

LOYALTY PROGRAMS BUILDING CUSTOMER-RETAILER RELATIONSHIPS: ROLE OF IDENTITY SALIENCE

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ABSTRACT

Customer loyalty programs are prevalently used by retailers as a means of attracting consumers for repeated patronage. The initial goal of loyalty programs is to “establish a higher level of customer retention in profitable segments by providing increased satisfaction and value to certain customers” (Bolton, Kannan, and Bramlett 2000, page 95). In doing so, it is suggested that when a consumer feels connected with a loyalty program, he/she will feel benefits of the loyalty program more, and engage in more participation in the program. However, empirical research on loyalty programs from a consumer’s membership identity perspective is lacking. Therefore, a few questions arise: Does a retailer’s loyalty program elicit a consumer-retailer relationship? And, what factors of a loyalty program can make a consumer feel connected with the retailer? To answer these questions, this study focuses on the role of salience of the identity (the activation of an identity as a patronage shopper of the store) as a member of the loyalty program in consumer-retailer relationship formation. More specifically, this study examines (1) the effects of two identity-inducing factors of a loyalty program (self-expression and distinctiveness) on the salience of identity as a member of a certain loyalty program and (2) the effects of identity salience on satisfaction, trust, and loyalty intention toward the retailer offering the loyalty program.

The incentives provided in loyalty programs are usually economical, e.g., special discounts. However, previous studies suggest that the rewards can also be intangible, e.g., the pursuit of luxury, feeling of superiority, preferential treatment (Drèze and Nunes 2009; Kivetz and Simonson 2003; Lacey, Suh, and Morgan 2007). Mimouni-Chaabane and Volle (2010) identified five significant dimensions of consumers’ perceived benefits of customer loyalty programs that influence consumer perceptions of relationship investment: utilitarian (monetary savings and convenience), hedonic (exploration and entertainment), and symbolic (recognition) benefits. Such psychological benefits as recognition and/or feeling superior lead consumers to perceive themselves as part of a selected customer group, distinctive from other consumers, identify themselves with the group as a member of a loyalty program, and exhibit favorable responses to consumer-retailer relationship building.

Social identity refers to a person’s knowledge that he/she belongs to a certain social group that has some emotional and value significance to the person (Tajfel 1974). Social identity theory has been empirically applied in retail settings. For example, researchers indicated that consumers may socially identify themselves with the companies (Scott and Lane, 2000; Bhattacharya and Sen, 2003), and the social identity in turn influences their purchasing behaviors (Bhattacharya and Sen, 2003; Reed II, 2004). Researchers further suggested that the distinctiveness of the identity and identity primes are major factors leading to identity salience (Forehand, Deshpande, and Reed II 2002; Bhattacharya and Sen 2003). Accordingly, the symbolic value from being treated superiorly with a loyalty program will trigger one’s perception that he/she has a strong connection with the program as its member. Therefore, two identity related characteristics (self-expression and distinctiveness) are proposed as factors that induce the salience of identity as a member of the loyalty program. Also, considering the effect of social identity with the loyalty program, it is proposed that identity salience would lead to consumers’ satisfaction with the loyalty program, and trust and loyalty intention toward the retailer.

Data were collected from a web-based experiment with a sample of 1,123 female students from a Midwestern university. Four scenarios guiding customer loyalty program information were manipulated to represent different levels (high vs. low) of the self-expression and distinctiveness one may perceive from his/her experience with the loyalty program. The results of this study support the proposed model in that identity-related characteristics of a loyalty program influence identity salience which in turn influences the relational responses. Both self-expression and distinctiveness of the program lead to the salience of the identity as a member of the loyalty program. Social identity salience is supported to have positive influences on consumers’ satisfaction with the loyalty program, and trust and loyalty toward the retailer. Further, loyalty program satisfaction contributes to consumers’ loyalty and trust toward the retailers. The results support previous studies that found the effects of social identity salience on identity related behaviors (i.e., Bhattacharya and Sen 2003) by testing them in of the retail loyalty program setting. Furthermore, this study extends the understanding of symbolic value in loyalty programs (Mimouni-Chaabane and Volle 2010), namely, self-expression and distinctiveness, and their role in building customer-retailer relationship. Theoretical and managerial implications for retailers are provided.

References Available on Request.