Factors Influencing Supermarket Store Loyalty in Brazil and their Implications to Loyalty Programs

By Isabella Moreira Pereira De Vasconcellos & Delane Botelho

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This paper analyzes the relationship between a store loyalty program in the supermarket industry and the program’s perceived value, program card loyalty and store perceived value.

As many companies have been spending a great deal of money to maintain their loyalty programs, it seems relevant to measure the effectiveness of this kind of program. A Linear Regression Analysis methodology with 200 randomly assigned qualified customers, may provide limited support for the theory.

Results may change if the sample size is increased, new locations are added to the study or if the effectiveness of loyalty programs is analyzed in a different context such as in the airlines industry. The findings enhance the understanding of the interrelationship among the constructs which are incorporated in the hypothetical model. The new findings in the current study are relevant to the advancement of loyalty theory in customer retention strategy.

GJMBR-A Classification: JEL Code: M39, J50

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I. Introduction

The private brand loyalty card nowadays is used as an important tool to make the link between firms and their customers. (Bouding, Staelin, Ehret, Johnsaton, 2005). An effective loyalty program appeals to consumers and encourages them to buy more from the firm rather than its competitors. Many theories of Customer Relationship Management defend the idea that this marketing investment develops customer trust, commitment and gratitude and, in turn, leads to customer purchase intention, sales growth, and share of wallet (Palmatier, Jarvis, Bechkoff, Kardes, 2009). In fact, the perceptions of relative advantage are a crucial driver of program value. Customers have to invest a stream of efforts like time and money to earn future rewards. These efforts are typically extended over time while rewards are earned after a certain amount of effort has been expended or a particular requirement level met.

Liu & Yang (2009) say in their study that a “loyalty program has a positive impact only when the offering firm’s market share is relatively high, consistent with our notion that firms need complementary resources to derive competitive advantage from their loyalty programs.” That may be due to the fact that small market share means a smaller assortment in a supermarket, fewer locations available or routes offered by airlines. In those cases, customers would have fewer chances to buy and consequently, be less loyal to the firm. On the other hand, they concluded from the study that market saturation does not significantly reduce the effectiveness of loyalty programs.

Klaus Peine (2007) studied the influence of media on consumer decision-making. He concluded that media influence consumer judgment of loyalty program fairness and may affect the decision to join a program, remain loyal to it and be willing to spread positive word-of-mouth. That fact has important implications for the design of real world loyalty programs. Although media may alter a consumer’s preferences, the number of loyalty program points awarded per purchase gives him (or her) a measure of program attractiveness.

Shi and Soman (2006) argue that consumers decide to participate in loyalty programs as a goal-directed activity. Consumers recognize their participation as a chance to obtain a desired outcome. There are other remaining components of a loyalty program which are also capable of giving rise to perceptions of advantage relative to consumers. Klaus Peine (2007) lists four factors that influence loyalty program evaluation.

• Brand attitude can drive consumer behavior (Keller 1993). Consumers develop in their minds brand beliefs and judgments regarding those beliefs leading to a favorable or unfavorable attitude toward a specific brand.

• Satisfaction, which is the discrepancy between expectations and perceived rewards of loyalty program. (fulfillment of needs and desires) (Tse and Wilton 1988).

• Loyalty intentions which is a precursor to a customer’s commitment to re-purchase in a site, despite marketing efforts (Oliver 1999). Of course this behavior can be a consequence of a customer’s perceived value of the program.

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• Positive word-of-mouth is one of the consequences of a company’s efforts to develop good relations with consumers. It represents customer satisfaction with program and marketing offerings (Brown et al. 2005).

A relationship program enhances value to customers by making them loyal to the store/brand, purchase more and speak well about the firm to others. Hierarchical loyalty programs award elevate customer status (e.g., “elite membership”) to consumers who meet a predefined spending level. At the same time, the expected sequential effect of CRM (Minami and Dawson, 2008) is to bring financial benefits to the firm, by increasing marketing productivity.

This research estimates the effect of the following variables: Program Perceived Value, Program Card Loyalty and Store Perceived Value on Store Loyalty. Studies show that many firms have won the loyalty of their customers without a loyalty program. That was due to the quality of service of their employees in the stores, ambience, assortment and other things that can be of high value to consumers. That leads to a strong relationship between Store Perceived Value and Store Loyalty.

On the other hand, Program Perceived Value does not ensure Program Card Loyalty. Demographic characteristics such as age, marital status, gender and income level may affect the consumer decision process. Firms have made a large investment on loyalty programs and store appearance.

So, how important are these three variables to store loyalty?

II. Research Problem

As the number of loyalty programs and private label cards tends to increase in the Brazilian market, the purpose of this study is to identify the variables and to what extent they influence store loyalty. The objective is to confirm the links between Program Perceived Value, Program Loyalty, Store Perceived Value and the dependent variable Store Loyalty.

III. Relevance

From 2000 to 2006, total loyalty program enrollment in the United States increased 35.5% to 1.5 billion (Ferguson and Hlavinka 2007). The study also reveals that the average US household belongs to 12 loyalty programs (Ferguson and Hlavinka, 2007).

In Brazil, according to ABecs (Associação Brasileira de Empresas de Cartão de Crédito e Serviços), in the last five years, as part of Loyalty Programs, a large number of private brand cards have been issued in the Brazilian retail industry. A total of 466 million plastic cards circulated in the Brazilian market in 2008, and of this total, 156 million are private label cards issued by fashion boutiques, drugstores, supermarket and bookstore chains (Figueiras, 2008). The forecast for 2010 is a total of 628 million cards. Of this total, 225 thousands will be store private brand cards. The study says that 70% of the large retail companies already have their own private label card. In the middle size segment, this percentage is 30%.

Customer profitability must be considered by assessing customer lifetime value, or the time they remain as customers generating revenue and profit to firms. All the CRM programs of those companies represent a cost line on their financial statement and the purpose of that cost is to shift the marketing paradigm from transactional marketing to relationship-oriented marketing. Perhaps the emotional dimension of the consumer should be considered in the relationship building, especially in the analysis of Store Perceived Value and Program Perceived Value. A positive attitude does not guarantee consequent purchasing behavior and frequency of purchase does not build relationship. Considering that the switching cost for the customer may be low, it is important to consider that affectionate feelings may generate favorable attitudes and lead to commercial behavioral consequences in the long run.

IV. Literature Review

a) Introduction

CRM has been defined in a number of ways, but its main definition is clearly twofold:

• a collection and analysis of customer data for internal use, and

• a builder of relationships with customers, for external role.

Examining the impact of CRM strategy usage, it can have alternative roles:

• For innovative companies CRM could be used to build strong differentiating customer relationships, communicating continuously with customers on an individual basis.

• Cost leaders, with a lesser focus on innovation, might use it as part of a more defensive customer retention strategy (Valos and Bednall, 2007).

Ruiz- Molina and Gil-Saura (2008) state that loyal customers increase the volume of company sales based on cross-selling. Investment in communication is reduced by word-of-mouth advertising. Customer loyalty also increases price inelasticity and competitor advertising becomes less effective.

Reichheld (1996) says that the cost of retaining an existing customer is lower than the cost of acquiring a new one. Some of these programs offer specific services, rebates or rewards to loyal customers like monetary or non-monetary incentives such as rebates, bonuses or services. They want to stimulate repurchase and cross-buying behavior.
To set up and maintain these programs, a considerable amount of money is necessary. The question is: Is it worth it?

If the customer does not receive the promised reward or if the indicated benefit proves of no value to him, customer frustration may arise and that may not lead to customer loyalty and consequently consumption. (Stauss, Schmidt, Schdeler, 2005).

Anderson (1998) says that the market can offer a “naked” solution relating it to the basic product that can be sold by the lowest price. The market can also “package” this basic product, adding value to it, creating differentiation and winning new customers.

The inter-individual heterogeneity (Meyer-Waarden, 2008) with respect to loyalty card possession causes disparities in individual purchase behavior. Development of an effective relationship with customers may be necessary to identify and manage various customer clusters at different relationship stages.

The objective of supermarkets is to promote customer satisfaction, in order to generate future profit potential (Hauser, 1994), since satisfied customers will buy more, do so more often, and communicate their satisfaction to other potential customers.

As perceived value can vary over time, it is relevant to consider Mazursky and Geva’s (1989) findings that satisfaction and buying intention are highly correlated when measured in the same survey at a given time. A gap in time can also disrupt the correlation between intention and behavior. In this case the usual behavior of buying in a certain supermarket can be changed due to a temporary promotion announced by a competitor. In fact, customer satisfaction can be considered a multi-period issue (Hauser, 1994) because a firm’s effort to promote customer satisfaction today can affect purchasing behavior in the future.

b) Program Perceived Value

According to Omar, Musa, Nazri (2007), “Perceived value is a trade-off between the benefits customers receive in relation to total cost which include the price paid plus other costs associated with the purchase”. The other costs associated refer to the effort to purchase considering time spent, distance to get to the supermarket, convenience, security and other factors.

Perceived service quality is defined as a customer’s assessment of the overall excellence or superiority of the service (Zeithami 1988). Bolton and Drew (1991) say that customers’ assessments of service value are positively related to their evaluations of service quality. Perceptions of performance exert a direct influence on customer satisfaction and customers’ expectation will depend on their tastes, characteristics, personal needs and word-of-mouth past experiences. The gap between expectations and perceptions leads to satisfaction or dissatisfaction. The higher the level of satisfaction, the higher is the chance of generating purchase intentions and behavior.

The objective of a relationship program is to influence customers’ attitude, increasing their perception of value. The higher the level of program perceived value, the higher the level of store loyalty. In the study realized by Omar, Musa, Nazri (2007) the linkage between program perceived value and store loyalty (H1) was found to be insignificant and not supported. The study was conducted from an economic and rational viewpoint, not considering multidimensional elements.

As perception of value may change because of a longer-term experience with the brand or store, economic value may not always be an important element for cardholders. They may evaluate value from the point of view of quality of service or store convenience, for example. On the other hand, Lin and Wang (2006) and Harris and Goode (2004), found a positive relationship between the variables.

Considering services, rebates or some other kind of incentives to customers as a reward for their loyalty, the model is designed to measure the relationship between the program perceived value by the customers and their store loyalty. This perceived cost-benefit relationship of the program becomes an important variable to Store Loyalty.

H1: The program perceived value affects positively the Store Loyalty

Apparently, the research results indicate that program perceived value (H1) and program card loyalty are not significantly related to store loyalty. It found out that program loyalty is valuable in producing positive outcomes to cardholders such as satisfaction with regard to the program which is indirectly linked to store loyalty.

There is not a direct relationship between these two variables and store loyalty.

The relationship between Program Perceived Value and Program Card Loyalty was tested and found to be strong by Omar, Musa, Nazri (2007).

That relationship was found to be strong in Yi and Jeon’s (2003) study. This research suggests that loyalty marketing is a better fit for high-involvement products. If brand managers of these categories want to build brand loyalty, a loyalty program related to the value proposition of products in question may be the best candidate for brand managers. For low-involvement products, however, careful use of the loyalty program is recommended because there is no direct relationship between value perception and brand loyalty and immediate rewards can be easily duplicated by competitors.

The results indicate that customer involvement may change the effects of the loyalty program on customer loyalty. This means that delayed rewards such
as a mileage program can be justified in the high-involvement condition as long as they are linked with value-enhancing rewards. In the low-involvement condition, customers are looking for immediate rewards because that may be their incentive to patronage a certain store.

The relationship between program value perception and program loyalty is statistically significant for low-involvement as well as high-involvement conditions.

In research developed by Huddleston, Whipple and VanAukenl (2004) one of the characteristics indicated by shoppers in defining the Perceived Value of their favorite stores is the existence of loyalty cards as a saving tool. Customers may develop both emotional and rational bonds with a brand store and therefore their outlet choice is based on feelings of confidence, integrity and pride in a brand (Bowden, 2009).

Based on loyalty program data, it is possible to identify higher value customers at the front end of the sales process (Baird, 2008), in order to give them a special and differentiated service to keep them loyal to the store. An effective loyalty program has to be structured in order to motivate customers to view purchases as a sequence of related decisions rather than as independent transactions (Omar, Musa, Nazri (2007).

### c) Program Loyalty

Liu and Yang (2009) define loyalty programs as "long-term-oriented programs that allow consumers to accumulate some form of program currency, which can be redeemed later for free rewards. The long-term are not promotional programs that offer only one-shot, immediate benefits, such as instant-win scratch cards and grocery stores’ discount card programs that create sudden changes in sales without producing sustained customer loyalty or revenue potential for a firm. The loyalty programs are designed to create a future orientation and increase switching costs over the long run.”

In the study realized by Omar, Musa, Nazri (2007) the link between Program Loyalty and Store Loyalty is not supported.

In times of heavy competition, a loyalty program is usually introduced to build customer loyalty through a planned reward scheme based on profitable customers’ purchase history. It is seen as a way of product differentiation.

A loyalty program is for many companies a key marketing activity and an important component of a firm’s relationship management strategy (Meyer-Waarden, 2008). Many firms implement loyalty programs as a core component to their marketing strategy.

**H2**: Program Loyalty positively affects Store Loyalty

The research conducted by Meyer-Waarden in 2006, confirmed the influence of loyalty program membership on customer purchase behavior. It concluded that loyalty programs affect purchase behavior for both market leaders and smaller retailers and that loyalty program members and non-members demonstrate significantly different purchase behaviors. Cardholders have significantly higher purchase intensities in terms of total and average purchase quantities, share of category purchases, purchase frequencies and inter-purchase times than do non-members. A loyalty program also enables a firm to differentiate it from competitors and deliver superior value to its customers. Yi and Jeon (2003) investigated how reward schemes of a loyalty program influence perceived value of the program and how value perception of the loyalty program affects customer loyalty. They observed that involvement moderates the effects of loyalty programs on customer loyalty. In high-involvement situations, direct rewards are preferable to indirect rewards. In low-involvement situations, immediate rewards are more effective in building a program’s value than delayed rewards. In any of those cases, a loyalty program should not be treated like a price promotion, but rather a long-term perspective in shaping customer behavior.

They found out that the path from Program Loyalty to Brand (Store) Loyalty (H2) is statistically significant both for high-involvement and low-involvement.

It has been found that the perception of program value by loyal customers takes into account the processes used in administering reward programs because they value interactions such as contact with customer service centers more than the rewards themselves.

Besides encouraging cross and/or up-selling possibilities, loyalty programs also tend to develop psychological, sociological and relational drivers on customers’ attitude, enhancing customer trust, emotional commitment and attachment to the organization. They tend to identify themselves more strongly with companies. Loyalty programs can induce feelings of group fit as preferred or special customers and pride for paying less as a result of membership.

Kivetz and Simonson (2003) said that consumers often evaluate Loyalty Programs on the basis of their individual effort to obtain the reward relative to the relevant reference effort ... When consumers believe they have an effort advantage over typical others ... higher program requirements magnify this perception of advantage and can therefore increase the overall perceived value of the program.”
d) Store Perceived Value

Perceived value is defined as the result of the comparison between perceived benefits and sacrifices by the customer (Ruiz-Molina and Gil-Saura, 2008). That perception can change according to the type of product and characteristics of the purchase process. Different consumer behavior patterns can be expected. Some are more price-sensitive; others are more attracted by quality or convenience. In fact, store perceived value is multidimensional and many factors can measure and explain it.

Customer perceived value has a subjective nature with a number of components that contribute to an evaluative judgment. There is a relationship between store perceived value and customer attitude, which is an important determinant of customer loyalty (H3). A study by Ruiz-Molina and Gil-Saura (2008) concluded that store perceived value has a strong influence on both customer attitude and consequently store loyalty. The study considered four value components: quality, emotional, price and social in grocery stores. The quality and emotional components were the most relevant components for customer analysis of Store Perceived Value. The price and social components showed a lower correlation with customer attitude and store loyalty in the grocery store industry. It is possible to infer the importance to retailers in emphasizing physical and human resources to create a pleasant store atmosphere where customers feel good and enjoy shopping in the establishment in question, thus contributing to repeat their patronage.

Differentiation in private label is the main issue to conquer store loyalty (Ailawadi, Pauwels, Steenkamp, 2008).

Customers’ perception of value is directly affected by the services provided by retail stores and execution of these service processes by their employees. Services provided by employees arguably play an important role in consumers’ evaluations of service performance. The relationships between store service and perceived value are stronger for the highly congruent self–store image customers. The compatibility between the store’s image (evidenced by the store’s service) and the consumer’s image has, in itself, been instrumental in providing perceived value (O’Cass and Debra, 2008).

An important point to be considered is that some characteristics may have a negative impact on buying behavior if they do not exist (like cleanliness) because they are considered by consumers as basic conditions to buy in a certain supermarket. But the value-added characteristics are the ones that push customers to the store. Those are the ones that differentiate one store from another. In Huddleston, Whipple and VanAukens’ research, price was not found to be relevant to store perceived value.

Zentes and Morschett (2007) state that retail store brands can be considered to be their ‘products’. This identifies a retailer’s goods and services and differentiates them from those of competitors. A brand has its own characteristics or traits and they can be translated into a personality like a human personality.

There is a potential influence of brand personality on store loyalty (Zentes and Morschett, 2007) because brands can convey symbolic associations. According to Philip Kotler (2005), each brand has a position in the shopper’s mind and that can derive partly from its functional qualities and partly from its psychological attributes like in luxury items.

Brakus, Schmitt, and Zarratonello (2009) relate brand experience to store loyalty. The shopping and service experience includes not only utilitarian attributes but also hedonic dimensions, such as feelings and pleasure and can be affected by marketing communication. Brand connection can lead to involvement related to values, interests and needs. Their research describes the descriptions of sensations by consumers in stores like Wal-Mart, Home Depot and Starbucks. In those cases, consumers related Store Perceived Value to the brand experience (sensory, emotional, intellectual and behavioral) that has a behavioral impact and affects consumer satisfaction and loyalty directly and indirectly through brand personality (durability, sophistication, competence, excitement and sincerity). Brakus, Schmitt, and Zarantonello (2009) conclude that brand experience appears to be a strong predictor for buying behavior and store loyalty.

There are other channels being used by companies to interact with their customers in multiple ways and they are certainly sources of interface and evaluation of store perceived value (Payne and Frow, 2004).

This study tests the relation between Store Perceived Value which can be defined as a customer’s pleasure in shopping at a particular store, and development of Store Loyalty. This hypothesis presumes that Store Perceived Value has a strong influence on both customer attitude and consequently store loyalty. It means that customers perceive value as the result of the comparison between benefits and cost of shopping and this superior value leads to repeat patronage.

H3: Store Perceived Value positively affects Store Loyalty.

e) Store Loyalty

Store Loyalty is usually measured by sales at the firm level, which, for many retailers, is the key driver in the establishment of loyalty programs (Baird 2007). But there is another group of retailers who believe that return visits and consequently purchase frequency are top-line elements of customer loyalty. Researchers
define Loyalty as repeated purchases of particular products or services over a certain period of time.

There is a set of variables used in the market to measure Store Loyalty success: Higher customer purchase frequency, customer profitability, lower inter-purchase times, higher average transaction / basket size as a result of cross-selling (Meyer-Waarden, 2006). Loyalty programs impact profit margin since the reward goal induces purchase acceleration.

Quality store brands can increase store perceived value and consequently increases store loyalty (Corstjens, 2000), because, once customers are used to those private brands it makes it more costly for them to switch stores.

Loyalty can be described as a behavior of repeating purchases. In the supermarket industry, where the portfolio merchandising is basically the same among competitors, the service offered can be determinant. It may be more difficult to measure as it is intangible, has no standardization and depends heavily on the people involved (Ruiz-Molina and Gil-Saura, 2008). There is an emotional component to loyalty because it generates pleasurable feelings in shopping attitude.

Customers often base their impressions of the firm largely on the service received from employees in contact with customers. Employees at the frontline are the key tool to guarantee the customer a high quality store perceived value. Of course there are other facts which contribute to customer’s perception such as the firm’s structures and processes. All of them have to be well integrated in a customer-oriented firm (Hartline, 2000).

Huddleston, Whipple and VanAuken’s (2004) research lists some of the definitions of store loyalty given by many participants:
1. ‘Consistently going to the same store even if the price is lower somewhere else’
2. ‘Shopping at particular stores on a regular basis’ or
3. Associated dollars spent or frequency of visits to a store.

Early work on brand loyalty (Jacoby, 1973) observed that loyalty and repeat purchase behavior are not synonymous and loyalty has both behavioral and psychological (decision making, evaluative) dimensions. These studies indicate that, unlike loyal purchase behavior, repeat purchase behavior is not intentional, nor does it necessarily reflect commitment or constitute loyalty (Jarvis, 1977). This key finding is noteworthy because it indicates that simple repeat purchase behavior is not stable over the long term and may be influenced by a variety of factors such as proximity to store and promotions.

These four variables described above (Program Perceived Value, Program Loyalty, Store Perceived Value and Store Loyalty) are considered in the model framework.

Figure 1 shows the research framework among the constructs in a path diagram format.

\[
Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon
\]

V. RESEARCH DESIGN AND METHODOLOGY

The primary interest in this research is to estimate the reciprocal and potentially linear relationship between Program Perceived Value (X1), Program Loyalty (X2) and Store Perceived Value (X3) on Store Loyalty (Y).

Factor analysis among the questions of each dependent variable was performed in order to verify if they are reliable to represent the variable. The analysis tested the hypothesis that those three independent variables (X1, X2, and X3) are related to the independent variable which is the Store Loyalty (Y) as demonstrated in figure 1.

Linear regression was used to test if the variables are correlated and how strong is this correlation. The mathematic equation described the estimated relationship among the variables.

The survey was performed out mainly in very large capital cities where there are a great number of different supermarket stores. Most of the questionnaires (92%) were answered by residents in Rio de Janeiro. The majority of the questionnaires were answered on the Survey Gizmo site and some of them were sent by e-mail. All of them were self-administered.

More than two hundred people were requested to answer the questionnaire in order to gather 110 hundred members of supermarket loyalty program with private label cards. The reason to concentrate the analysis on the supermarket retail category was to make it easier to measure store loyalty, since the act of going to supermarkets is more frequent over a one-year period than going to other retail stores. In fact, 73% of the people in the sample go to the supermarket at least three times a month and almost 80% of them became members of supermarket loyalty programs more than two years ago.
The population used in this study was defined as consumers (age 18 and over), who are members of at least one supermarket retail store loyalty program.

The survey used a set of 24 questions but 14 were directly tied to the four constructs of study. The interval scale was anchored using a Likert Scale based on five response categories with the following end points: (1) meaning “strongly disagree” and (5) “strongly agree”. Before conducting the study, the author pre-tested the survey instrument twice by administering it to 5 people each time to verify the suitability of the terminology used as well as the clarity of the instructions and scales.

In order to test each hypothesis, a linear regression model was used. The construct validity was tested. In factor analysis a high correlation was found among the questions representing variable X1 (Program Perceived Value) and independent variable Y (Store Loyalty). This high correlation was not found among the questions representing variables X2 (Program Card Loyalty) and X3 (Store Perceived Value). To test the theoretical assertion that those three variables positively affect Store Loyalty, a regression modeling method based on 110 collected questionnaires was used. The reason is that sequential effects of constructs (path) had to be tested.

The level of significance considered in the model was 5%. All variables in this study were measured by multi item scales, and implemented based on previous research, such as: The questions included in the questionnaire regarding Program Perceived Value (X1) were extracted and adapted from the scale proposed by Yi and Jeon (2003). Three questions were used from their questionnaires. Program Card Loyalty (X2) was measured using Yi and Jeon (2003) and Zeitham and Berry’s (1996) scales and three questions were applied. Concerning Store Perceived Value (X3), the PERVAL scale adopted by Maria Eugenia Ruiz-Molina and Gil Saura (2008) and also questions proposed by Yi and Jeon (2003) were utilized. In all, five questions were applied. In the scope of retailing, Sweeney and Soutar (2001) developed a scale to measure perceived value that the authors called PERVAL. This scale is one of the rare attempts to offer an operating proposal to measure perceived value at the point of sale. It identifies three basic dimensions of value: emotional value (affective feelings generated by a product), social value (utility derived from the product’s ability to enhance the consumer’s social self-concept) and functional value, composed of the sub-dimensions of price (utility derived from the product due to reduction of its perceived short-term and longer-term costs) and quality (referred to as product performance). Store Loyalty (Y) was based on Yi and Jeon’s (2003) and Maria Eugenia Ruiz-Molina and Gil Saura’s (2008) scales.

VI. RESEARCH FINDINGS AND DISCUSSIONS

The level of significance considered in the model was 5%. At this level of significance X2 (Program Card Loyalty) was considered not significant to explain the independent variable Y (Store Loyalty) because it presented a p-value of 0.760. So, a new regression was made with variables Program Perceived Value (X1) and Store Perceived Value (X3), both considered significant for the model.

Table 1: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
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<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
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</thead>
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<td>(Constant)</td>
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<td></td>
<td></td>
<td></td>
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<tr>
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<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
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<td>0.162</td>
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<tr>
<td>3</td>
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<td>0.147</td>
<td>0.830</td>
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</table>

Source: SPSS

Multi-collinearity among the variables was tested and not found (VIF < 5).

The absence of a relationship between X2 (Program Card Loyalty) and Y (Store Loyalty) seems reasonable if the features of the Loyalty Program offered by the supermarket are not attractive to the customer. In this case, other variables may be influencing store loyalty.

The new p-values for the coefficients of X1 and X3 were respectively 0.027 and 0.000. Both lower than 5%. So, variables Program Perceived Value (X1) and Store Perceived Value (X3) were maintained in the model.

The model was found to be $Y = -1.801 + 0.213X1 + 1.097X3$. 
The impact of Store Perceived Value (X3) on Store Loyalty is higher than the Program Perceived Value (X1). The model suggests that for each point increase on Store Perceived Value will lead to an increase of 1,097 points in Store Loyalty (Y).

Table 2: Coefficients

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<th>Standardized Coefficients</th>
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</tr>
<tr>
<td>X3</td>
<td>.042</td>
<td>.137</td>
<td>.307</td>
<td>.760</td>
<td>.285</td>
</tr>
<tr>
<td></td>
<td>1.078</td>
<td>.147</td>
<td>.735</td>
<td>.000</td>
<td>.547</td>
</tr>
</tbody>
</table>

Source: SPSS

Collinearity between the variables was not found (VIF ≤ 5).

An ANOVA Test was performed and it proved to have a linear relationship between, at least one, of the two remaining variables together and Y (Store Loyalty) (p-value < 1%).

The adjusted coefficient of determination was found to be 0.565, showing not such a strong relationship between Program Perceived Value (X1) and Store Perceived Value (X3) to Store Loyalty. What the model shows is that, only 56.5% of Y (Store Loyalty) can be explained by X1 (Program Perceived Value) and X3 (Store Perceived Value).

Influent Values (Cook's Distance) or any outliers (Standard Residual) were not found:

Table 4: Residual Statistics

<table>
<thead>
<tr>
<th>Residuals Statistics(a)</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residual</td>
<td>-2.23083</td>
<td>2.04203</td>
<td>0.0000</td>
<td>0.87673</td>
<td>110</td>
</tr>
<tr>
<td>Std. Residual</td>
<td>-2.521</td>
<td>2.308</td>
<td>0.00</td>
<td>0.991</td>
<td>110</td>
</tr>
<tr>
<td>Stud. Residual</td>
<td>-2.572</td>
<td>2.340</td>
<td>0.002</td>
<td>1.005</td>
<td>110</td>
</tr>
<tr>
<td>Cook's Distance</td>
<td>0.010</td>
<td>1.001</td>
<td>0.020</td>
<td></td>
<td>110</td>
</tr>
</tbody>
</table>

Source: SPSS

Hypothesis H2 (that Program Loyalty is not related at all to Store Loyalty) was not confirmed. H3 (Store Perceived Value effect on Store Loyalty) was more strongly related to Store Loyalty. H2 (Program Perceived Value effect on Store Loyalty) showed a weak relationship.

This kind of finding can lead to speculation that customers do not perceive value in the Loyalty Programs currently offered by supermarkets. That would mean that in the cost-benefit analyses, customers do not think it worthwhile to patronage a certain supermarket because of its loyalty program. In fact, the research suggests that the store perceived value is related to other characteristics, not the loyalty program, in their buying decision making process.

Chart 3 – Hypothesis

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Program Perceived Value is positively related to Store Loyalty</td>
</tr>
<tr>
<td>H2</td>
<td>Program Card Loyalty is positively related to Store Loyalty</td>
</tr>
<tr>
<td>H3</td>
<td>Store Perceived Value is positively related to Store Loyalty</td>
</tr>
</tbody>
</table>

Source: Thesis author
VII. Conclusions

The research showed that loyalty programs in supermarkets are not working as an effective loyalty tool. Perception of store value may be more related to ambiance, product assortment or even the quality of service offered inside the store or on any of the contact points with the customer (web, telephone, chats). Program Card Loyalty proved to have no correlation with points with the customer (web, telephone, chats) service offered inside the store or on any of the contact ambience, product assortment or even the quality of tool. Perception of store value may be more related to those relationships may exist in two directions. Value and program card loyalty to store perceived value. The size of the sample could also be considered a limitation. It would be also useful to apply a structural equation analysis to measure the possible relationships between program perceived value and the loyalty to it, the program perceived value and the store perceived value and program card loyalty to store perceived value. Those relationships may exist in two directions. Results may be strictly related to the quality of loyalty programs offered today in the supermarket industry, which means that, although customers may think that loyalty programs have a key role in their patronage of a store, those existing nowadays are not good enough.

VIII. Recommendations for Further Research

The study is limited by its focus on a single industry setting (i.e., supermarkets). It might present different results if performed in other industries such as airlines, credit cards or drug store chains for example. The size of the sample could also be considered a limitation.

References

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44. RYAN, Tom. Loyalty Programs Suffer from One-Size-Fits-All Approach. Retail Wire (October, 2008).


