely
1	2	3	4	5

- | | | | | | | |
|---|-----------------------|---|---|---|---|---|
| 1. I am likely to return to the bank | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 2. I intend to use the services offered by the bank as often as I can in the future. | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 3. I do not foresee myself switching to another bank | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 4. I would consider this bank my first choice when banking | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 5. I would still continue to be a customer of this bank even if it were to raise fees slightly. | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 6. I would switch to a competing bank that offers a better price on their service. | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 7. I would switch to a competing bank if I experience a problem with its service. | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |
| 8. I would stand by this bank even if its service has dropped in standard on rare occasions. | <input type="radio"/> | 1 | 2 | 3 | 4 | 5 |

- | | | | | | |
|--|---|---|---|---|---|
| 9. I would highly recommend the bank to my friends and family. | 1 | 2 | 3 | 4 | 5 |
| 10. I would say positive things about the bank to other people. | 1 | 2 | 3 | 4 | 5 |
| 11. I would visit this bank more frequently compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 12. I would use this bank more frequently compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 13. I would spent more in this bank than in a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 14. I consider this bank a good service provider compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 15. I trust this bank more than a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 16. The bank makes an effort to know its customers by providing the loyalty program | | | | | |
| 17. I would still continue to be a customer of this bank even if another bank located nearer to my place is opened | 1 | 2 | 3 | 4 | 5 |
| 18. I would switch to a competing bank that locating nearer to my place | 1 | 2 | 3 | 4 | 5 |
| 19. I would like to develop a relationship with this bank compare to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |
| 20. I tend to use this bank in the future compared to a competing bank without a loyalty program | 1 | 2 | 3 | 4 | 5 |

謝辞

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