

# EFFECT OF CUSTOMER LOYALTY PROGRAMMES ON CONSUMER EMOTIONAL LOYALTY IN EMERGING GROCERY RETAIL MARKET: AN EMPIRICAL ANALYSIS

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**Abstract:** *Modern food and grocery companies face a significant challenge when it comes to customer loyalty in developing economies. Therefore, loyalty programmes have risen to prominence in the marketing mix of merchants in an effort to influence the behavioural and affective commitment of their clientele. This research aims to shed light on the ways in which the psychological and emotional responses customers have towards loyalty programmes, affect their emotional loyalty. Shopper intercept techniques were used to gather primary data from 580 food and grocery retail customers drawn from supermarkets and hypermarkets in the Vijayawada City in Andhra Pradesh to test the hypothesised conceptual framework. The empirical findings of the study revealed that customers' emotional loyalty is significantly influenced by factors, such as perceived value, trust, commitment, inter-personal interactions, experiences, satisfaction and switching barriers linked with loyalty programmes. The results can inform the creation and assessment of loyalty programmes that try to alter customers' attitudes and behaviours.*

**Keywords:** *Commitment, Customer Satisfaction, Emotional Loyalty, Loyalty Programs, Perceived Value, Switching Barriers*

## INTRODUCTION

Local kirana (mom-and-pop) businesses control 81.5% of the Indian food and grocery market and are extremely popular among shoppers because of the numerous practical, emotional and social benefits they provide (India Retail Report, 2022). Because of the intimacy, trust, dedication and contentment that develop between kirana stores and their clients, their bonds and loyalties are quite strong (Prasad & Aryasri, 2008). This poses a problem for contemporary store layouts that aim to draw in and keep repeat business from these clients (Sinha & Banerjee, 2004). Furthermore, customers rarely limit their shopping to a single retail format or even one store within that format, preferring instead to visit and shop at a variety of retail establishments (Ganesh, Reynolds & Luckett 2007; Carpenter & Moore, 2006; Fox, Montgomery & Lodish 2004; Schoenbacher & Gordon, 2002). The expanding retail industry is characterised by increasing demand heterogeneity and a proliferation of novel

retail forms (Vyas & Sinha, 2008; Prasad & Aryasri, 2008; Bustos-Reyes & González-Benito, 2008), making customer loyalty a crucial concern for the survival of retailers in this environment.

Since competition for customers and repeat business is increasing (Moore & Carpenter, 2006; Grace & Cass, 2005), retaining customers and preventing them from leaving for a competitor as soon as possible has become a major concern for retailers (Weitz & Whitfield, 2005). According to research (Ahluwalia, Unnava & Burnkrant, 1999), only customers who have developed an emotional connection to their retailer will be able to withstand competition from other sources. Affective linkages and relationships between consumers and businesses are the root of customer loyalty (Majumdar, 2005; Yim, Tse & Chan, 2008). Furthermore, modern merchants understand that a lasting competitive advantage may be gained by pleasing and retaining customers using relationship-building strategies (Gomez, Arranz & Cillan, 2006; Noble & Phillips, 2004).

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Managers of grocery stores have put a focus on loyalty programmes that reward consumers with discounts and other perks in order to keep them coming back (Magi, 2003; Reinartz, 2005; Taylor & Neslin, 2005). Previous study reports that customer loyalty programmes not just determine a stronger connection between the retailer and current consumers (Uncles, Dowling & Hammond, 2003), but they also improve consumer loyalty and trust in the organisation (Morgan & Hunt, 1994) due of the immediate incentives they provide. Loyalty programmes are seen as overt initiatives taken by businesses to secure repeat business.

Divestt, Crittenden, and Henderson (2003) and Bellizzi and Bristol (2004) contend that customer loyalty is not a commodity and cannot be purchased indefinitely by businesses or deals, unless customer loyalty becomes an emotional choice factor that results in high and irreversible switching costs. In addition, most shoppers have multiple store loyalty cards (Demoulin & Zidda, 2008). Those with more than one loyalty card are less likely to stick with any of them because they see greater value in other loyalty programmes. Customers' time spent with a single company is decreasing as they use various loyalty cards, according to research by Meyer-Waarden (2007). Retail managers are becoming increasingly engaged in the psychological significance of loyalty programmes, notably its attitudinal and psychological elements (Reichheld, 2003), in order to distinguish it from behavioural definitions. They typically characterise loyalty as a dedication to the connection and demonstrative loyalty actions (Keh & Lee, 2006).

Research on the impact of loyalty programmes on customers' emotional loyalty towards the merchant is limited and yields mixed results (Gomez, Arranz & Cillan, 2006), despite the programmes' widespread use. The effectiveness of loyalty programmes in general, and grocery loyalty programmes in particular (Grewal, Levy & Lehmann, 2004; Bolton, Kannan & Bramlett, 2000; Lewis, 2004; Kivetz, Oleg & Zheng, 2006), has been questioned by certain experts. According to Dowling (2002), loyalty programmes aren't always beneficial, and their growing popularity is likely either hype or a 'me-too' attempt to increase profits. The loyalty programme's efficacy as a promotional strategy is still hotly debated (Leenheer & Bijmolt, 2008; Shugan, 2005). The strength and direction of impact on customer behaviour are unclear, and the available empirical results are limited (Meyer-Waarden & Benavent, 2009). However, other research (Lewis, 2004; Verhoef, 2003) suggests that loyalty programmes favourably affect consumers' repatronage decisions and share of wallet.

These contrasting opinions highlight the necessity for additional research into these initiatives. Some studies have shown that loyalty programmes benefit stores (Lal

& Bell, 2003; Lewis, 2004; Meyer-Waarden, 2007), while others do not (Mauri, 2003; Ergin, Pariliti & Ozsacmac, 2007). Cultural differences may make loyalty programmes effective in certain places but not others (Steyn et al., 2010). While the Indian food and grocery retail business is expanding rapidly, relatively little study has focused on the knowledge, perceptions, feelings, emotions, gratifications and loyalty (both behavioural and attitude-based) related to loyalty programmes in this sector. This paper aims to provide experimental evidence linking consumers' rational and emotional views to loyalty programmes. The study delves deeper into the connection between consumer reactions (to loyalty programmes) and the intensity of their emotional devotion.

## **THEORETICAL FRAMEWORK**

Using loyalty programmes and/or loyalty cards is a typical strategy for fostering consumer loyalty at the cognitive and behavioural levels (Tuner & Wilson, 2006; Noble & Philips, 2004). Loyalty programmes are structured membership activities in marketing that reward customers for repeat business (Long & Schiffman, 2002). Loyalty programmes, as defined by Gomez et al. (2006), are a marketing strategy that aims to keep customers returning to a store by rewarding them for their repeat business. Some academics (Uncles & Dowling, 2003; Anderson, Fornell, and Mazvancheryl, 2004) classify these strategies as 'next-generation' approaches to customer relationship management (CRM). Consequently, loyalty programmes have emerged as a critical element of companies' relationship management strategies (Lacey & Sneath, 2006), and various studies emphasise their increasing prominence in retailers' marketing mix. Loyalty programmes have risen in popularity as a means for businesses to strengthen relationships with their clientele (Keh & Lee, 2006; Nunes & Dreze, 2006). Recently, managers have placed a premium on maintaining long-term client connections, assuming that doing so will increase sales and profits in the long run (Gupta, Donald & Stuart, 2004). It is believed that loyalty programmes and other relationship marketing methods have contributed to improved sales revenues (Bolton et al., 2000). Businesses expect an average 10% increase in revenues attributed to relationship management programmes (Mitchell, 2002). According to recent studies, loyalty programmes effectively foster brand loyalty since they show customers that their business is appreciated (Liu, 2007).

One of the best-known examples is Tesco, a British supermarket chain (Tuner & Wilson, 2006). Tesco outperforms Sainsbury's, its main competitor, by a margin of 27% to 18% in regards to customer emotional loyalty and connection. The key to Tesco's success lies in this

unique relationship. Tesco's stronger sales from committed customers than Sainsbury's can account for 68% of the difference in market share between the two companies (Hallberg, 2004). According to Meyer-Waarden and Benavent (2009), a loyalty programme is "an integrated system of unique marketing actions to increase consumer loyalty through personalised relationships stimulating purchase behaviour". This definition is particularly relevant in light of the many loyalty programmes recently introduced by retailers to differentiate themselves from the competition.

Because of the emotional nature of the decision, switching charges may be prohibitive for the customer. In the opinion of Uncles (1994, p. 341) a "sense of belonging" and "that the retailer has a willingness to pay attention, is ready to innovate for the benefit of consumers and is caring, concerned and considerate" are what draw customers to loyalty programmes". Soft benefits of loyalty programmes (such as personalised communications, priority service, invitations to exclusive retail events and express checkout, etc.) have greater potential for programme differentiation among various successful loyalty programmes, as stated by Henning-Thurau et al. (2002). Customers' feelings of loyalty and willingness to make monetary contributions should rise as a result of loyalty programmes that aim to strengthen the bond between the store and its clientele. Customer emotional loyalty is defined as "the propensity to continue a relationship with a business despite the introduction of a lower price offer by a competitor" (Dick & Basu, 1994; Zeithaml, 2000; Chaudhuri & Holbrook, 2001).

Accordingly, loyalty programmes are retailers' overt attempts to induce repeat business from existing clients (Kerr, 2009). Meyer-Waarden and Benavent (2009) also mention that if the loyalty programme offers a sufficient quantity of utilities (such as monetary benefits and relationships) and fewer associated expenses (such as offering individual information to the firm, the time and effort required for gathering points/rewards, switching costs), then customers are more likely to continue or increase their repeat purchase behaviour. It has long been acknowledged that loyalty programmes play an essential role in growing customer switching costs (Kim et al., 2001). Customers in a loyalty programme tend to be fewer likely to have extensive experience with competitors when switching is more costly, so they have less data with which to make informed comparisons (Sharp & Sharp, 1997). In addition, Sharp and Sharp posit that loyalty programmes can help lower customer churn by increasing switching costs. Economic switching barriers, whereby customers lose benefits (e.g., points) in order if they switch between products or service suppliers, are mentioned by Morgan and Hunt (1994), as are psychological, sociological and relational switching barriers, which strengthen the commitment of consumers to and belief in the organisation.

As a result, members of a loyalty programme will likely grow into more devoted customers.

However, if customers strongly associate loyalty programmes with promotional devices or if rewards are of insufficient value (due to low value or competitive parity), the impact of long-lasting rewarded behaviour may be short-lived (Meyer-Waarden, 2007). Customers are more likely to return to a store after participating in a loyalty programme if they are pleased with their previous purchases there and if those purchases become habitual to them (Meyer-Waarden & Benavent, 2009). Studies have shown that customers who participate in a loyalty programme are more loyal to that business and less likely to switch to a competitor (Bolton, Kannan & Bramlett, 2000).

Some studies note, however, that not all customers have the same reaction to loyalty programmes because the attractiveness of a programme can vary among customers based on factors like their level of usage and their perception of the effort advantage (Kim, Menzge & Srinivasan, 2001). It's possible that people's unique circumstances influenced the contradictory results that have been reported elsewhere (Kivetz & Simonson, 2003). Although loyalty programmes reward customers for their continued patronage, Bellizzi and Bristol (2004) argue that this is not enough to ensure customers will remain dedicated to the business. Moreover, Rowley (2000, p. 391) mentions that "customer loyalty is not for sale". It cannot be bought forever by companies or deals. However, it is earned over time through providing excellent value, providing higher quality goods or services and maintaining the company's integrity. This is supported by Divett, Crittenden and Henderson (2003, p. 120), who found that "we cannot buy the loyalty (at least not directly)". Hence, loyalty should be evaluated with both behavioural and attitudinal criteria. These days, the focus is more on the emotional (most of it attitudinal and emotional) than the behavioural aspects of loyalty (Oliver, 1999; Reichheld, 2003).

Thus, there has been a long-running debate about the nature of loyalty (Assael, 1998), with some arguing that it is based on a person's actions (e.g., Tucker, 1964; Foxall, 1999) and others arguing that it is based on their thoughts (e.g., Jacoby & Kyner, 1973; Oliver, 1999b). Repurchases alone could suggest false loyalty (low psychological attitudes but high behavioural) to a certain additional variable, such as low price, according to cognitive theorists, who have advocated using both repurchase and attitude aspects of loyalty to assess real allegiance (strong attitudinal and high behavioural) (Rundle-Thiele & Bennett, 2001). This frame of mind can be measured by looking at how committed a customer is to a brand, how likely they are to recommend that brand to others, and how positive their beliefs and feelings are about

that brand in comparison to others (Dick & Basu, 1994). Some researchers (e.g., Levy & Weitz, 2007) agree that loyal customers have developed an emotional connection to the store. They shop there because of the store's convenient location, but they also appreciate the store's competitive pricing and selection of name brands.

According to the literature (Moore & Sekhon, 2005; Meyer-Waarden, 2006; Kerr, 2009), retailers' loyalty programmes are overt attempts to entice returning customers. If the loyalty programme offers sufficient utilities (such as financial advantages and relationships) and lower associated costs (such as providing personal data to the firm, the effort required to collect points/rewards, switching costs), customers are more likely to continue making repeat purchases, if not increase their frequency. This is according to research by Meyer-Waarden and Benavent (2009). Increases in customer loyalty have long been known to increase customers' reluctance to switch brands (Kim et al., 2001). Because of their limited exposure to the competition, members of loyalty programmes with greater switching expenses are less likely to make informed comparisons between providers. (Sharp & Sharp, 1997) also argue that loyalty programmes can lessen customer churn by making it more difficult for them to transfer providers. Specifically, Morgan and Hunt (1994) highlight the existence of monetary switching barriers, in which customers lose benefits (e.g., points) when they switch product/service providers, and psychological in nature sociological, as well as relationship-based switching barriers, that bolster customers' commitment as well as trust in the organisation. As a result, loyalty from customers should improve after they sign up for a loyalty programme.

The impact of long-term rewarded behaviour may be short-lived if customers firmly link loyalty programmes with promotional equipment or if incentives for changing behaviour are of little significance (because of lack of value or competitive parity) (Meyer-Waarden, 2007). Meyer-Waarden and Benavent (2009) reports that when customers are pleased with their purchases through a loyalty programme, they are more likely to become regulars at that store. Customers participating in a loyalty programme are less likely to compare to competitors and have a shorter memory for any unfavorable experiences they may have had with the company (Bolton, Kannan & Bramlett, 2000). Some studies have found that not all customers react similarly to loyalty programmes. This is because the attractiveness of a programme can vary across customers based on criteria, such their level of usage and their perception of the effort advantage (Kim, Menzge & Srinivasan, 2001). It is possible that people's unique circumstances influenced the contradictory results that have been reported elsewhere (Kivetz & Simonson, 2003). Although loyalty programmes

compensate clients for their continued support, Bellizzi and Bristol (2004) argue that this is insufficient to ensure continued loyalty. Also, "customer loyalty is not for sale," as Rowley (2000, p. 391) states. Companies or transactions can only buy so much time. However, it must be earned over time by providing excellent customer service, delivering high-quality goods and maintaining a trustworthy business. Divett, Crittenden and Henderson (2003, p. 120) found similar results, concluding that "we cannot buy loyalty (at least not directly)". Therefore, both actions and attitudes should be included when measuring loyalty. More recent studies (Oliver, 1999; Reichheld, 2003) have focused on the importance of customer loyalty's psychological (primarily emotional and attitudinal) aspects rather than the more traditional focus on the customer's actions.

Assael (1998) notes that there is a long-standing debate about the definition of loyalty between behavioural proponents (e.g., Tucker, 1964; Foxall, 1999) and cognitive proponents (e.g., Jacoby & Kyner, 1973; Oliver, 1999b). In situations where the emphasis is on the role of mental processing in building loyalty, cognitive theorists have argued that measuring loyalty solely through repurchases may indicate spurious loyalty (low attitudinal but high behavioural loyalty), such as to low price. They have advocated measuring loyalty using both repurchases and attitudes. This frame of mind may be measured by looking at how dedicated a customer is to a brand, how likely they are to suggest that brand to others and how positive their views and sentiments are about that brand compared to others (Dick & Basu, 1994). Levy and Weitz (2007) agree that a retailer's loyal consumers have a personal investment in the company. The convenience of the store, the low pricing and the selection of brands aren't the only reasons they keep coming back.

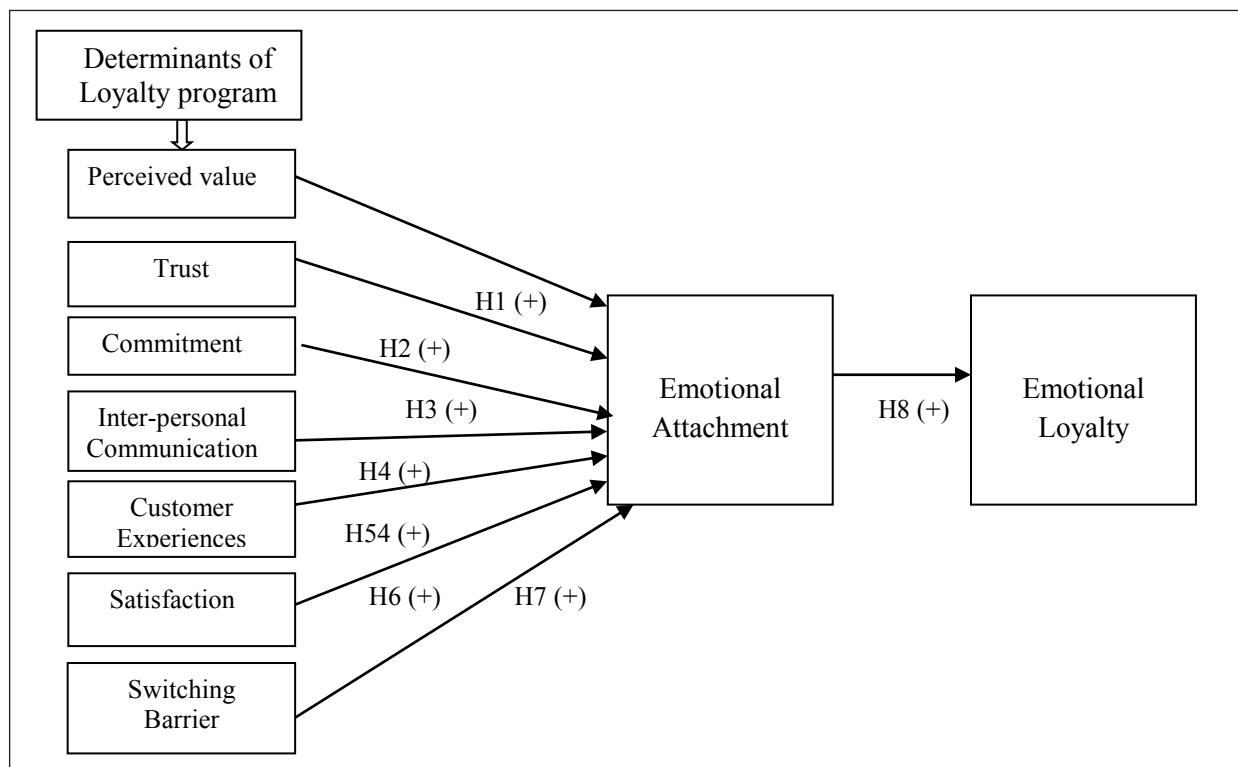
According to the research, understanding consumers' motivations and feelings while making purchase decisions is essential when developing marketing strategies to influence brand loyalty. Emotion is "a mental state of readiness that arises compared to cognitive appraisals of events or thoughts; has a phenomenological tone; is supported by physiological processes; is often expressed physically; and may result in particular behaviours to affirm or cope with the emotion, depending on its nature and the person having it" (Bagozzi, Mahesh & Prashanth, 1999, p. 184). However, Batra and Ahtola (1990) argue that attitudes comprise both rational thought and emotional feeling. Bagozzi, Mahesh and Prashanth (1999) note that although emotions and attitudes are crucial to comprehending loyalty, the former are more strongly and directly related to subsequent behaviour.

However, in both business-to-business and business-to-consumer industries, Ball, Coelho and Machas (2004) characterise loyalty as the consistency of brand/store

satisfaction, company image, communication and trust. While Storbacka, Strandvik and Gronroos (1994) noted that relationship-oriented purchasers place a premium on store satisfaction, Gustafsson, Johnson and Roos (2005) identified three components of user loyalty—calculative commitment, affective commitment and brand satisfaction—as crucial to the growth of a long-term connection between the consumer and the brand/store. Many empirical explanations of marketing interactions include trust as a key component because of its importance in fostering brand loyalty and customer satisfaction (Bloemer & Schroder-Odekerken, 2002).

Morgan and Hunt (1994) point out that in partnerships where happiness and trust are causative, commitment is the final attitude consequence (loyalty). Several studies (Burns

& Neisner, 2006; Wong & Sohal, 2000), among others, have demonstrated that customer satisfaction is a major determinant in consumers' propensity to make additional purchases. According to the findings of two separate studies (Dick & Basu, 1994; Mauri, 2003), customer loyalty can be seen as both an attitude and a purchasing pattern. It is postulated based on prior talks and findings that customers' emotional loyalty is influenced by factors such as the perceived value of loyalty programmes, consumers' faith in them, their dedication to the programmes, the quality of their interactions with other customers, their level of happiness with the programmes and the difficulty they have in switching to competing programmes. Fig. 1 depicts the proposed conceptual model.



**Fig. 1: Conceptual Framework**

## HYPOTHESES DEVELOPMENT

### Perceived Value/Benefits

Marketers for customer loyalty or relationship programmes often entice new members by offering them discounts, freebies and other perks in exchange for their personal information. Perceived value or benefits, the link between costs and advantages of a specific behaviour, is a well-established determinant of brand or store loyalty. “A consumer’s overall evaluation of a product’s usefulness based on their impressions of what they get in exchange for their money,” as defined by Zeithaml (1988, p. 14). As defined

by the breadth of the ‘bargain’ offered to the consumer, value is determined (Thaler, 1985). These conceptions of customer value take a quality-price, benefits-versus-costs and sacrifice-versus-reward stance (Harris & Goode, 2004; Baker et al., 2002; Grewal, Manroe & Krishnan, 1998; Sirohi, McLaughlin & Wittink, 1998). To this end, modern, value-based customer loyalty programmes try to forge an emotional connection between the organisation and the customer (Butscher, 1999).

According to Meyer-Waarden (2004), customers will only modify their behaviour in response to a loyalty programme if they perceive the benefits greater than the

expenses involved. Utilitarian, hedonic and social-relational approaches to shopping deserve to be considered when assigning value. Tietje (2002) examined the value of loyalty programme rewards and concluded that customers who complete the programme and receive the promised benefits have a more favourable impression of the store. When customers are happy with their purchases, they are more likely to make additional purchases (Oliver, Rust & Varki, 1997). Anisimova (2007) revealed that functional consumer benefits are the most important and constant indicators of customer attitude and behaviour.

Perceived benefits associated with loyalty programmes have a moderate direct impact on loyalty behaviours, according to the latest research by Steyn et al. (2010). Nonetheless, the results of their research imply that perceptions of benefits significantly impact emotions, which in turn influence loyalty behaviours. Therefore, the following theory is put forth:

*H1: Perceived value associated with a loyalty programme will positively influence customers' emotional loyalty.*

## Trust

Strong relationships are built on trust, which has become a topic of study due to the increasing focus on relationship marketing (Berry, 1995). According to Schurr and Ozanne (1985), trust is defined as the conviction that another person's word or promise is trustworthy and that they will carry through on their commitments to one another. Also, Sirdeshmukh, Singh and Saboo (2002) define customer confidence as the belief which the service provider can be counted on to fulfil the customer's expectations. Similarly, Calonius (1988) stresses that the promise concept, which maintains and enhances developing relationships, is central to the relationship marketing approach. As a result, fulfilling commitments has become equally vital to attracting and retaining customers and generating sustainable profits over time (Reichheld & Sasser, 1990). Reichheld and Schaefer (2000, p. 107) observe that "to gain customers' loyalty, you must first gain their trust." Previous studies have shown that a company's credibility can affect their customers' trust, loyalty and willingness to work with them (Ennew & Sekhon, 2007; Barney & Hansen, 1994; Ennew & Sekhon, 2007). Macintosh and Lockshin (1997), who study customer loyalty, state that such programmes facilitate trust and commitment between the supplier and the customer. Trust has recently been found to have direct effects on attitude loyalty and indirect effects on satisfaction, as discovered by Chiou and Droge (2006). However, Gomez et al. (2006) noted, that little research existed to shed light on the potential

connection between loyalty programme participation and the development of trust in retailers. From the above evidence, the following hypothesis is formulated:

*H2: Customer trust associated with a loyalty programme will positively influence customers' emotional loyalty.*

## Commitment

Commitment is a critical factor in gauging the possibility of client loyalty and is widely recognised as a multidimensional construct in marketing research (Fullerton, 2005; Morgan & Hunt, 1994). Over the past decade, marketing researchers have defined commitment as an emotional investment in continuing a positive relationship between a consumer and a business or a "pledge of continuity" (Lee, Huang & Hsu, 2007). Retailers and customers form a stronger link, and businesses may gauge customer loyalty and predict how often a client will buy in the future (Leverin & Liljander, 2006). Customer engagement and involvement to the degree that it is difficult to leave is, thus, a requirement for true loyalty (Oliver, 1997; Bloemer & Kasper, 1995). Since commitment is more concerned with emotions and beliefs than actions, it takes an attitude-based view of loyalty (Reichheld, 1996). This means that both parties have a greater responsibility to work for the relationship's success and happiness (Gundalch, Achrol & Mentzer, 1995). A significant commitment to the partnership arises when there is both a rational attachment (net profit) as well as an affective connection (emotional link) (Mowdy et al., 1982).

Furthermore, Evanschitzky et al. (2006) found that customers are more loyal to a brand when they feel an emotional connection to it, rather than when they are offered financial incentives or face a high switching cost. Venetis and Ghauri (2004) identified three overarching antecedents of commitment: the quality of the service provided, the level of trust between the partners and the quality of the connections formed during the collaboration. Several studies find that customer dedication drives them to take action (Liljander & Strandvik, 1997) and keeps them connected to the vendor over time (Wilson, 1995). While commitment is a key factor in keeping customers returning, Evanschitzky et al. (2006) note that more research is needed to determine how different types of commitment affect consumer loyalty in service settings. Therefore, clients who are emotionally invested in their provider's success will publicly pledge to continue using and promoting that provider exclusively. The following conjecture is made in light of the preceding evidence.

*H3: The loyalty programmes' commitment will positively impact customers' emotional loyalty.*

## Inter-Personal Communication

Communication involves not only the provision of current and reliable data but also an engaging conversation between the company and its consumers all through pre-selling, selling, consuming, as well as post-consuming phases of a transaction (Anderson & Narus, 1984). Customers are more likely to be satisfied and loyal if businesses stay in touch, give them information they can trust, and address their concerns immediately. Relationship quality, customer happiness and brand loyalty are all the results of good communication (Ball, Coelho & Machado, 2004). According to Lacey and Sneath (2006), loyalty programmes that keep constant contact with their customers are more likely to reward and delight them. Some companies include communications about their loyalty programme as part of a larger communications push (Roehm et al., 2002). Other businesses rely heavily on loyalty programmes to cultivate community and engage in meaningful discourse with their greatest customers through routinely distributed newsletters, direct mail and electronic communications (Lacey & Sneath, 2006). Participation in loyalty programmes increases the number of interactions between the merchant and the customer, increasing the customer's confidence in and dedication to the store. The ability to track and profile customers provide the most value to businesses through loyalty programmes (Pine, Peppers & Rogers, 1995; Mauri, 2003).

Thus, loyalty programmes strengthen customer relationships with the sponsoring brand or company through personalised messaging and the delivery of branded goods and services (Maxham & Netemeyer, 2003). Keeping a client who is on the point of defecting from the merchant is possible, according to Berman and Evans (2006), by communication via phone, e-mail, direct mail, or, if necessary, in person. It is hypothesised in this research that

*H4: The inter-personal communications around a loyalty programme would positively influence customers' emotional loyalty.*

## Experiences

Customers' demands and needs have changed due to rising prosperity and altering lifestyles (Sinha & Banerjee, 2004). Increasingly, consumers are looking for more than just a good or service. The customer experience includes all encounters a customer has with a firm, its products, and/or its agents (Grewal et al., 2009). The most successful retailers build value for their customers in five interconnected ways: providing more effective solutions for customers' needs; respecting consumers (store staff polite and respectful behaviour); establishing an emotional connection; charging

fair prices; and making the purchase process easy (excellent design, placement of goods, signage, fast check-out, etc.). The research study further notes that three typical states of customer experience—cognitive images, emotional responses and derived intents (conation)—are believed to drive customer behaviour loyalty (Richardson, 1984). According to Li, Daugherty and Biocca (2001), the customer experience is more than just the reception of information and the internalisation of meaning from that information. As Mathur (1971) argues, experience results from a dynamic exchange that enhances its quality, intensity, meaning and worth over time by incorporating a person's mental and emotional states. Mano and Oliver (1997) theorised that a customer's happiness would rise directly to the amount of favourable word-of-mouth they received. In contrast, pleasure and realism in their experiences would influence consumers' actions more.

Similarly, Tietje (2002) discovers that some loyalty program prizes inspire favourable attitudes toward the store that offers them. Customer satisfaction and repeat purchases largely depend on these emotions (Price, Arnould & Tierney, 1995). Experiential behaviour has been found to have considerable explanatory power on attitude loyalty in several researches (e.g., Chang & Chen, 2008). The following hypothesis is advanced based on the preceding evidence:

*H5: Customer experiences associated with a loyalty programme will positively influence customer's emotional loyalty.*

## Satisfaction

It's commonly believed that achieving happiness results from the entire buying and consuming process. As stated by Szymanski and Henard (2001), this is the "the majority widely used perceptual measure for comprehending the multifaceted behaviour of consumers". Marketing literature (e.g. Fornell, Rust & Dekimpe, 2010; Leo & Homburg, 2007; Gupta & Zeithaml, 2006; Seiders & Colleagues, 2005) unanimously identify customer happiness as a significant antecedent to loyalty and repurchase. According to Oliver and Swan (1989), consumers are satisfied when their anticipated and built-up feelings about a product are at odds with their actual experiences. Furthermore, Giese and Cote (2000) defined customer satisfaction as a focus-related (i.e., purchase-related) and time-specific (i.e., post-purchase, post-consumption) cognitive or emotive response. Two overarching definitions of customer satisfaction have been reported in the literature: satisfaction with the service encounter (Boshoff & Grey, 2004; Cronin & Taylor, 1992) and with the service overall (Yi & La, 2004; Shankar, Smith & Rangaswamy, 2003; Cronin & Taylor, 1994). As a result,

customer satisfaction is heavily influenced by both cognitive variables (i.e., a function of comparing expectations and performance) and emotional variables (i.e., emotions such as joy, happiness, arousal, pleasure, surprise, contentment, regret and disgust experienced during the acquisition and consumption of a product or service (Homburg, Koschate & Hoyer, 2006).

Loyalty programmes use reinforcement theory to explain why customers keep returning for more of what the firm offers (Steyn et al., 2010). Both functional and non-functional benefits are given to clients in exchange for their business. Previously, freebies, reductions and reimbursement offers that support the product's value proposition were classified as direct rewards, while emotional, sociological, as well as relational incentives were classified as indirect rewards by Dowling and Uncles (1997). Customers' levels of contentment with loyalty programmes may be influenced by the immediacy (or lack thereof) and specificity (or lack thereof) of the incentives and benefits they get (Keh & Lee, 2006; Zhang, Krishna & Dhar, 2000; Soman, 1998; LeClerc, Schmidt & Dube, 1995, to name a few examples). Dowling and Uncles (1997) found that loyal customers and dissatisfied customers have different opinions on loyalty programmes. Using a bank along with a restaurant as experimental settings, Keh and Lee (2006) discovered that satisfied customers favoured postponed direct incentives (of high value) across quick ones. Dissatisfied customers, on the other hand, would rather have a small, immediate reward than a large, delayed incentive. When customers reach a particular degree of satisfaction, it is argued, loyalty programmes become more successful and relevant.

But McEwen and Fleming (2003) suggest that customer happiness is not always a strong predictor of future customer behaviour unless it has an emotional connection with customers. However, Bei and Chiao (2001) take a different tack, arguing that pleasure represents how one feels about a service or good. Many customers who initially report being satisfied or very satisfied with a service provider end up switching to a competitor for a variety of reasons, possibly including ineffective connection, as shown by several studies (e.g., Chandrashekhara et al., 2007; Szymanski & Henard, 2001; Reichheld & Teal, 1996). Despite its significance, additional investigations find that customer satisfaction and loyalty do not correlate with the strength of relationships (Magi, 2003), and that the correlation between the two is moderate at best (Seiders et al., 2005) or non-existent at worst (Allaway, Berkowitz & D'Souza, 2003). It is therefore the following hypothesis is formulated:

*H6: Customer satisfaction associated with a loyalty programme will positively impact customers' emotional loyalty.*

## **Switching Barriers**

The loyalty programme's success in creating financial, emotional, sociological, as well as relational switching barriers is a key factor in maintaining customers' commitment and faith in the business. In addition, Jones et al. (2000) discovered three types of switching barriers that affect customers' propensity to repurchase: personal ties, perceived switching costs and alternative attractiveness. Personal connections between a business and its clients or customers are inter-personal ties. Customers' time, money and effort are the "perceived switching costs" associated with making a service provider transfer. The allure of choice depends on the availability of viable alternate service suppliers. Customers may be encouraged to consolidate their purchases and try out new products if they are prevented from easily switching brands (Nunes & Dreze, 2006). With so many options available, keeping customers loyal in today's business climate is challenging. Research on how loyalty programmes affect the development of switching costs contributes to the growing body of literature on the efficacy of loyalty programmes (Duff, 1998). Consumers tend to frequent only a few locations due to the inconvenience of changing retailers.

In addition, Meyer-Waarden and Benavent (2002) provide evidence that the prizes granted by loyalty programmes and the costs originating from the development of the connection built with the merchant increase the switching costs incurred by customers. Due to the high costs associated with switching retailers, clients are typically loyal to the one they've been shopping at up until this point (Kim et al., 2001; Bolton et al., 2000). By increasing switching costs and altering behaviour, loyalty programmes can reduce customer defection and improve brand loyalty (Meyer-Waarden, 2007). Hence the following hypothesis is postulated:

*H7: Switching barriers associated with a loyalty programme will positively affect customers' emotional loyalty.*

## **METHODOLOGY**

Given the limited amount of information available on emotional loyalty and loyalty programmes in Indian food and grocery retailing, two stage research approach was adopted. In the first phase, an exploratory study was carried out by conducting semi-structured interviews with ten retail store managers (five each from supermarkets and hypermarkets) to identify determinant attributes of customer loyalty programmes that were considered important to influence customers emotional loyalty in any food and grocery retailing. The second phase was a field survey which was a non-experimental survey methodology to gather the data

necessary to test the hypothesised conceptual framework. Shopper intercept survey technique (convenience sampling) was used to collect data from 580 food and grocery customers of supermarkets and hypermarkets in the Vijayawada city in Andhra Pradesh.

The following formula was adopted to determine minimum sample size for the study (Nargundkar, 2007, p.92):

$$\text{Sample size (n)} = (Z s)^2 / e^2$$

Where:  $Z$  = The 'Z' value represents the Z score from the standard normal distribution for the confidence level desired by the researcher (no. of Std. deviations a point on a distribution is away from the mean) (e.g. a Z score of 1.96 for 95% Confidence Level).

$s$  = The 's' represents the estimate of the population standard deviation for the variable. The unknown value of 's' can be measured from dividing the range (maximum and minimum values of the variables used in the study) by 6.

$e$  = The tolerable error for estimating the variable in question. The lower the tolerance, the higher will be the sample size.

Assuming  $Z = 95$  percent (1.96),  $e = \pm 6.0\%$ , and  $s = 0.67$

$$\text{Sample size (n)} = (1.96 \times 0.67)^2 / (0.06)^2 = 479.02$$

As a result, the minimum sample size was calculated to be 479 respondents. However, increasing the sample size could reduce the sampling error.

A total of 50 different retail stores relating to two chosen retail formats (viz., of 30 supermarkets and 20 hypermarket stores) functioning across the Vijayawada city were randomly selected from Yellow pages for field survey. The customers were approached with the request to participate in the study and were assured the data collected would be used purely for academic purpose. The customers were first qualified to ensure that they were either leaving the store after finishing their shopping or had completed the majority of their shopping for the day. Then, it was also ensured that respondents were the members of loyalty programme of retail stores, namely, supermarkets and hypermarkets. Self-administered structured questionnaires were used to collect data from the retail customers of the following retail stores (their loyalty programmes shown in parenthesis): 1) 150 respondents from Big Bazaar (Shakti Credit Card); 2) 110 respondents from More (Club More); 3) 140 respondents from Reliance Fresh (Reliance One); 4) 100 respondents from Spencer's (Smart Rewards); 5) 80 respondents from Marks & Spencers (M&S Club). Most of these retailers are

domestic retail giants running chain stores in the state of Andhra Pradesh in India.

## Measures

The survey instrument was a structured questionnaire consisting of two sections. Section 1 consisted of questions that frame the respondent's demographic (i.e. gender, age, occupation, education, monthly household income) and loyalty programme variables (i.e. duration of membership, no. of loyalty cards holding, frequency of card usage, future purchase behaviour/usage levels). Respondents were asked to consider the loyalty programmes they had been a member of for at least a year and to focus on the one they considered their favourite. Respondents, who have at least a year's membership, were specifically chosen for this study. Previous research mentions that this duration of membership (at least a year) was reported to be a sufficient long period to facilitate quitting from the programme in case of disappointment or regret, a factor that contributes to the validation of data (Omar, Aziz & Nazir, 2011). For measuring demographic and loyalty programme usage, dichotomous question and multiple choice questions with determinant choice approach were employed.

Section 2 consisted of questions that measured respondents' affective and emotional responses associated with determinants of loyalty programme and emotional loyalty. All of the items in Section 2 of the questionnaire were based on previous literature and were measured on the 5-point Likert scale where 1 stands for "strongly disagree" and 5 "for strongly agree". For measuring emotional loyalty, three 5-point scale item, ranging 1 = strongly disagree to 5 = strongly agree, was adapted from Uncles, Dowling and Hammond (2003) and Yi and Jeon (2003). The scale items were: 1) I like this store's programme more so than other store's programmes; 2) I have a strong preference for this store's programme; and 3) I would recommend this store's programme to others.

All these measures were pre-tested over two stages with samples of academicians and retail store managers for their appropriateness and relevance to the context of Indian food and grocery retailing. Necessary diagnostic tests were applied to examine the reliability and validity of survey instrument. Table 1 presents scale items, their sources, factor loading, Cronbach's alpha reliability coefficients, composite reliability and average variance extracted for each factor. The resulting scale scores were determined by taking the average of the individual scale items.

**Table 1: Exploratory Factor Analysis of Measurement Scales (Factor Loadings < | 0.5| are Not Shown)**

Name of the Construct & Source	Measures of the Construct	Factor Loadings	Variance	Item-to-Total Correlation	Coefficient 'A'	Mean C	SD
<b>Perceived value/benefits</b> Yi and Jeon (2003) Anisimova (2007)	I get points with every purchase in this loyalty programme.	0.815	17.2%	0.732	0.821	4.410	0.592
	There are a lot of special offers associated with this loyalty programme.	0.751		0.671			
	This loyalty programme offers exclusive savings for members.	0.748		0.648			
	I really get rewarded for loyalty.	0.735		0.646			
	I'm treated with more respect.	0.725		0.635			
	I feel valued as a member of loyalty programme of this retailer.	0.718		0.610			
<b>Trust</b> Macintosh and Lockshin (1997); Morgan and Hunt (1994)	This loyalty programme is more reliable and trustworthy.	0.712	15.5%	0.651	0.814	4.315	0.613
	I feel safe to conduct transactions with this loyalty programme.	0.705		0.642			
	This firm gives me feelings of trust.	0.701		0.627			
	This loyalty programme gives me a trustworthy impression.	0.693		0.616			
<b>Commitment</b> De Wulf et al., (2001)	I am committed to this store's loyalty programme.	0.752	13.2%	0.684	0.819	4.295	0.806
	I'm interested in the success of this loyalty programme.	0.741		0.635			
	I feel loyal towards this loyalty programme.	0.735		0.616			
	I keep buying from this firm because I appreciate it's loyalty programme.	0.725		0.605			
<b>Inter-personal Communication</b> Noble et al. (2006); Brennan and Lundsten (2000)	Keeps me informed about new arrivals and service extensions.	0.746	12.0%	0.648	0.761	4.118	0.891
	This loyalty programme provides prompt communication about rewards or statement of returns in a specified period.	0.736		0.632			
	This loyalty programme provides reliable and trustworthy information.	0.718		0.620			
	This loyalty programme regularly contacts me by news letter, direct mail, phone.	0.651		0.571			
<b>Customer Experiences</b> Tetje (2002); Mano and Oliver (1997)	Loyalty programme at this store provides me good customer service.	0.756	11.0%	0.678	0.786	4.007	0.923
	This loyalty programme provides superior solution to customer needs.	0.723		0.623			
	This loyalty programme makes me happy.	0.713		0.612			
	This loyalty programme makes me feel appreciated.	0.704		0.607			
	This loyalty programme resolves conflicts with a customer fairly.	0.683		0.601			

Name of the Construct & Source	Measures of the Construct	Factor Loadings	Variance	Item-to-Total Correlation	Coefficient 'A'	Mean C	SD
<b>Customer Satisfaction</b> Oliver and Swan (1989) & Dowling and Uncles (1997)	I made a good choice when I decided to participate in this programme.	0.756	10.8%	0.681	0.731	3.821	0.943
	My overall evaluation of this programme is good.	0.724		0.632			
	The advantages I receive, being a member of this programme, meet my expectations.	0.710		0.621			
	All in all, I'm satisfied with this programme.	0.623		0.539			
<b>Switching Barrier/ Costs</b> Jones et al. (2000); Bolton et al.(2000)	This loyalty programme stops me from purchasing in other retail stores.	0.710	7.6%	0.621	0.713	3.513	0.961
	The costs in terms of rewards forgone is high when switching this loyalty programmes.	0.702		0.613			
	Wide variety of products and services creates high switching costs.	0.651		0.592			
	This loyalty programme creates strong inter-personal relationships with customers and retailer.	0.635		0.571			

a. Extraction Method: Principle Components Analysis, Rotation Method: Varimax with Kaiser Normalization, total variance explained 87.3%, p = 0.001;

b. Items were measured on 1-5 scale.

## RESULTS

### Profile of Respondents

The descriptions of the sample of 580 respondents shown in Table 2 indicated that 56% were female and mean age was 35 with ages ranging from 20 to 60. Interestingly, with modal age group of the respondents was 30–40, and the majority (70%) were married. The major chunk of the respondents (56.4%) had graduation as their educational qualification, and the aggregated mean monthly household income was Rs 22,320 with 48.3% of respondents had paid

employment as their occupation. By membership duration, 30% of the respondents were members of the retail loyalty programme for 2 years, while 35% of the respondents had 3 years membership. The majority of the respondents (61%) used the loyalty programme every time they made their purchases and 44% of the respondents participated in more than one loyalty programme. The average usage of loyalty programme in a specific store was 3.2 per month. A total of 64% of the respondents, who were members of loyalty programme, had strongly agreed and/or agreed that that were emotionally loyal to a specific retail store with which they have membership.

**Table 2: Descriptions of the Respondents**

Variable	Description	Frequency	Percent
Gender	Male	324	55.8
	Female	256	44.2
Age	20-30 years	169	29.2
	30-40	212	36.6
	40-50	144	24.8
	50 & above	55	9.5
Marital Status	Married	405	69.8
	Un-married	175	30.2
Education	SSC/Diploma	119	20.5
	Graduation	327	56.4
	PG & above	134	23.1

Variable	Description	Frequency	Percent
Occupation	House wife	173	29.8
	Employment	280	48.3
	Business	81	14.0
	Others (students/retired)	46	7.9
Monthly Household Income	< ₹ 15,000	138	23.7
	₹ 15,000-20,000	151	26.2
	₹ 20,000-25,000	185	31.8
	> ₹25,000	106	18.3
Duration of loyalty programme membership	1-2 years	175	30.2
	2-3 years	203	35.0
	3-4 years	147	25.3
	Above 4 years	55	9.5
Usage of loyalty programme	Always	355	61.2
	Frequently	176	30.4
	Rarely	49	8.4
Number of loyalty programme membership	1 retail loyalty card	324	55.8
	2 retail loyalty cards	201	34.6
	3 retail loyalty cards	42	7.3
	4 retail loyalty cards	13	2.3
Frequency of using loyalty programme (in a month)	1-2 times	113	19.5
	2-3 times	141	24.3
	3-4 times	179	30.8
	More than 4 times	147	25.4

Source: Primary data.

## Hypotheses Testing

For testing hypotheses H1-H7, stepwise multiple linear regression approach was used. The resulting regression

models for dependent variable was shown in Table 3 and their significance including distinct predictors at varying ‘ $\alpha$ ’ levels presented in Table 4.

**Table 3: Regression Model Summaries for the Affect of Loyalty Programme Attributes on Customer Emotional Loyalty**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	ANOVA Results			
					df1	df2	F-Value	Sig.
1	0.751(a)	0.565	0.564	0.794	1	578	749.891	0.000
2	0.808(b)	0.653	0.652	0.709	2	577	544.107	0.000
3	0.836(c)	0.698	0.697	0.662	3	576	444.609	0.000
4	0.856(d)	0.732	0.730	0.625	4	575	392.425	0.000
5	0.863(e)	0.744	0.742	0.611	5	574	334.507	0.000
6	0.872(f)	0.760	0.757	0.593	6	573	302.195	0.000
7	0.875(g)	0.766	0.763	0.586	7	572	267.187	0.000

a. Predictors: (Constant), Perceived Value.

b. Predictors: (Constant), Perceived Value, Trust.

c. Predictors: (Constant), Perceived Value, Trust, Commitment.

d. Predictors: (Constant), Perceived Value, Trust, Commitment, Inter-personal communication.

e. Predictors: (Constant), Perceived Value, Trust, Commitment, Inter-personal communication, Customer experience.

f. Predictors: (Constant), Perceived Value, Trust, Commitment, Inter-personal communication, Customer experience, Customer satisfaction.

g. Predictors: (Constant), Perceived Value, Trust, Commitment, Inter-personal communication, customer experience, Customer satisfaction, switching barrier.

h. Dependent Variable: Emotional loyalty.

The seven evolved regression models for emotional loyalty shown in Table 1 contributed significantly and predicted 56.5% variation by model-1 with perceived value/benefits and total 76.6% variation by model-7 with all independent variables. The seven emerged regression models indicated that all independent variables were related to dependent variable (emotional loyalty) with their respective ANOVA values shown in Table 3 were significant (p = 0.000). The coefficient summary for seven evolved regression models shown in Table 4 revealed that all seven models were the significant (p = 0.000) predictors for customer emotional loyalty. The  $\beta$  weights are standardised measures of the relative importance of independent variables in explaining the variation in the dependent variable, supporting an observation of  $\beta$  weights as a measure of relative importance. The positive sign of all beta estimates had shown that the greater the extent of attributes associated with loyalty programmes, the more significant customer emotional loyalty will be. Therefore, the hypotheses H1-H7 were proved valid. The following regression models were emerged from the summary of unstandardised beta coefficients shown in Table 4:

$$Y=1.134+0.727 X_1 \tag{1}$$

$$Y= 0.671+0.580X_1+0.0.363X_2 \tag{2}$$

$$Y= 0.257+0.547X_1+0.0.305x_2+0.254 X_3 \tag{3}$$

$$Y= 0.155 +0.493X_1+0.272X_2 +0.238 X_3 + 0.214 X_4 \tag{4}$$

$$Y= 0.187 + 0.4820X_1+0.255X_2 +0.245 X_3 + 0.210 X_4 + 0.142X_5 \tag{5}$$

$$Y =0.233 + 0.462X_1+0.245X_2 +0.216 X_3 + 0.200 X_4 + 0.179X_5 + 0.168 X_6 \tag{6}$$

$$Y=0.577 + 0.448X_1+0.234X_2 +0.232 X_3 + 0.197 X_4 + 0.1183X_5 + 0.166X_6 +0.096X_7 \tag{7}$$

Where, Y = Emotional loyalty;  $X_1$  = Perceived value;  $X_2$  = Trust;  $X_3$  = Commitment;  $X_4$  = Inter-personal communication;  $X_5$  = Customer experiences;  $X_6$  = customer satisfaction;  $X_7$  = Switching barrier

**Table 4: Predictor Effects and Beta Estimates for Attributes Associated with Loyalty Programmes on Emotional Loyalty**

Model	Variables	Unstandardised Coefficients		Standardised Coefficients	T-Value	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.314	0.081		16.241	0.000
	Perceived value	0.727	0.027	0.751	27.384	0.000
2	(Constant)	0.671	0.090		7.486	0.000
	Perceived value	0.580	0.027	0.599	21.791	0.000
	Trust	0.363	0.030	0.334	12.159	0.000
3	(Constant)	0.257	0.095		2.708	0.007
	Perceived value	0.547	0.025	0.566	21.803	0.000
	Trust	0.305	0.029	0.281	10.693	0.000
	Commitment	0.254	0.027	0.225	9.261	0.000
4	(Constant)	0.155	0.097		2.167	0.001
	Perceived value	0.493	0.025	0.509	20.058	0.000
	Trust	0.272	0.027	0.251	10.000	0.000
	Commitment	0.238	0.026	0.210	9.167	0.000
	Inter-personal communication	0.214	0.025	0.200	8.476	0.000
5	(Constant)	0.187	0.112		3.370	0.001
	Perceived value	0.482	0.024	0.498	20.013	0.000
	Trust	0.255	0.027	0.235	9.536	0.000
	Commitment	0.245	0.025	0.217	9.672	0.000
	Inter-personal communication	0.210	0.025	0.197	8.533	0.000
	Customer Experiences	0.142	0.027	0.115	5.320	0.000

Model	Variables	Unstandardised Coefficients		Standardised Coefficients	T-Value	Sig.
		B	Std. Error	Beta		
6	(Constant)	0.233	0.149		1.565	0.008
	Perceived value	0.462	0.024	0.477	19.569	0.000
	Trust	0.245	0.026	0.226	9.391	0.000
	Commitment	0.216	0.025	0.191	8.605	0.000
	Inter-personal communication	0.200	0.024	0.188	8.356	0.000
	Customer Experiences	0.179	0.027	0.145	6.738	0.000
	Customer satisfaction	0.168	0.024	0.152	6.436	0.000
7	(Constant)	0.257	0.131		1.280	0.001
	Perceived value	0.448	0.024	0.463	18.966	0.000
	Trust	0.234	0.026	0.214	9.260	0.000
	Commitment	0.232	0.025	0.207	8.964	0.000
	Inter-personal communication	0.197	0.024	0.184	8.302	0.000
	Customer Experiences	0.183	0.026	0.147	6.936	0.000
	Customer satisfaction	0.166	0.024	0.153	6.805	0.000
	Switching barrier	0.096	0.020	0.082	3.805	0.000

a. Dependent Variable: Emotional loyalty.

## DISCUSSION AND IMPLICATIONS

Consistent with the hypotheses and with customer loyalty programme literature (e.g., Sharp & Sharp, 1997; Noordhoff et al., 2004; Gomez et al., 2006; Turner & Wilson, 2006), both the cognitive and emotional responses associated with loyalty programmes were found to explain the level of customer emotional loyalty in a food and grocery retail setting. This study's findings lend credence to the hypothesis that grocery store loyalty programmes boost customers' sentimental attachment to those stores. However, the results are in conflict with Bellizzi and Bristol (2004) and Divett et al. (2003). Context of the study, and nature and type of the loyalty programme are attributed to the observed inconsistency with some studies. Interestingly, loyal customers have expressed their emotional connection with the retailer though majority of the customers have been possessed multiple loyalty cards. Results imply that committed customers are satisfied with the loyalty programme offerings (e.g., incentives, rebates, discounts and special offers). The positive experiences created by loyalty programmes have made customers reluctant depart from the present loyalty programme. Emotional and psychological attachments with loyalty programmes are appeared to be effective in creating switching as well as exit barriers. However, the effect of switching barriers on emotional loyalty reveals partially the same results as the switching barriers theory of Jones et al. (2000).

According to the results of this study, the most important factor influencing customers' emotional loyalty is their

perception of the value they receive from a loyalty programme. The goal of the modern, value-based customer loyalty programmes is to foster an emotional connection between the store and the customer that will result in continued patronage (Butscher, 1999). It's important to keep in mind that customer loyalty is something that has to be earned over time through providing excellent value and better products or services. While loyalty programme usage is still in its infancy, this study makes significant contributions to both the academic literature as well as managerial practises in emerging economies. There are relatively few existing studies that empirically study the effect of loyalty programmes on customers' emotional loyalty in Indian food and grocery retail milieu. Hence, the empirical results may serve as a departure point for future studies in this area of concern. The results of this study will help food and grocery stores better understand their customers' attitudes towards customer loyalty programmes, an essential component of CRM.

Understanding the attitudinal responses of consumers towards loyalty programme may help food and grocery retail managers to improve their decisions about loyalty programmes. Findings from factor analysis may help retailers in selecting, identifying and segmenting customers, which enables them to allocate their marketing expenditures more effectively. Moderate impact of inter-personnel communication, customer experiences, customer satisfaction and switching barriers on emotional loyalty accentuate the need to put more focus on creating positive experiences and effective communication carried out

through frequent personnel mails and direct phone calls or short message services. Finally, the study contributes to more 'generalizable' knowledge by investigating the effect of grocery loyalty programmes on customer emotional loyalty.

## LIMITATIONS AND DIRECTIONS FOR FURTHER RESEARCH

This study has certain limitations. This study is limited to general food and grocery retailing. It is not product specific. Previous research suggests that effectiveness of loyalty programmes likely depends on the product category. Hence, the results cannot be generalised. Another potential limitation of the study is sample. This study has not considered sample subjects from non-loyalty programme members. Future studies should consider this and likely examine the average difference of emotional loyalty between loyal and non-loyal members. Future studies should also include stores with and without loyalty programmes. Since customers have been the members of multi-brand loyalty cards, future research should focus on share of wallet, usage pattern and life time value of customers. Moreover, several studies suggest that cultural influences may impact on the successful implementation of loyalty programmes (Gomez et al., 2006). Future research should also consider this aspect. More importantly, the model is to be validated. Longitudinal research is the most apt for better understanding the customer's attitudinal and behavioural responses associated with loyalty programmes in grocery retailing.

## CONCLUSION

This research has contributed to a better understanding of the factors motivating customers to participate in grocery loyalty programmes and how it affects their emotional loyalty in a developing country like India, by reviewing the literature from the last two decades. It is one of the few studies that propose a conceptual model for analysing the factors influencing consumers' emotional loyalty in the new grocery retail industry, including value perception, trust, commitment, inter-personal communication, customer experiences, customer happiness and switching obstacles. This preliminary research shows that loyalty programmes' perceived value or benefit is essential to emotional loyalty, highlighting the importance for merchants to comprehend value-oriented customer loyalty programmes. Research has shown that the most successful customer loyalty programmes build an emotional connection between the store and its clientele (Butscher, 1999). Customer loyalty must be gained over time by providing excellent value and better products

or services. This research will be an invaluable resource for academics and managers in developing countries where loyalty programmes are still in their infancy. Retailers in the food and grocery industries will benefit from this study since it will reveal consumers' nuanced attitudes toward customer loyalty programmes, which are powerful strategic instruments for CRM. To further forecast the impact of discovered determining features of loyalty programmes on customers' emotional loyalty in the Indian food and grocery retail market, it would be important to test the conceptual model in a future study.

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