5. Empirical Study Design

Within Chapter 5, an overview of the study configuration will first be given (Chapter 5.1), followed by a description of the preparatory work necessary to conduct this research endeavor. The first steps in developing a conceptual framework will be discussed (Chapter 5.2) together with an elaboration on potential theoretical reference points for hypotheses formulation (Chapter 5.3). Lastly, the finalization of the conceptual framework (Chapter 5.4) and the process of construct operationalization will be examined (Chapter 5.5).

5.1 Study Configuration

To answer the research questions outlined in the introductory chapter to this paper, this study on customer loyalty schemes in retailing relied on both an empirical qualitative as well as an empirical quantitative component (see Figure 14). As was discussed in detail in Chapter 1.2, Germany was selected as the place to conduct this research, with the focus being put on the fuel retailing market. To be precise, Aral (as a partner company of Payback – Germany’s biggest multipartner program) and Shell (with the industry’s major stand-alone scheme Clubsmax) were selected as two subjects of study that ensure good comparability due to their similarities in terms of size and strength.

In Chapter 5.1.1, the qualitative aspect of the study will now be described, with an elaboration of the quantitative element following in Chapter 5.1.2.
5.1.1 Qualitative Component

First, qualitative interviews were conducted with the management of the Payback coalition, as well as Aral’s and Shell’s loyalty department prior to the main quantitative survey. While this certainly had the side-effect of helping the formation of the study framework, the main goal of this exercise was twofold: (1) to assist the formulation of questions relevant to practitioners and (2) to hear about these loyalty executives’ views and decisions regarding their programs. Hereby, the following managers were interviewed over a period of 1.5 to 2 hours each:

- Payback: Walter Lukner, Chief of Payback Partner Management, interviewed on location at the Payback headquarters in Munich on 04 June 2009.
- Aral: Björn Schaaf, Loyalty Campaign Manager, interviewed on location at Aral Germany’s headquarters in Bochum on 21 July 2009.
- Shell: Jan-Christian Kempin, Loyalty Marketing Manager D-A-CH (Germany/Austria/Switzerland), interviewed on location at Shell Germany’s headquarters in Hamburg on 07 October 2009.

Next to other company-specific issues, the following topics were discussed during these interviews: advantages and disadvantages of multi-partner and stand-alone schemes, ability of loyalty programs to alter customer behavior, ability to alter customer attitude, goals of the program, success measurement and indicators.
used, specific effects of loyalty schemes at the interviewees’ companies, financial cost (multi-partner solution compared with a stand-alone program created from scratch, a stand-alone version adapted from an existing scheme in a foreign market, and regular promotions), co-determination rights of program sponsors in a multi-partner platform, specifics of data analysis (level of detail for analyses, outsourcing of analyses, ownership of data, privacy issues, departments that profit from customer data, etc.), use of promotions parallel to operating a loyalty program, success factors for creating a loyalty scheme, ease of copying a program, reasons for choice of loyalty scheme type (in Germany and other markets), use of partnerships in loyalty schemes, differences between industries and companies of different sizes, penetration rates of the program, number of employees, and thoughts about tiering.

Subsequently, the quantitative component of this study was taken on and open questions emanating from these interviews – in part to challenge the established, sometimes contrary views of the interviewed loyalty managers – were taken up.

5.1.2 Quantitative Component

To generate the data necessary to contrast the effect of multi-partner and stand-alone schemes on loyalty, a consumer survey was selected as the appropriate research method for the study’s quantitative component. The reasons behind this decision will be laid out in the following sub-section, followed by a brief discussion of sampling as well as a section describing the two test-runs preceding the consumer survey.

1) Reasons for Choosing a Consumer Survey

The decision to administer a questionnaire to consumers was taken in a two-stage approach: first, the established literature on the success of loyalty programs was reviewed in respect of the method employed. In a second step, the advantages and disadvantages of each approach were summarized, and keeping the goals of this study in mind, the decision was made to use a consumer survey.

The literature review comprised the 23 publications analyzed in Chapter 2.3. As seen in Figure 15, surveys and company data served as the dominant methods of data collection, with each one employed in around one third of these investigations. Panels, diary studies, and experiments followed at considerable distance, being used in only around 14%, 11%, and 4% of these studies, respectively.
It needs to be noted beforehand, however, that next to the previously mentioned success research component, the study also aimed to answer a range of practically relevant questions. For that reason, a survey element was deemed unavoidable in any case. The comparison of advantages and disadvantages featured in Table 8 was thus primarily undertaken to decide whether to add an additional source of data. Apart from issues revolving around gaining access to company data, the fundamental problem associated with this approach is that despite offering an accurate data set, information will be limited to purchases made with that company. As, however, share-of-wallet will be used as an indicator of behavioral loyalty (see Chapter 5.5), and furthermore, a control group with no loyalty program membership was to be addressed, company data dropped out of the race. As far as household panels are concerned, the two big players active in the German market were consulted via telephone. Unfortunately, both Nielsen and GfK do not collect data on loyalty schemes anymore (while previously only ownership of a small range of cards was captured, without matching these to the purchase acts). Developing a separate diary study would, of course, have been an option to reduce the reliability problems inherent in survey designs. Still, this alternative was dismissed due to the enormous effort a diary study with a significant amount of participants would have required, particularly because the potential benefits were not perceived to justify these efforts (and given, also, that a survey was to be conducted either way). Eventually, an experimental setup was rejected due to concerns about problems connected with its theoretical setting. In addition
to that, an experimental setup would have required a different study design and corresponding research questions in the first place.

<table>
<thead>
<tr>
<th>Survey</th>
<th>Company Data</th>
<th>Panel Data</th>
<th>Diary Study</th>
<th>Experiment</th>
</tr>
</thead>
<tbody>
<tr>
<td>+</td>
<td>Essential to answer whole set of questions</td>
<td>Offers access to an accurate record of purchase transactions (where the loyalty card has been used)</td>
<td>If available, features access to an accurate record of purchase transactions across competitors</td>
<td>Allows for the evaluation of a range of scenarios in a well-controlled setting</td>
</tr>
<tr>
<td>-</td>
<td>Declarative survey data suffers from reliability issues</td>
<td>Allows for only limited use of competitive information about purchase behavior</td>
<td>Aggregated panel data does not take customer heterogeneity into account</td>
<td>Suffers from limitations due to the theoretical nature of an experimental setup</td>
</tr>
<tr>
<td></td>
<td>When working with company data, necessary to supplement information on competitors</td>
<td>Does not provide access to control group</td>
<td>Unavailable for Germany at both of the large panel operators</td>
<td>Unfit to fulfill the requirements of the planned study</td>
</tr>
</tbody>
</table>

Verdict

Table 8: Advantages and Disadvantages of Possible Research Methods

Naturally, other methods are also thinkable, but were not considered in the comparison of advantages and disadvantages due to their underlying inability to answer the research questions evaluated by this study. In addition to that, they also proved unfit for application in previous success research, except for very few, special cases. As for the chosen survey method, associated reliability issues certainly constitute a limitation. Compared with the alternatives, however, a survey was still considered to be the best option.

Following the choice of what survey design to employ, the next question was what kind of survey to use. In this respect, the decision was made to approach respondents in person at selected fuel stations of the respective chains and to hand them the questionnaire with a self-addressed, postage-paid envelope to fill out at home. This procedure was chosen for the following reasons:
The notoriously low response rate to mail surveys was expected to be optimized by personal contact and the commitment given to take a questionnaire home. A take-home survey was considered likely to yield a higher response rate as compared to face-to-face interviews. Especially at a fuel station where people generally do not wish to lose much time, customers would have been unlikely to participate in a comprehensive survey on location. Other communication channels (e.g. internet survey, telephone survey, etc.) would not have provided such an efficient access point to potential respondents (i.e. customers of Aral or Shell fuel stations, with or without loyalty card membership).

2) Sampling

Respondents in the different sampling groups were directly approached at specifically selected fuel stations, which represents a quota rather than a convenience sample. With true national representativeness not being the goal of this study and to avoid interference from further covariates, Munich was chosen as the single place to hand out the survey forms. Within the city itself, access to fuel stations was kindly provided by Aral and Shell, as well as the respective tenants. Consequently, almost every Aral and Shell station within the city’s boundaries was visited and their adequacy as a location evaluated. The main criteria underlying this evaluation were customer frequency, geographic location, proximity to an autobahn on-ramp, and heterogeneity of the customer base. Following this assessment, two Aral and two Shell stations (in each case with one in the northern and one in the southern part of town) were selected as the places to hand out the questionnaires:

- Aral, Garmischer Straße 138, 80807 Munich, Germany
- Aral, Tegernseer Landstraße 174, 81539 Munich, Germany
- Shell, Leopoldstraße 140, 80804 Munich, Germany
- Shell, Liesl-Karlstadt-Straße 25, 81476 Munich, Germany
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<table>
<thead>
<tr>
<th>Aral AG</th>
<th>Shell Deutschland Oil GmbH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample Type</td>
<td>Quota sample</td>
</tr>
<tr>
<td>(subjects approached at the fuel station)</td>
<td></td>
</tr>
<tr>
<td>Survey Groups</td>
<td></td>
</tr>
<tr>
<td>▪ Group 1: Aral customers with loyalty program membership (Payback)</td>
<td>▪ Group 3: Shell customers with loyalty program membership (Clubsmart)</td>
</tr>
<tr>
<td>▪ Group 2 (control group): Aral customers without membership</td>
<td>▪ Group 4 (control group): Shell customers without membership</td>
</tr>
<tr>
<td>Sample Size</td>
<td>500 questionnaires per group handed out</td>
</tr>
<tr>
<td></td>
<td>= 2,000 questionnaires in total</td>
</tr>
</tbody>
</table>

Table 9: Sampling Approach

At each fuel station, customers were approached while waiting for their vehicle to be filled up and asked personally by the study author whether they wanted to participate in an anonymous survey for a doctoral thesis on loyalty schemes and fuel-related purchase behavior. For each fuel retailer, two questionnaire versions were procured: one for customers with loyalty program membership (four pages in length; see appendix) and one for customers without program membership (three pages in length; see appendix). For each of these two groups at each of these two fuel retailers 500 questionnaires were provided, resulting in a total of 2,000 distributed survey forms. As for the time of this distribution, three non-consecutive periods of 6, 5, and 4 days respectively were chosen in March 2010 with attendance at the fuel stations between around 7 a.m. and 8 p.m. Alternation between the selected locations took place on a regular basis in an attempt to minimize the potentially disruptive effect of different weekdays, the weather, or the time of the day.

3) Feasibility Test and Pretest

Prior to the actual consumer survey, a feasibility test was conducted. In order to evaluate access to fuel stations, to test different scales, to estimate the number of people who take home a survey form, and to get a feeling for what response rate to expect, 50 sample questionnaires were distributed to Payback members at a range of Aral fuel stations in and around Munich on 04 June 2009. These survey forms were handed out in the same manner as the main consumer survey was intended to take place (i.e. handed out along with a self-addressed, postage-paid envelope). Compared to the main survey, the appearance of these forms was less professional, however (e.g. in terms of graphical layout or use of simple white envelopes, instead of envelopes with the university logo), and furthermore, they
were shorter in length. Taking this into account, the response rate of exactly 50% was nevertheless surprisingly high. Overall, the feasibility test led to two things: (1) the decision to proceed with the described way of administering the questionnaires also in the main consumer survey and (2) the refinement of the scales to be used (e.g. with respect to capturing declarative survey data such as share-of-wallet).

After the draft of the final questionnaire had been created by adhering to the standards of marketing research (e.g. Black 2005) and naturally taking all advice such as that by Temme et al. 2009 for an optimal measurement method into account, the obligatory pretest took place on 25 February 2010 at a Shell station in Vienna (Heiligenstädter Straße 60, 1190 Vienna, Austria). Altogether, 20 questionnaires were completed – 10 of them in a face-to-face interview and 10 by the respondents themselves under the author’s supervision. As far as the selection of participants is concerned, it was ensured that both male and female, as well as participants with different social backgrounds (which, despite the limitations associated with this approach, had to be judged by observing external appearance) were represented in the small convenience sample. While the surveys were filled out, behavior was observed (e.g. where respondents hesitated, etc.) and the elapsed time recorded. After the survey form was completed, the participants were asked for their opinion on comprehensibility and clearness of the questions, layout, length, and for any further remarks they had. Needless to say, insights from this pretest were incorporated into the final questionnaire version used during the main consumer survey in Munich.

5.1.3 Overview of the Subjects of Study

Finally, a more detailed overview of the subjects of study will be given. First, Table 10 will illustrate the key facts regarding these two subjects and the loyalty program they have in place, upon which Table 11 will provide some background information on Loyalty Partner (the administrator of the Payback coalition, which Aral is a partner company of).
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<table>
<thead>
<tr>
<th>Aral AG</th>
<th>Shell Deutschland Oil GmbH</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country</strong></td>
<td>Germany</td>
</tr>
<tr>
<td><strong>Number of Fuel Stations</strong></td>
<td>2,513</td>
</tr>
<tr>
<td><strong>Loyalty Program Type</strong></td>
<td>Coalition: Payback (Administered by a third party: the Payback GmbH, based in Munich)</td>
</tr>
<tr>
<td><strong>Loyalty Currency</strong></td>
<td>Points</td>
</tr>
<tr>
<td><strong>Points Expiry</strong></td>
<td>After 3 years</td>
</tr>
<tr>
<td><strong>Tiering</strong></td>
<td>No</td>
</tr>
</tbody>
</table>
| **Partnerships** | • Partnerships through coalition scheme (see separate overview of the Payback program in Table 11) | • Partnerships directly with Shell:  
  - ADAC (German Motoring Association): double points for ADAC members or rebate of 1 EUR cent per liter  
  - Sixt: 1,000 points for the first car rental, 500 for every rental thereafter |
| **Products/Occasions Suitable for Point Collection** | • Fuel and lubricants  
  • Shop/bistro  
  • Car wash | • Fuel  
  • Shop/bistro (selected items only) |
Aral AG

Number of Points Earned
- At every participating station:
  - 1 point per 2 full liters of fuel or per 1 full kilogram of natural gas
- At most participating stations:
  - 1 point per EUR of turnover made at the shop/bistro or car wash

Redemption Options
- At the fuel station:
  - Payment with points (made optional in February 2010): 100 points for a rebate of 1 EUR
  - Car wash: 200 points plus 3 EUR
  - Sandwich and coffee at the bistro: 200 points plus 1 EUR
- Directly via Payback:
  - A range of options, to be mailed home (e.g. via www.payback.de)

Point Value (Exemplary Calculation)
- Optional payment with points (directly at the cashier): 1 EUR cent per point = \(0.5\) EUR cent per liter (special promotions not taken into account; note difference in number of points earned per liter)

Employees
- 3.5 in loyalty department

Shell Deutschland Oil GmbH

Number of Points Earned
- At every participating station:
  - Clubsmart members: 1 point per full liter of fuel
  - V-Power Club members: 1 point per full liter of regular fuel and 5 points per full liter of V-Power premium fuels
- At most participating stations:
  - Points for selected shop items
  - ADAC (German Motoring Association) members receive further specials (see above)

Redemption Options
- At the fuel station:
  - A range of options from a catalogue to take away immediately
  - A range of options from a catalogue to be picked up at the station at a later point in time
- At the fuel station or via Shell website:
  - A range of options to be mailed home

Point Value (Exemplary Calculation)
- Optional payment with points (via redemption option for a prepaid voucher): 0.5 EUR cent per point \(0.5\) EUR cent per liter (special promotions and V-Power Club or ADAC members not taken into account)

Employees
- 10 in loyalty department (with a downward trend)

1 Aral: as of the end of 2009; Shell: as of the middle of 2009

Table 10: Overview of Subjects of Study

Note: Prepared in April 2010

Source: Personal interviews and company homepages
<table>
<thead>
<tr>
<th>Start of Operations</th>
<th>March 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Structure</td>
<td>Loyalty Partner with three subsidiaries (acquired by American Express in 2011):&lt;br&gt; - Payback GmbH: loyalty program operator&lt;br&gt; - emnos GmbH: CRM consultant&lt;br&gt; - Loyalty Partner Solutions GmbH: IT consultant and service provider</td>
</tr>
<tr>
<td>Purpose</td>
<td>Developing and promoting the Payback platform as a whole (Payback)&lt;br&gt; Offering communication channels/options to partner companies (Payback)&lt;br&gt; Offering services regarding data analysis (generally at Payback, but given a special mandate, also at emnos) or IT support (Loyalty Partner Solutions)</td>
</tr>
<tr>
<td>Partner Companies</td>
<td>4 main partners (distributing the physical cards next to Payback itself):&lt;br&gt; - Aral: fuel retailer&lt;br&gt; - dm-drogerie markt: drugstore&lt;br&gt; - real,-: grocery retailer&lt;br&gt; - Galeria Kaufhof: department store&lt;br&gt;Currently 27 further partner companies from different industries&lt;br&gt;A range of around 150 online shops&lt;br&gt;→ Altogether, 8,000-10,000 physical outlets across Germany</td>
</tr>
<tr>
<td>Partner Company Membership Types</td>
<td>Different contract types for partner companies (e.g. platinum or gold), highly correlated with size and determining that partner’s rights (e.g. permission to issue cards, offer redemption options, etc.) and voice in the advisory council&lt;br&gt;Typical contract length (though individual arrangements possible): 5 years&lt;br&gt;Partner involvement via Payback advisory council (consisting of partner representatives) and several smaller, focused committees (e.g. for strategy)</td>
</tr>
<tr>
<td>Turnover (excluding point-related revenues)</td>
<td>Loyalty Partner: 209 million EUR (2009), thereof&lt;br&gt; - Payback: 161 million EUR&lt;br&gt; - emnos &amp; Loyalty Partner Solutions: 48 million EUR&lt;br&gt;Components:&lt;br&gt; - Fixed management fee (no transaction fees, except in case of a few partners with older contracts)&lt;br&gt; - Payment for individually booked communication channels (e.g. direct mailings, one of the 12 coupons attached to the account statement which is sent out four times a year, etc.)&lt;br&gt; - No earnings resulting from unredeemed points (i.e. no fees for points included in the turnover figures above)&lt;br&gt; 15 billion EUR in revenues processed via Payback cards (2008)</td>
</tr>
<tr>
<td>Cost per Point for Partner Company</td>
<td>1 EUR cent minus the included 19% German value-added tax = 0.84 EUR cent</td>
</tr>
<tr>
<td>Redemption Rate</td>
<td>90% of total points handed out</td>
</tr>
<tr>
<td>Point Clearance</td>
<td>Point balance created once a year by external unincorporated association: Payback Rabattverein e.V.</td>
</tr>
</tbody>
</table>
Each point handed out is linked to its issuer and upon redemption treated on a first-in, first-out basis at each customer’s account. Payback partners pay for every point they hand out, but render account for every point that was redeemed at their company, but originally handed out by another partner. The value of all unredeemed points (the so-called “breakage”) is paid back to the partner companies.

**Additional Services**
- Payback Credit Card
- Payback Maestro Bank Card

**Employees**
- Loyalty Partner: 500-600, thereof
  - Payback: 130-180
  - emnos & Loyalty Partner Solutions: 370-420

**Communication Activities**
- 96 million direct mailings (2008)
- 8 million variations per mailing possible
- 1.3 million SMS
- 167 million email newsletters
- 40 million visits per year to the Payback website

**Penetration Rate**
- Close to 40 million cards handed out
- 22 million users (in 60% of Germany’s households; each account is linked to 1.4 cards on average)
- 80% of users active (note: time over which this was measured is unknown)
- 3-4 partner companies patronized per Payback member
- 4 card usages per month

Table 11: Overview of the Multi-Partner Program Operator

*Note: Based on self-reported information!*

*Source: Personal interviews, company PowerPoint slides, and company homepages*

### 5.2 The First Stage of Developing a Conceptual Framework: A Look at Satisfaction

In the course of this chapter, a conceptual framework will be developed to support the formulation of hypotheses because, as Funk (2005) put it, this helps to structure the perceptions of reality. To avoid an aftertaste of randomness in the process of hypotheses formation, it is necessary to ground one’s approach in accepted theory. “To explain a particular circumstance means to derive it from theoretical rules and certain ancillary conditions in a logical-deductive manner,” Bea et al. (2000, p. 85, translated) noted. In order to capture, explain, and predict a problem, one can turn to one or several of these theories (Chalmers 2007). Based upon Sir Karl Raimund Popper’s idea of critical rationalism, these even-
tually formulated hypotheses, which Popper used to describe with a metaphor by the German philosopher Novalis as “nets we cast out to capture reality” (Kaas 2000, p. 57), then need to be tested in an empirical setting. Unless falsified in repeated examinations, this will count as established knowledge (Popper 1972).

Interestingly, the majority of papers on the success of loyalty schemes reviewed in Chapter 2.3 lack an explicit theory foundation, even when the paper was published in a renowned, first-class international academic journal. This conclusion was confirmed by a similar analysis by Hoffmann (2008), who found that particularly articles published in English-speaking journals did not contain a description of their theoretical underpinning. In fact, only one of 18 papers in English language papers made reference to a particular theory. By contrast, two out of four reviewed German publications made such a reference – a finding which can be explained by the fact that precisely these two were publications of a doctoral thesis. Whether international English journals simply do not attribute as much importance to a solid, theoretical foundation, or whether these are just not elaborated on in the paper due to space constraints, remains an open question.

In any case, like Hoffmann (2008) concluded when talking about the acceptance of loyalty schemes, the behavior resulting from stimulation by a loyalty program is a phenomenon which cannot be directly observed in its entirety. In line with Hoffmann, the S-O-R paradigm was thus introduced in Chapter 2.2.2 as a useful tool to explain measurable consumer behavior by integrating intervening, not directly observable variables.

The S-O-R model is commonly ascribed to what the German literature refers to as the “neobehavioral paradigm” (as opposed to the “neoclassic” one developed by Erich Gutenberg in the 1950s and the comparatively younger “neoinstitutional” one; see Kaas 2000 for a detailed overview of these paradigms rooted in microeconomic theory). The neobehavioral paradigm is centered on consumer research and dates back to the beginning of the 1970s, when Werner Kroeber-Riel (1975) brought English-speaking behavioral research to German literature in a contest of the neoclassical paradigm. As far as its characteristics are concerned, it can be described as interdisciplinary, empirical-positivistic, and is applied in that it attempts to provide decision guidance to marketing managers (Kroeber-Riel et al. 2009). It incorporates theories and methods from sociology, social psychology, behavioral biology, and physiological behavioral sciences and examines consumer behavior as a reaction to a particular stimulus (Kaas 2000). Most importantly, however, this approach is based on the perception that this stimulus does not have a direct effect, but that it functions through intervening processes and variables.

Partly illustrated in Figure 16, neobehavioral research streams include latent variables such as emotions, motivations, or attitudes, as well as perception, deci-
sion, and learning processes as a predecessor to actual (i.e. observable) behavior. Furthermore, the model shows that, preceding the final step to an actual response, the decision processes within the consumer lead to the formation of an intended behavior. As everyone has probably experienced first-hand, intended behavior (which could be inquired about with the help of a questionnaire or a personal interview, for example) does not necessarily resemble actual behavior. Naturally, what ultimately counts for an organization is actual behavior. On this account, the empirical customer survey described in this paper focuses on questions regarding past purchase behavior.

The next step in the process toward developing a conceptual framework for this survey is to transform the general model presented in Figure 16 into a more concrete one (depicted in Figure 20 at the end of this section). Given the stimulus of a customer loyalty program as a marketing instrument, the first question was which indicators to consider as response. Based on the discussion in Chapter 2, loyalty in its true sense can only be captured by including both behavioral and attitudinal indicators. While a battery of established scales would suffice for the construct of attitudinal loyalty, it was initially unclear what behavioral indicators should best be used for the purpose of this study. Indicators applied in past publications included the following: share-of-wallet, frequency of purchase, frequency of visits, basket size, lifetime duration, likelihood to defect, and word-of-mouth (e.g. Jones & Sasser 1995, Sharp & Sharp 1997, Nunes & Drèze 2006, Reichheld & Seidensticker 2006,
Meyer-Waarden 2007, Bridson et al. 2008). In addition to that, the ability to acquire new customers is also generally considered to be a valuable success indicator for loyalty schemes. The question of what marker to use was resolved with the help of management interviews conducted with Aral, Shell and Loyalty Partner (see Chapter 5.1.1). The respective executives concluded that the three most important indicators for program success in fuel retailing were

- the increase in share-of-wallet with existing customers,
- the increase in basket size of existing customers through up- and/or cross-selling, and
- the attraction of new customers.

With respect to other commonly used indicators, particularly the frequency of purchase of fuel is unfit to serve as a success marker without an indication of share-of-wallet. Unlike in grocery retailing or the car wash business in itself for example, it is highly unlikely that it will be possible to increase the frequency of purchase through a loyalty card without essentially affecting the share-of-wallet (fuel retailers commonly differentiate between revenues stemming from (1) the sale of fuel, (2) the shop attached to fuel stations, and (3) the car wash business). In other words, it is improbable that a loyalty card owner would consume more fuel than he normally would, just because of the benefits the program has to offer. Consequently, any increase in frequency of purchase will come at the expense of a competitor and result in a shift of share-of-wallet and thus the company’s market share (leaving market growth unconsidered). A similar peculiarity of fuel retailing has to do with basket size. As the capacity of the fuel tank is limited, basket size can only be increased through up- or cross-selling in one of yet another three ways:

- up-selling customers to premium fuel (fuel business),
- selling customers more goods from the station’s store (shop business), and
- getting the customer to wash his car more often (car wash business).

For the reasons mentioned above, share-of-wallet was chosen as the principal indicator of behavioral loyalty, coupled with frequency of purchase as a backup measure and a range of complementary questions to capture the program’s ability to acquire new customers as well as the ability to induce up- and/or cross-selling. In addition to that, following the line taken by Reichheld & Seidensticker (2006), word-of-mouth was measured. Striving to find a good measure for loyalty, Reichheld came up with what he termed the ultimate question: Would you recommend the product/service/firm/etc. to your friends? This, he argued, resembles the definitive measure of positive attitude and indeed, it sounds reasonable that one would only recommend something to a friend, when truly convinced by it. This argument suffers from one deficiency, however: a recommen-
ation to a friend might just as well be given for reasons unrelated to a positive attitude (e.g. because of a good offer). As this measure appears useful nonetheless, the ultimate question was also included in the questionnaire to supplement behavioral and attitudinal indicators.

With both stimulus (i.e. program membership) and response (i.e. loyalty) agreed upon, the most difficult task was to decide on what to include in the organism category. Figure 4 in Chapter 2.2.2 presented an overview of the different possible factors exerting influence within the “black box” – the consumers’ organism. Considered the most important driver of loyalty (see e.g. Oliver 1997, Homburg 2006, Kumar & Reinartz 2006), satisfaction was an obvious choice to be examined in the new light of the planned study.

Among many definitions of the term satisfaction, one by Homburg & Giering (2001) was chosen: “customer satisfaction is defined as the result of a cognitive and affective evaluation, where some comparison standard is compared to the actually perceived performance. The satisfaction judgment is related to all the experiences made with a certain supplier concerning his products, the sales process, and the after-sales service” (p. 45). The authors summarized that earlier research, largely resting on the confirmation/disconfirmation paradigm, used to regard satisfaction as a “postchoice evaluative judgment concerning a specific purchase decision” (p. 44). This view, represented by authors such as Oliver (1980), Churchill & Surprenant (1982), or Bearden & Teel (1983), was extended by later research in that it included affective processes when attempting to explain customer satisfaction (see e.g. Fornell & Wernerfelt 1987, Westbrook 1987, or Oliver 1997). Furthermore, Homburg & Giering (2001) noted, authors soon concluded that looking at satisfaction in a transaction-based manner was cutting things a little too short. Instead, particularly with regard to the relationship between satisfaction and loyalty, authors began to view satisfaction as the outcome of cumulative experiences (see e.g. Bayus 1992, Anderson et al. 1994, Fornell et al. 1996).

In order to better understand the purported links that customer satisfaction has with other constructs such as loyalty, Anderson & Mittal (2000) provided an illustration of what they termed the satisfaction-profit chain (depicted in Figure 17 in the slightly modified form developed by Kumar & Reinartz 2006).
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This concept has been popular since the beginning of the 1990s, as Kumar & Reinartz highlighted (as can be witnessed in articles such as that by Heskett et al. 1994). The basic idea of this rather self-explanatory chain seems intuitive: by increasing performance variables related to products, service, or employees, companies can improve customer satisfaction, which leads to increased customer retention (i.e. loyalty), which in turn eventually results in higher revenue and profit.

As far as the literature on the relationship between satisfaction and loyalty is concerned (i.e. the segment of the chain which is most relevant for the present study), three groups of publications can be distinguished (Homburg & Giering 2001):

- those that analyze this relationship without further elaboration,
- those that examine the functional form of this relationship, and
- those that explore the effects of moderating variables.

The first category includes numerous studies which have confirmed a positive correlation between satisfaction and repurchase intentions (e.g. Bitner 1990, Fornell 1992, Anderson et al. 1994, Rust et al. 1995, Hallowell 1996, Jones et al. 2000), as Homburg & Giering (2001) and Mägi (2003) noted. Empirical results for this link have been mixed and it is meanwhile acknowledged that satisfaction does not necessarily result in purchase behavior (e.g. Reichheld 1993, Mägi 1995, Oliver 1999, Mittal & Kamakura 2001, Khatibi et al. 2002). Kumar & Reinartz (2006) pointed out that one issue with many of the studies exploring this relationship is that they concentrated on aggregate, firm-level results. Specifically, these studies looked at satisfaction indices and their link to firm-level performance, while the chain should ideally be implemented on the individual customer level (as resources are also allocated on that level). Kumar & Reinartz eventually concluded that “although one would expect a correlation between

![Figure 17: The Satisfaction-Profit Chain](source: Anderson & Mittal 2000, Kumar & Reinartz 2006)
firm-level and individual-level results, it is not clear how strong this correlation really is” (p. 158).

Another reason for the differing results is the focus of the research stream represented by the second group. When talking about the relationship between satisfaction and loyalty, it needs to be taken into account that this link is generally asymmetric (Jones & Sasser 1995, Auh & Johnson 1997, Anderson & Mittal 2000, Kumar & Reinartz 2006; see Figure 18). Oliva et al. (1992) highlighted that this relationship can be both linear and nonlinear, depending on transaction costs, but a significant amount of evidence points to its general nonlinearity. This can largely be explained by the fact that a major variable influencing this relationship is that consumers in today’s modern world often have many options when making a purchase. In other words, even a high level of satisfaction with a particular product will not guarantee customer retention, as another product might be similarly satisfactory. Apart from the extremes, where the impact of satisfaction on retention has a bigger influence, the flat part of the curve stands out in the illustration. Also referred to as the zone of indifference, Kumar & Reinartz (2006) summarized that the extent of this area (and indeed, the shape of the whole curve) is influenced by a number of factors, including the aggressiveness of competition, the degree of switching costs, and the level of perceived risk.

Particularly the competitive environment needs to be considered when trying to understand why the observed relationship between satisfaction and loyalty
differs between studies. Jones & Sasser (1995) illustrated this discovery with the graph reproduced in Figure 19.

Figure 18: The Asymmetric Link Between Customer Satisfaction and Customer Retention

Another reason for the differing results is the focus of the research stream represented by the second group. When talking about the relationship between satisfaction and loyalty, it needs to be taken into account that this link is generally asymmetric (Jones & Sasser 1995, Auh & Johnson 1997, Anderson & Mittal 2000, Kumar & Reinartz 2006; see Figure 18). Oliva et al. (1992) highlighted that this relationship can be both linear and nonlinear, depending on transaction costs, but a significant amount of evidence points to its general nonlinearity. This can largely be explained by the fact that a major variable influencing this relationship is that consumers in today's modern world often have many options when making a purchase. In other words, even a high level of satisfaction with a particular product will not guarantee customer retention, as another product might be similarly satisfactory. Apart from the extremes, where the impact of satisfaction on retention has a bigger influence, the flat part of the curve stands out in the illustration. Also referred to as the zone of indifference, Kumar & Reinartz (2006) summarized that the extent of this area (and indeed, the shape of the whole curve) is influenced by a number of factors, including the aggressiveness of competition, the degree of switching costs, and the level of perceived risk.

Particularly the competitive environment needs to be considered when trying to understand why the observed relationship between satisfaction and loyalty differs between studies. Jones & Sasser (1995) illustrated this discovery with the graph reproduced in Figure 19.

Figure 19: The Influence of the Competitive Environment on the Satisfaction-Loyalty Relationship
Source: Jones & Sasser (1995)

Despite the fact that the competitive conditions within the industries described in Figure 19 are changing constantly and vary from country to country, the basic message remains the same: the characteristics of the satisfaction-loyalty relationship depend on the competitive framework.

At any rate, Mägi (2003) was right in saying that the link between satisfaction and store loyalty demands further attention. A positive relationship between these two was identified in a number of studies. For instance, Reynolds & Arnold (2000) identified this relationship in a survey of customers at two upscale department stores, while Bloemer & de Ruyter (1998) found that satisfaction mediated the influence of store image on store loyalty. One of the newest studies where the satisfaction construct was included in connection with loyalty schemes, is that of Bridson et al. (2008). In a survey of 200 customers of an Australian health and beauty retailer, the authors found that satisfaction was indeed a precursor to loyalty. In addition to that, the loyalty program was confirmed to be a significant predictor of store loyalty. Lastly, Dagger & O’Brien (2010) evaluated this relationship in the context of services and noted significant differences between novice and experienced customers.

Apart from satisfaction, no other factor mentioned in Figure 4 in Chapter 2.2.2 was reported to have such a significant relationship with the development of loyalty. Since, however, evidence for this link is partly negative, further attention seems required. Mägi (1995) discovered, for instance, that 15% of those customers who gave a particular store the highest satisfaction rating, did not
regard it as their primary store. In any case, given some of the negative evidence on this relationship, as well as the differences relating to the study setting, satisfaction was taken up as the main variable in the organism category.

Figure 20: Transforming the General S-O-R Model into the Conceptual Framework’s Core Piece

Nevertheless, the first step towards a concrete conceptual framework (see Figure 20) appears incomplete in its current form. In order to finalize the model and formulate the corresponding hypotheses, it will be necessary to identify potential reference points for a theoretical underbody.

5.3 Theoretical Reference Points

Before turning to the development of the final model, different theoretical perspectives rooted in the study of human behavior will be presented in this chapter. This excursion on consumer behavior seems useful when illustrating the overall path from external stimuli to the generation of loyalty. In addition to a short description of each theory, a reflection on their explanatory value in the context of hypotheses generation will be provided. All these theories have proven their value in marketing research, and in fact, most of them have previously been used in studies related to customer loyalty schemes (see e.g. Hoffmann 2008). In any case, those theories that appear useful for the formulation of hypotheses will be adopted for the underlying study (following Fischer & Wiswede 2009). In that sense, this paper relies on theoretical pluralism, as the questions covered in this study cannot be explained by a single theory. The actual selection of theories presented in this chapter was inspired by the contributions of Künzel (2002), Hoffmann (2008), and Homburg & Bruhn (2008).

5.3.1 Motivational Theories

At the very basic level, theories of motivation explain what it is that drives human behavior. There are numerous theories in this category, including that of Maslow
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5.3.1 Motivational Theories

At the very basic level, theories of motivation explain what it is that drives human behavior. There are numerous theories in this category, including that of Maslow (1943), Herzberg et al. (1959; originally published in 1957), or Alderfer (1969). Together with a more business-oriented approach by Hanna (1980), these three will briefly be described. Subsequently, they will be joined together in an integrative categorization and evaluated based upon their connection with loyalty programs.

Probably the most famous of the three, Abraham Harold Maslow’s (1943) hierarchy of human needs categorized these needs into five layers and postulated that each has to be at least partly satisfied, before a person can advance to the next category. These needs, listed from the lowest to the highest hierarchical layer, are:

- Physiological needs (e.g. for water, air, or shelter)
- Safety needs (e.g. for order, stability, or health)
- Belongingness needs (e.g. for love or friendship)
- Esteem needs (e.g. for recognition or respect)
- Self-actualization needs (i.e. for self-realization)

Herzberg et al. (1959) looked at human motivation from a worker’s point of view and concluded that satisfaction and dissatisfaction were unrelated in that they develop based on two categories of influencing factors:

- Hygiene factors which influence dissatisfaction (e.g. salary or working conditions)
- Motivators which, mostly immaterial by nature, influence satisfaction (e.g. recognition or success)

Another example is that of Alderfer (1969) who, building on Maslow’s hierarchy of needs, found only three distinct motivational groups:

- Existence motives, physiological or material by nature (e.g. food, water, shelter, or material security)
- Belongingness motives (e.g. friendship or love)
- Growth motives (e.g. self-actualization)

A final example that shall be presented is the motivational theory of Hanna (1980), who took a more focused approach in examining the motivations behind consumer behavior. Hereby, the author distilled seven different kinds of motives:

- Physical safety motives (i.e. the product needs to be safe)
- Material safety motives (i.e. the product has to match the consumer’s expectations)
- Material comfort motives (i.e. the product has to fulfill the desire for material comfort)
- Acceptance motives (i.e. products are bought in an attempt to reach a feeling of belongingness or acceptance)
- Influence motives (i.e. consumers want to influence other consumers in their purchase decisions)
Self-confirmation motives (i.e. products are bought for recognition)

- Personal growth motives (i.e. products are bought to improve self-esteem)

To ascertain the explanatory value of these motivational theories for a study on customer loyalty schemes, KüNZEL’S (2002) useful approach of grouping these authors’ categories into another four clusters will now be applied:

1. **Elementary motives** encompass both physiological and safety needs (i.e. they include Maslow’s (1943) first two categories, Alderfer’s (1969) existence motives, and Hanna’s (1980) first three groups) and are rather unlikely to have an effect on the link between loyalty program participation, satisfaction, and loyalty.

2. **Social motives** include needs such as those for friendship and belonging (i.e. they comprise Maslow’s (1943) and Alderfer’s (1969) belongingness as well as Hanna’s (1980) acceptance and influence motives) and might have some effect on loyalty program participation, as membership in a club is a classic example of this motivational category. This effect is expected to be rather small, however, as loyalty schemes usually do not stipulate personal contact with other members of the program (with the exception of customer clubs, such as the Harley Davidson Owner’s Club, for example).

3. **Recognition motives** are driven by the customer’s desire for recognition by other people (i.e. they contain Maslow’s (1943) esteem and Hanna’s (1980) self-confirmation needs) and might have some effect on loyalty program membership, particularly when these schemes appear in a tiered form. Especially frequent flyer programs fall into this category, being a strong example of a loyalty program where the ability to use the business lounge, a special check-in, the provision of a particular leather baggage tag, or preferred boarding might evoke a feeling of recognition. Within retailer loyalty schemes, this effect can be expected to be smaller in tiered programs, as there tend to be fewer possibilities to provide recognition. In untiered programs where everyone can be a member, this effect is likely to wear off almost completely.

4. **Self-actualization motives**, characterized by the customers’ wish for self-fulfillment (i.e. they include Maslow’s (1943) self-actualization, as well as Alderfer’s (1969) and Hanna’s (1980) growth motives), are rather unlikely to have a significant influence on the loyalty program-loyalty relationship. KüNZEL (2002) argued that an effect might be given when a feeling of self-satisfaction results from the decision to participate in the program – a rather improbable and rare occasion. Another possibility would be an effect arising from the redemption of a big reward, which somehow contributes to the self-fulfillment of the customer. All in all, however, it might be taking things a little too far to expect an influence of loyalty schemes on the customers’ need for self-actualization.
5.3.2 Transaction Cost Theory

A possible external stimulant to customer behavior is transaction cost theory. Initially devised by Coase (1937) in an attempt to define the firm in relation to the market (e.g. the reason for its existence, its characteristics, its size, etc.), Williamson (1975, 1985; to name just two examples) remains its most famous ambassador in the more recent literature. Largely focused on contracts, this theory propagates that initiating, executing, controlling, adapting, and dissolving contracts creates transaction costs, which are further augmented by opportunity costs (Homburg & Bruhn 2008). The underlying idea is that these costs will rise in a disproportionate manner, depending on the frequency of the transaction, its specificity, and increasing uncertainty. This in turn has various implications on both internal (e.g. organizational or investment-related) and external issues (e.g. relationships with other firms or the competitive positioning in the market) affecting the firm. As all action underlying transaction cost theory is tailored to the dominating principle of minimizing the bespoke costs, they eventually determine the development of business relations (Plinke & Söllner 2008). Consequently, transaction cost theory predicts that customers will be loyal to that company, where the transaction costs appear to be the lowest.

In order to understand the explanatory value of transaction cost theory for the underlying study, it is necessary to realize that all costs associated with the change of a business partner are also part of transaction costs. These can be differentiated into the following groups: costs to build up or enter a business relationship, contract-related costs, psychological costs, and continuity costs (i.e. costs related to the fact that the new business partner of a company might not know about the needs and wishes of the customer) (Künzel 2002). As far as membership in a loyalty scheme is concerned, it is indeed possible that these costs could hinder a change from one program to another (Kim et al. 2001, Kopalle & Neslin 2003). Particularly programs that involve the collection of points are often argued to form a barrier of exit, as the current point balance would be forfeited once customers switch to another loyalty scheme (see e.g. Caminal & Claici 2007 for a general discussion on loyalty schemes serving as a barrier of exit). At the same time, the question remains under what conditions customers consider switching costs to be significant. After all, the current point balance could simply be used up to receive a reward, upon which the point balance would be zero at both the old and the new loyalty scheme. Still, this is a danger the company may face, with the exception of the small group of customers that simply like to collect points and are happy about a high point balance without ever redeeming them for a reward. Likewise, a company could, for example, insulate itself from this danger by designing the program in a way that the relative value of big rewards appears to be higher to
the customer than that of a small reward. In any case, the role of costs associated with a change of the business partner seems to demand further attention.

5.3.3 Social Exchange Theory

Social exchange theory is another example of what is theorized to be influencing the development of loyalty. Contrary to what Homburg & Bruhn (2008) suggested, it was not developed by one team of authors alone, however. Instead, as Emerson (1976) noted, credit is due to four people: Homans (1958), Thibaut & Kelley (1967; originally published in 1959) and Blau (1992; originally published in 1964). Still, these authors took different routes in approaching this topic, and in line with Homburg & Bruhn’s (2008) perception, Thibaut & Kelley’s (1967) work is probably best suited to explain this theory. Social exchange theory makes use of concepts such as rewards (i.e. satisfaction, pleasures, and gratifications) and costs (e.g. energy invested in the relationship or rewards forfeited by taking one action over another). The outcome of a relationship (such as satisfaction or discontent) is what remains after the incurred costs are subtracted from the received rewards. In order to judge the relative degree of this outcome, the authors created the concept of comparison levels (CL). Individuals enter a relationship possessing a particular comparison level which has been influenced by previous experiences. The type of outcome is then determined by an evaluation against this comparison level, thereby essentially representing what the person believes he or she “deserves.”

Following this assessment, the individual makes another one: that against what has been called the comparison level for alternatives (CLalt). Constituting the lowest level of outcome that is acceptable given other alternatives, this contrast is what determines whether to leave the relationship or to remain loyal. Herkner (2001) summarized that this could lead to one of three particular scenarios (see Figure 21):

- Scenario 1: the comparison level is lower than the comparison level for alternatives, which in turn is lower than the actual outcome (CL < CLalt < O). The relationship is thus attractive, but not characterized by total dependence, as the alternative is still better than the expected outcome.
- Scenario 2: the comparison level is lower than the actual outcome and higher than the comparison level for alternatives (CLalt < CL < O). Consequently, the relationship is attractive and designated by a high level of dependence, as the alternative would provide a worse than expected outcome.
- Scenario 3: the comparison level is higher than the actual outcome, which in turn is higher than the comparison level for alternatives (CLalt < O < CL).
The relationship is unattractive, and nevertheless, a high level of dependence present, as the alternative would provide an even worse outcome.

Of course, another three scenarios are thinkable given the possible combinations of three variables, but Herkner’s limited elaboration illustrates the main idea: relationships are denoted by different levels of attractiveness and dependence, contingent upon the status of the perceived comparison level, the comparison level for alternatives, and the actual outcome.

<table>
<thead>
<tr>
<th>Scenario 1: relationship attractive and without dependency</th>
<th>-</th>
<th>0</th>
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<tr>
<td></td>
<td>CL</td>
<td>CL₂ₚ</td>
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<table>
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<tr>
<th>Scenario 2: relationship attractive and with dependency</th>
<th>-</th>
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<tr>
<td></td>
<td>CL₂ₚ</td>
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<table>
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<tr>
<th>Scenario 3: relationship unattractive and with dependency</th>
<th>-</th>
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<td></td>
<td>CL₂ₚ</td>
<td>O</td>
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Figure 21: Attractivity and Dependence in Business Relationships
Source: Herkner (2001)

As was witnessed in Chapter 2.2, there are more factors than just satisfaction and a comparison against alternatives that influence the development of a relationship and consequently its intensity. Still, social exchange theory might be viewed as a sort of essential, elementary basis in the quest for decoding customer loyalty. The idea is that customers become members of loyalty programs, because they perceive the benefits associated with this membership to be higher than the costs (with costs forming a part of this theory, a certain overlap with transaction cost theory is present). In addition to that, the relationship will not be endangered, as long as their expectations as well as the perceived benefits from a competitive program are lower than the actual outcome.

5.3.4 Learning Theory

A whole range of different theories has developed over time, trying to permeate the complexities surrounding the process of human learning (Bower & Hilgard
For a brief overview, four distinct mechanisms of learning will be presented (Sheth et al. 1999):

- **Cognitive learning** is based on the idea that learning takes place whenever people acquire information, be it in an active or passive manner, through their eyes or ears, or deliberately or incidentally. This type of learning can be further differentiated into plain memorization as well as problem solving.

- **Classical conditioning** is probably best known from Ivan Petrovich Pavlov’s dog, but applicable to humans as well (see e.g. Shimp et al. 1991). By repeatedly experiencing two paired stimuli (e.g. as it is the case in certain television advertisements where the product is coupled with a distinct jingle), people learn an association between them.

- **Instrumental conditioning** is a process proven by yet another well-known experiment conducted with animals. Pigeons were taught that pushing a button mounted in their cage dispenses food (Skinner 1965). In that they are equally motivated by the promise of rewards, humans are not so very different. Be it through promotions that lure us to a particular supermarket, or delicious food that promises good value for money at a certain restaurant, instrumental conditioning is constantly taking place.

- **Modeling** is a way of learning that refers to the imitation of someone else. Miller & Dollard (1947) discovered that there were four classes of people which are most prone to being imitated: those superior in terms of age, social status, intelligence, or technological competence. Culture, Sheth et al. (1999) complemented, is, among other things, influencing which one of them is more likely to be chosen as a model.

Among these theories of learning, instrumental conditioning might very well be the most useful one for understanding customer loyalty at least in its behavioral sense, Homburg et al. (2008) mentioned by pointing to Engel et al. (1995). It is often either a reward or some form of negative consequence that shapes human behavior. After all, Engel et al. noted, is this form of conditioning “concerned with how the consequences of a behavior will affect the frequency or probability of the behavior performed again” (p. 539). Accordingly, repurchase behavior can at least to some extent be explained by learning theory. Customers receive a reward or a discount, consequently use their loyalty card, and learn that this behavior will lead to another reward in the future. Unfortunately, Künzel (2002) summarized, does the consumers’ interest in these rewards decline over time, creating a situation where the company is forced to regularly provide more or at least new rewards to their customers. For the context of this study, this would mean that customer loyalty schemes can only work if customers perceive the rewards to be interesting and attractive. Following the withdrawal of the rewards, customers were generally found to resume their original pre-reward behavior.
(Rothschild & Gaidis 1981). Evidence for both other extremes has been found as well, however. Kohn (1999), for instance, emphasized that a so-called “contrast effect” might occur in some cases (i.e. behavior even more negative than originally), while Taylor & Neslin (2005) found evidence for what they termed “rewarded behavior” (i.e. behavior more positive than originally).

At least with regard to the insight that rewards work as a stimulator for behavior, it seems important to investigate the common claim that multi-partner schemes are more appealing to customers, because it is arguably easier for members of such programs to accumulate enough points for a big, attractive reward. If program participants were really found to consider the rewards the multi-partner program has to offer to be more attractive than those of the comparable stand-alone scheme, learning theory would imply a higher usage rate and hence, a better basis for program success.

5.3.5 Theory of Perceived Risk

Bauer (1967; first published in 1960) is considered by many to be the founding father of the theory of perceived risk (Ring et al. 1980). The basic idea is that humans try to minimize risk in their daily action. Naturally, risk propensity varies among individuals (Sitkin & Weingart 1995, Sharma et al. in press) and is further influenced by the individual’s level of commitment (Beatty et al. 1988). Every human is, in addition to that, subjective in the way that risk is experienced. Two factors exert influence on this perception: the amount at stake and the feeling of subjective certainty (i.e. how safe a person feels regarding the occurrence of that risk).

Regarding a classification of the types of risk, Kuß & Diller (2001) shall be exemplarily named. As one possible solution, they distinguished between functional (e.g. malfunction of a product), financial (e.g. loss of money), physiological (e.g. threat to personal health), and social risk (e.g. mismatch with the accepted social norm). By relying on trusted and proven products, services, or retail outlets, and thereby reducing the risk of dissatisfaction, Homburg et al. (2008) summarized, can loyal buying behavior serve as a way to minimize these risks. Somehow interlinked with the theory of cognitive dissonance, this would be equally applicable to loyalty program members. In fact, it might even be viewed as preceding transaction cost theory, when the costs of changing to another program are unclear, and consequently posing a risk. In that sense, following the idea of theoretical pluralism, the theory of perceived risk could be viewed as complementary.
5.3.6 Theory of Cognitive Dissonance

Developed by Festinger (1970; first published in 1957), the theory of cognitive dissonance proposes that humans are continuously seeking to reduce dissonance in their cognitive system. The basic idea is that dissonance is perceived as so psychologically uncomfortable, that individuals attempt to keep their cognitive system (as Raffée et al. 1973 described it: the sum of knowledge, beliefs and experiences, as well as the relationship they have with each other) in a state of balance. Furthermore, when faced with a state of dissonance, human beings will avoid any further information or situation that has the potential to increase this dissonance (Festinger 1970).

Loyalty – attitudinal or behavioral – can assist in maintaining a state of balance, as any deviation from loyal behavior creates the risk of dissatisfaction, and consequently, cognitive dissonance (Hennig-Thurau et al. 2000). As far as loyalty schemes are concerned, the risk persists that customers could be disappointed if they were unable to accumulate enough points for a reward they had expected to be able to get. A possible source of dissonance would thus be to think “I am a member in loyalty program X” and “loyalty program X does not offer attractive rewards.” Furthermore, consonance is at risk once information about a superior competitive program is processed by the customer or if friends or other people whose opinion the customer values do not favor the program membership (Raffée et al. 1973, Künzel 2002). Raffée et al. (1973) described four ways to reduce any form of dissonance:

- **Changing the scope**
  - Adding new cognitive elements to reduce the impact of the dissonance (e.g. a program member frustrated by rewards seeks information about competitive schemes and finds out that rewards there are not attractive either)
  - Forgetting, ignoring, or blocking out the cognitions causing the dissonance (e.g. a program member frustrated by rewards simply does not think about their unattractiveness anymore)

- **Changing the content**
  - Interpreting existing cognitions differently (e.g. a program member frustrated by rewards starts to focus more on other positive effects of the scheme, such as special services, for example, and at the same time attaches less importance to the rewards)
  - Changing cognitive elements by changing own behavior (e.g. a program member frustrated by rewards cancels the membership or stops buying from the company)

From a practical point of view, there are many things to take away from Festinger’s (1970) theory of cognitive dissonance. Partly, these concern the actual development of the program, but to a larger extent, they have to do with commu-
nication policies. At any rate, it will be interesting to explore how customers value the rewards of a multi-partner and stand-alone scheme differently and to find out, whether a status of cognitive dissonance might be present.

5.3.7 Other Theories

Apart from the major theories mentioned so far, other ones have also been brought in connection with loyalty and customer loyalty schemes. As they provide only limited additional explanatory value, only a brief description will be provided:

- Attribution Theory: developed and advanced by authors such as Heider (1958), Jones (1972), and Kelley (1973), this theory in concerned with the way people attribute (i.e. explain) their own or other people’s behavior to some reason. At the most basic level, people attribute events either to external causes or internal ones (i.e. to oneself). In addition to that, Weiner (1985) explained, is it possible to further differentiate into stable (i.e. remaining unchanged over time) and unstable factors (e.g. coincidence), as well as controllable (e.g. by making an effort) and uncontrollable factors (e.g. talent). Interestingly, positive experiences are often self-attributed, while negative experiences are attributed to external causes such as the organization – probably the most important realization to consider in the context of loyalty programs.

- Theory of Psychological Reactance: dating back to the work of Brehm (1966), this theory focuses on how people react to limited personal freedom. Specifically, Brehm defined it as the “motivational state directed toward the reestablishment of the free behaviors which have been eliminated or threatened with elimination” (p. 9). As far as loyalty schemes are concerned, Hoffmann (2008) summarized that the build-up of barriers of exit or a perceived intention to influence the customer might provoke a negative reaction. By contrast, exclusivity, for example in tiered programs, might lead to positive reactions in terms of a wish to participate.

- Organizational Theory: stemming, among others, from the works of Barnard (1938) and Simon (1948), the initial purpose was to evaluate the decision-making process. Later, the authors tried to determine how organizations can motivate their employees to work and make a contribution (March & Simon 1976). This idea of incentive and contribution feels fairly intuitive and can easily be transferred to the topic of customer loyalty programs. As, however, organizational theory almost appears to be an early version of social exchange theory, it will also not be further elaborated on in this paper.

- Confirmation/Disconfirmation Theory: covered by various authors such as Olshavsky & Miller (1972), Oliver (1980), Churchill & Suprenant (1982), Bearden & Teel (1983) or Oliver & DeSarbo (1988), the confirmation/dis-
confirmation theory suggests that people compare their actual experience with their expectations. If the actual experience equals or exceeds the expectations, a status of confirmation or positive disconfirmation, respectively, will be given. This will then lead to satisfaction, while negative disconfirmation (i.e. the actual experience falls short of expectations) would result in dissatisfaction (Homburg et al. 2008).

5.4 Finalizing the Conceptual Model and the Hypotheses

With the first steps in creating a conceptual model presented in Chapter 5.2 and different theoretical reference points elaborated on in Chapter 5.3, the model will now be finalized and the corresponding hypotheses penned (for an overview, please refer to Figure 22).

![Study Framework](image)

Figure 22: Study Framework

5.4.1 The Relationship between Loyalty Program Membership, Store Satisfaction, and Loyalty

As was established in the elaboration on satisfaction in Chapter 5.2, satisfaction is commonly cited to precede loyalty (Homburg & Giering 2001, Homburg et al. 2008). While this relationship has received a lot of attention (see e.g. Homburg et al. 2008 for an extensive literature review), the opposite is true for the impact
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As was established in the elaboration on satisfaction in Chapter 5.2, satisfaction is commonly cited to precede loyalty (Homburg & Giering 2001, Homburg et al. 2008). While this relationship has received a lot of attention (see e.g. Homburg et al. 2008 for an extensive literature review), the opposite is true for the impact of loyalty program membership on satisfaction. Given the varying empirical results for loyalty scheme participation on loyalty (see Chapter 2.3), Bridson et al. (2008) argued that “the benefit of these programs perhaps lies first in their impact on customer satisfaction” (p. 367). While this view might be taking things a little too far, it seems at least appropriate to investigate this relationship. To a limited extent, social exchange theory, but even more so the confirmation/disconfirmation theory might help to understand the link between loyalty program membership and store satisfaction. Both theories share the notion that customers possess a particular comparison level (i.e. expectation) to which the actual outcome is matched. Given that customers value the loyalty scheme (i.e. find the rewards attractive, etc.), confirmation/disconfirmation theory proposes that this will lead to customer satisfaction. At this stage, customer satisfaction might be present both with regard to the loyalty scheme (see e.g. Hoffmann 2008 for an empirical test of this relationship), as well as the store itself. Following Homburg & Giering’s (2001) definition, “the satisfaction judgment is related to all experiences made with a certain supplier concerning his products, the sales process, and the after-sale service” (p. 45). This gives reason to believe that the loyalty scheme as a marketing tool also has some effect on store satisfaction. This shall be further explored in this study’s context.

**Hypothesis 1**: Loyalty program membership has a positive effect on store satisfaction.

Excluding the role of satisfaction, the direct relationship between loyalty program membership and loyalty has almost traditionally been part of the majority of studies on the effectiveness of loyalty schemes such as those featured in Chapter 2.3. It was concluded in that section’s review, that a lot of the differences can be explained either by the particular definition of success, the set-up of the program, or the specific conditions in the investigated industry. Influenced by the basic notion of social exchange theory which postulates that customers will remain loyal to the company if the actual outcome exceeds their comparison level, it can be assumed that loyalty program membership has a positive effect on loyalty. This idea is naturally based on the assumption that customers find the program and its rewards attractive – a factor that was also included in the study. Furthermore, transaction costs (especially in the form of switching costs) are thought to create a barrier of exit, thereby fostering loyalty if they are perceived to be significant enough. In addition to that, learning theory as well as the theory of perceived risk (e.g. when facing the decision to cancel the membership or switch to a competitive program) would similarly explain why consumers remain loyal to the company, while the theory of cognitive dissonance purports that...
customers would have already ended their membership or stopped using the loyalty card if they had found the rewards unattractive. As this study is again set in different conditions and includes a comparison of multi-partner and stand-alone solutions, this proposition – explainable with a whole range of theoretical reference points and as old as research on loyalty schemes – shall also be tested.

**Hypothesis 2**: Loyalty program membership has a positive effect on loyalty.

Lastly, the final relationship which has already been proposed in the first development stage of the conceptual framework (see Chapter 5.2), is that between store satisfaction and loyalty. As was previously mentioned, this link has received a lot of attention (see e.g. Homburg et al. 2008) and emerging evidence yielded mixed results. This relation may not be present under specific conditions, but it seems fair to say that satisfaction and loyalty appear together more often than not. Given the presence of satisfaction, Festinger’s (1970; first published in 1957) theory of cognitive dissonance predicts that customers will not deviate from their loyal behavior and risk a state of cognitive dissonance created by potential dissatisfaction (a prospect overlapping with the theory of risk’s projection). To name a few examples from a loyalty program setting, Mägi (2003), Bridson et al. (2008), and Vesel & Zabkar (2009) analyzed this relationship and found support for a positive link. Interestingly, however, the strength of this effect varied noticeably. Mägi (2003), who conducted her study in the context of grocery retailing in Sweden found this effect to be much lower than Bridson et al. (2008), who carried out their research with customers of an Australian health and beauty retailer, or Vesel & Zabkar (2009) who addressed customers of a DIY retailer in a Central European country. To determine the strength of this effect in yet another industry, the following hypothesis shall be tested:

**Hypothesis 3**: Store satisfaction has a positive effect on loyalty.

### 5.4.2 The Effect of Shopper Characteristics

Shopper characteristics have been examined on various occasions in terms of their influence on customer loyalty. Particularly in studies on store patronage behavior, these variables are a common sight. McGoldrick & Andre (1997), for example, found that age and income were among the major determinants of loyalty (next to travel times). To be more specific, married customers in the middle age bands, who belong to a higher social class and income group and who have a large family and shop by car in large quantities, are more likely to be loyal shoppers. Interestingly, East et al. (1995) found no relationship between loyal-
ty and income, while discovering a tendency for loyal consumers to stem from the 25-44 year-old age group. In a later study, East et al. (2000) concluded that loyalty (measured as first-store loyalty, i.e. loyalty to the store most of the study participant’s category expenditures go to) rises with income and falls with age. Given that this study featured only three age groups (<45, 45-64 and 65+), the findings related to age conformed to the older study. The authors speculated that this might be due to the fact that older customers have more time to allot to shopping and picking the best store, which consequently results in the selection of different stores. As far as monetary means are concerned, Knox & Denison (2000) ascertained that customers with a smaller budget were more loyal than those with a bigger one. In fact, customers with fewer resources spent twice as much at their preferred store (again, first-store loyalty was measured). While the budget allotted to a particular category expense is certainly a different indicator to income, it seems intuitive to presume a positive correlation between these two. If this was true, findings would be contradictory to those in East et al.’s (1995, 2000) work.

In a more recent study, Mägi (2003) evaluated the influence of both age and purchase volume on loyalty to the primary store and, in addition to that, examined how various shopper types differed in their purchase behavior. For the three kinds of shopping orientation the author used, Mägi relied on the work of Stone (1954), who identified a range of customer types, which were later adapted in studies such as that by Laaksonen (1993): the first, the consumer’s economic shopping orientation, presumes that price-conscious customers are less likely to be loyal, as they will compare prices across stores and shop wherever they get the best deal (see e.g. Kim et al. 1999). The second, consumer’s apathetic shopping orientation, implies that apathetic customers (i.e. those who show low involvement with shopping) will be more likely to remain loyal to one store as they seek to reduce the effort put into the process of shopping (Williams et al. 1978). Finally, consumer’s personalizing shopping orientation assumes that customers who enjoy the social aspect of building up relationships with store personnel will remain loyal to one store (Laaksonen 1993). Out of all these shopper types as well as the variables of age and purchase volume, only the economic shopping orientation proved to have a significant direct effect on loyalty in Mägi’s (2003) investigation.

Given the varying outcomes in previous studies, the influence of demographic and socio-economic indicators shall be reevaluated (building on East et al. 2000, among others) and in addition to that, an attempt will be made to corroborate Mägi’s (2003) findings on the influence of the economic shopping orientation by exploring their external validity in the new setting of this study.

**Hypothesis 4:** Shopper characteristics influence the degree of developed loyalty.
Of even greater importance for the core objective of this study – namely to determine the influence of loyalty schemes on loyalty – is a potential moderating effect of shopper characteristics on this relationship as well as that between store satisfaction and loyalty. Mägi hypothesized that it is indeed “plausible that any effects of loyalty cards would be moderated by consumer characteristics since consumers could be expected to react differently to the loyalty program once enrolled” (p. 99). An example the author brings forth is that of a price-conscious shopper who, despite having become a member of a loyalty scheme, might still be less likely to change his behavior than a customer with low economic shopping orientation (an argument that works just as well with store satisfaction). Mägi continued to point out that no previous research on the moderating role of customer characteristics was to be found and justified the inclusion in her study with the benefits of identifying such moderators. Out of the factors included (age, purchase volume, and gender, as well as the three shopper types), however, none proved significant. Again, this shall be reevaluated in a new context, but while building on the work of Mägi, with an adjusted focus. On the one hand, emphasis shall be placed on the economic shopping orientation as the one shopper type that proved important in the examination of the direct effect on loyalty. On the other hand, the range of factors to be included in the research process will be extended by three further variables (income, education, and professional position), while purchase volume shall be excluded for the sake of concentrating on demographic and socio-economic characteristics only (after all, it has been shown that loyalty schemes impact purchase volume; in other words, the direction of the relationship of this particular variable would be a different one). It is thereby hypothesized that:

**Hypothesis 5a:** Shopper characteristics moderate the effect of loyalty program membership on loyalty.

**Hypothesis 5b:** Shopper characteristics moderate the effect of store satisfaction on loyalty.

### 5.4.3 The Influence of Competing Loyalty Program Memberships

In the discussion section of her article on the effects of customer satisfaction, loyalty cards, and shopper characteristics, Mägi (2003) noted that “taking into consideration the large number of multiple-card holders the results indicate that the effects of competing loyalty programs may well cancel each other out. From a firm perspective these results suggest that it is necessary to take into account cardholders’ “card portfolios” when evaluating the effectiveness of loyalty programs”
(p. 104). The author based this notion on the study’s finding of a significant negative effect on share-of-wallet being caused by the possession of a competing loyalty card. This problem has received a good deal of attention in the relevant literature (e.g. in Dowling & Uncles 1997, Passingham 1998, Wright & Sparks 1999, Bellizzi & Bristol 2004, Meyer-Waarden & Benavent 2006, Meyer-Waarden 2007) and has already been discussed in both Chapter 2.3.3 and Chapter 3.5.2. Uncles (1994) and Dowling & Uncles (1997) hypothesized that as soon as competitive offerings enter the market, this will eventually lead to a loyalty scheme’s effect being cancelled out. Except for the contributions by Mägi (2003) and Meyer-Waarden (2007), however, the other papers are limited to untested hypotheses or simple statistics on card possession. Still, the two pieces of empirical evidence known to the author, both underpin the view that the possession of multiple competing loyalty cards will have a negative influence on each of these cards’ performance. Next to Mägi’s (2003) conclusions mentioned previously, Meyer-Waarden (2007) noticed that multiple memberships of geographically close retailers lead to a reduction of lifetime duration.

It should not be forgotten, however, that programs often do differ to some extent in practice, causing customers to prefer one over the other. Furthermore, next to the case of customers exhibiting polygamous loyalty, other settings are thinkable to explain why customers hold multiple cards (e.g. the “just-in-case scenario” where a consumer possesses a competing loyalty card to take advantage of that program just in case he is once in a while unable to patronize his preferred company; see Chapter 2.3.3).

Social exchange theory argues that customers become members of loyalty programs, because they perceive the benefits associated with this membership to be higher than the costs. According to this theory, membership will not be endangered as long as their expectations as well as the perceived benefits from a competitive program are lower than the actual outcome. What remains unanswered, is how customers perceive the benefits and the costs that characterize multi-partner programs (as opposed to stand-alone solutions). Relying on social exchange theory, a conclusion about the relative effectiveness of these two program types can be drawn if a significant difference between them can be made out. Likewise, it might be possible to determine whether cognitive dissonance theory has effect in this case. In order to better understand consumer behavior when membership with multiple competitive cards is given, it will further be necessary to capture the usage frequency in respect of these other loyalty schemes. Enhancing previous studies in that regard, it is hypothesized that:

**Hypothesis 6:** Memberships in competing loyalty programs have a negative effect on the relationship between loyalty program membership and loyalty.
5.5 Construct Operationalization

When operationalizing the constructs of the study framework, particular attention was paid to building on previous literature and using established scales that have proven their worth in a similar study setting. Furthermore, following the movement initiated by authors like Jacoby (1978), Churchill (1979), and Peter (1979), multi-item measures were used wherever necessary. In fact, for this study, a uniformly 3-tiered design has been employed for all multi-item measures (see e.g. Sarstedt & Wilczynski 2009 or Fuchs & Diamantopoulos 2009 for criteria to assess where single-item measures can be feasible).

As far as the different constructs are concerned, in particular store satisfaction, loyalty (i.e. attitudinal loyalty and word-of-mouth), and the economic shopping orientation demand special consideration, as these are constructs that were operationalized by three-item measures. By comparison, loyalty program membership was examined with a simple question asked verbally when handing out the survey, while socio-economic and demographic shopper characteristics, as well as competing loyalty program memberships were captured with brief questions as part of the questionnaire.

5.5.1 Store Satisfaction

No general agreement exists among authors on how to measure satisfaction. In an article on measurement scales in customer satisfaction/dissatisfaction, Hausknecht (1990) identified more than 30 different measures that have previously been used. Reporting on a national product-related customer satisfaction barometer in Sweden that covers more than 100 companies in 30 industries, Fornell (1992) summarized that this barometer was intended to measure three distinct components of satisfaction: (1) The degree of general satisfaction (see e.g. Westbrook 1980, Oliver 1981), (2) the degree of confirmation of expectations (see e.g. Oliver 1977, Swan et al. 1981), and (3) the distance from the customer’s hypothetical ideal product (see e.g. Sirgy 1984, Tse & Wilton 1988). Similarly, the American Customer Satisfaction Index described by Bryant & Cha (1996), encompassed 200 companies in 40 industries when it was first conducted in 1994 and included questions regarding the same three categories: overall satisfaction, confirmation or disconfirmation of expectations, and the comparison to an ideal.

Viewing satisfaction as the outcome of cumulative experiences (see e.g. Bayus 1992, Anderson et al. 1994, Fornell et al. 1996) and not in a transaction-based manner as authors had previously done, Mägi (2003) adopted the approach used by the American and the Swedish satisfaction indices. Characterized by a
good Cronbach’s alpha of 0.84, the following three items were employed: (1) how satisfied are you with your primary grocery store (very dissatisfied – very satisfied)? (2) How well does your primary grocery store match your expectations (not at all – completely)? (3) Imagine a perfect grocery store. How close to this ideal is your primary grocery store (not at all close – very close)?

Given the myriad of options when it comes to operationalizing customer satisfaction, it was decided to adjust Mägi’s items for the purpose of this study, particularly because the quality of this approach has been demonstrated not only in the context of the author’s examination of loyalty schemes, but also in two extensive, nation-wide studies on customer satisfaction. After an important modification in that the questions were adapted to match with the uniform Likert scale employed throughout the study, the following items were eventually chosen for the survey (note: the English statements were translated from the German original):

- I am satisfied with XYZ fuel stations.
  Ich bin mit XYZ Tankstellen zufrieden.
- XYZ fuel stations match my expectations.
  XYZ Tankstellen entsprechen meinen Erwartungen.
- XYZ fuel stations come close to my image of a perfect fuel station.
  XYZ Tankstellen sind nah dran an meiner Vorstellung einer perfekten Tankstelle.

### 5.5.2 Loyalty

#### 1) Behavioral Loyalty

In Chapter 5.2, the different components of the loyalty construct were agreed upon, and following the discussion in Chapter 2, both behavioral and attitudinal measures were included (see e.g. Day 1969, Jacoby & Chestnut 1978, Oliver 1997). The more difficult part was then to decide on how to operationalize the behavioral measure. Trying to capture behavioral loyalty in apparel stores and supermarkets, De Wulf et al. (2001), for example, successfully employed measures which directly asked for an estimation of share-of-wallet and frequency of visits. The three items the authors used were: (1) What percentage of your total expenditures for clothing do you spend at this store? (2) Of the 10 times you select a store to buy clothes at, how many times do you select this store? (3) How often do you buy clothes in this store compared to other stores where you buy clothes? In a similar study, De Wulf & Odekerken-Schröder (2003) reduced the number of items to two, and likewise, Noordhoff et al. (2004) employed such an approach, asking for the percent of budget spent in the store as well as the number
of visits to the store out of 10 shopping trips. A final example in this sample listing of authors is that of Bowman & Narayandas (2001), who asked customers to determine the number in ten purchases of a particular brand during a telephone interview (see e.g. Verhoef 2003 or Wirtz et al. 2007 for further examples).

To determine first-hand how customers would react to such direct questions, a separate sample study has been carried out. To this end, 50 questionnaires were distributed to customers in the same way the main survey was to be undertaken (see Chapter 5.1.2 for a description of this sample study). In addition to that, the possibility of letting customers freely note down the average number of visits per month, as well as the percentages of their budget spent at different fuel stations was explored (as opposed to forcing them to determine the number of visits out of 10, for instance). With a response rate of exactly 50%, the 25 usable questionnaires suggested good acceptance of these questions. In fact, many respondents distributed their budget in a very detailed manner (e.g. one customer allotted 95% to one fuel chain, as well as 2%, 2%, and 1% to three others). Naturally, the reliability of such answers is not bulletproof. In order to gain access to more detailed information, other possibilities such as company or panel data were explored, though eventually rejected, as neither fuel retailers, nor administrators of household panels had access to a full set of information themselves. The only other real option, a diary study, was rejected for a lack of feasibility (see Chapter 5.1.2 for a full explanation of the reasons for choosing this study design).

Building on the experiences of prior studies as well as the aforementioned separate sample study, share-of-wallet was selected as the principal measure for behavioral loyalty (note: the English statements were translated from the German original):

- **Share-of-wallet:**
  Please estimate how your total expenditure for fuel is divided up among the following fuel stations. Please distribute 100% among the different chains (leave fuel chains you do not visit blank).

  Bitte schätzen Sie, wie sich Ihre gesamten Ausgaben für Treibstoff auf die folgenden Tankstellenketten aufteilen. Teilen Sie hierzu bitte 100% auf (nicht besuchte Tankstellenketten frei lassen).

In addition to that, the survey included a measure of frequency of visits, the absolute amount spent on fuel per month, and an estimate of the price of an average tank of fuel. Thus, it was possible to assess both the “monetary attractiveness” of the customer, as well as to evaluate the congruence of different estimates (i.e. the amount of money spent on fuel per month should ideally equal the price of an average tank times the frequency of visits per month).
2) Attitudinal Loyalty

Following the line of argumentation in Chapter 2, an attitudinal measure complemented the behavioral one in order to be able to capture loyalty to its full extent. Similar to the other constructs, operationalization was primarily attempted by building on existing literature and using established and proven scales. As quite a significant amount of literature exists on the measurement of attitudinal loyalty (see e.g. Jacoby & Chestnut 1978 or Hill & Alexander 2006), particular attention will be given to studies in the field of CRM and loyalty schemes. Verhoef’s (2003) work is one publication falling into that category. The author focused on what he called “affective commitment,” which, following Bhattacharya et al. (1995) and Gundlach et al. (1995), he described as “the psychological attachment, based on loyalty and affiliation, of one exchange partner to the other” (Verhoef 2003, p. 31). This, authors such as Hallberg (2004) or Kumar & Shah (2004) argued, is also what customer loyalty schemes ought to achieve, although the ability of loyalty programs to do so remains largely in doubt. In any case, Verhoef (2003) went on to explain that this commitment, a term used by various authors synonymously with attitudinal loyalty (see e.g. Bloemer & De Ruyter 1998, De Wulf & Odekerken-Schröder 2003, or Bridson et al. 2008), has a positive effect on behavioral loyalty (see also Morgan & Hunt 1994, Garbarino & Johnson 1999). Testing this relationship, Verhoef (2003) used three items to operationalize the affective commitment construct (Cronbach’s alpha = 0.77): (1) I am a loyal customer of XYZ. (2) Because I feel a strong attachment to XYZ, I remain a customer of XYZ. (3) Because I feel a strong sense of belonging with XYZ, I want to remain a customer of XYZ. De Wulf & Odekerken-Schröder (2003) applied a scale with two similar items and extended it by two further questions (comparable to Bridson et al. 2008): (1) Even if this retailer would be more difficult to reach, I would still keep buying there. (2) I am willing to ‘go the extra mile’ to remain a customer of this retailer.

It is argued that it will not be possible to measure pure attitudinal loyalty with the latter two items, as the motivation to overcome the geographical distance to a retailer does not necessarily result from a positive attitude. For that reason, Verhoef’s (2003) items were adopted with minor adjustments (note: the English statements were translated from the German original):

- I feel I am a loyal customer of XYZ.
  Ich fühle mich als loyale/r XYZ-Kunde/in.
- Because I feel a strong attachment to XYZ, I remain a customer of XYZ.
  Weil ich eine starke Verbundenheit zu XYZ empfinde, bleibe ich Kunde/in von XYZ.
Because I feel a strong sense of belonging with XYZ, I want to remain a customer of XYZ.


3) Word-of-Mouth

Wirtz & Chew (2002) provided a good overview of word-of-mouth research, dealing, among other things, with satisfaction as an important antecedent (see e.g. Engel et al. 1969, Bitner 1990, Reichheld & Sasser 1990). Interestingly, Wirtz & Chew (2002) summarized that this relationship between satisfaction and word-of-mouth is u-shaped in that consumers’ engagement in word-of-mouth is higher when they are extremely satisfied or extremely dissatisfied, as opposed to being moderately satisfied (see also Anderson 1998).

As far as the measurement is concerned, it has already been mentioned in Chapter 5.2 that Reichheld & Seidensticker (2006) have provided an interesting method of measuring loyalty by capturing word-of-mouth behavior via what they termed the ultimate question: “Would you recommend the product/service/firm/etc. to your friends?” Following the principle of using multi-item measures (Sarstedt & Wilczynski 2009), this question shall be further amended to fit the pattern of three-item-scales. Bridson et al. (2008), for instance, utilized the following questions in their study (Cronbach’s alpha = 0.90): (1) I often find myself telling people about the positive experiences I have had with this retailer. (2) Because of my experiences with this retailer, I try to convince friends, family, and co-workers to switch to this retailer. (3) I say positive things about this retailer to other people. (4) I would recommend this retailer to someone who seeks my advice. (5) I encourage others to do business with this retailer.

Out of these items, the following three were chosen (note: the English statements were translated from the German original):

- I often tell friends, family, or colleagues about the positive experiences with XYZ.
- Ich erzähle häufig Freunden, Familienangehörigen oder Kollegen über die positiven Erfahrungen mit XYZ.
- Because of my experiences with XYZ, I try to convince friends, family, or colleagues to switch to XYZ.
- Wegen meiner Erfahrungen mit XYZ versuche ich Freunde, Familienangehörige oder Kollegen davon zu überzeugen, zu XYZ zu wechseln.
- I would recommend XYZ to someone who seeks my advice.
- Ich würde XYZ jemandem empfehlen, der meinen Rat sucht.
5.5.3 Economic Shopping Orientation

To operationalize the construct of economic shopping orientation, a variation of Laaksonen’s (1993) shopping orientation scales have been used. While the author based his work on Stone’s (1954) shopper typologies, Mägi (2003) has in turn slightly adapted and enhanced Laaksonen’s scales for use in her study on customer loyalty schemes. Characterized by a solid Cronbach’s alpha of 0.76, Mägi formulated a four-item scale with the following questions: (1) I choose to shop at the grocery store that has the best deals at the time. (2) I compare what I get for my money at different stores. (3) You profit from comparing prices across stores. (4) I choose what store to go to on the basis of where I find what I need for the best prices.

As other constructs of this study were also measured by three-item scales and as they were furthermore expected to lead to a better customer response, the first three items used by Mägi were chosen over the fourth one for their succinct phrasing. Furthermore, the items were slightly adapted for their use in the underlying study, resulting in the following statements (note: the English statements were translated from the German original):

- I refuel at the fuel station which currently has the lowest prices.
  Ich tanke an der Tankstelle mit den aktuell niedrigsten Preisen.
- I compare what I get for my money at different fuel stations.
  Ich vergleiche an verschiedenen Tankstellen was ich für mein Geld bekomme.
- You profit from comparing prices across fuel stations.
  Man profitiert vom Preisvergleich bei unterschiedlichen Tankstellen.

Following the conception of the study framework, the formulation of the hypotheses, and the operationalization of the constructs employed, the questionnaire was finalized and the study conducted. The findings of this investigation will now be discussed in Chapter 6.