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CHAPTER 2: LITERATURE REVIEW

2.1. Customer Loyalty

The construct of loyalty has remained the centre of attention for over decades and have been studied in a variety of contexts including service loyalty (Caruana 2002 : 812; Butcher et al. 2001 : 312; and Gremler and Brown 1996 : 179) store loyalty (Reynolds and Arnold 2003 : 79; Czepiel 1990 : 15; and Beatty et al. 1996 : 226) brand loyalty (Jacoby and Chestnut 1978; Massy et al. 1970; and Sheth 1968 : 397) and e-loyalty (Srinivasan et al. 2002 : 49). Considering the prevalence of the concept of customer loyalty a variety of researches have been conducted worldwide to investigate the extent of relationship between customer loyalty and financial results (Fredericks et al. 2001 : 26) customer satisfaction (Oliver 1999; and Hallowell 1996) customer value (De Ruyter and Bloemer 1999 : 326) and service quality (Kandampully 1998) loyalty programmes (Bolton 2000 : 97) trust (Singh and Sirdeshmukhm 2000 : 156) and commitment (Pritchard et al. 1999 : 339) in a variety of industries and sectors ranging from telecommunications to automobiles.

Even though the concept of customer loyalty has been studied for over decades no consensus has been reached amongst the scholars and experts about the understanding of customer loyalty (Reinartz and Kumar 2002: 89). For instance it has been indicated that there is no universally accepted definition of customer loyalty which has eventually led to poor operationalization of the concept. In particular the concept of brand loyalty and its underlying factors has been transposed into loyalty to the brand which is quite often found in the case of customer loyalty as well. However the academia has argued that the concept of customer loyalty is actually the inverse of this transposition.

On the other hand a variety of journal articles have used the concept of loyalty capriciously and interchangeable. For instance the study conducted by Schultz and Bailey (2000) was concerned with the investigation and evaluation of customer/brand loyalty in the intensely competitive business environment (p 49). It is worth noticing that the sources of loyalty are used interchangeably which is contradictory in accordance with the literature. Lastly McMullan and Gilmore (2003) has suggested that the behavioural measures of loyalty have been under study for several years and have continued playing an influential role in operationalization of customer loyalty as well as loyalty (p 239).

Considering the diversity of opinions with respect to the definition of customer loyalty it has been revealed that customer loyalty can only be defined with some level of abstractions; otherwise customer loyalty as a concept can only be predicted and interpreted. In this regards McMullan and Gilmore (2003) has argued that a consensus should be reached with respect to the definition and models of customer loyalty for its improvement modification and diagnosis. With this into consideration they further indicated that several scales of validity and reliability with respect to customer loyalty have now been understood and evaluated to ensure that the concept is not misinterpreted or understood in the business environment.

Under the light of the literature it has been suggested that the concept of customer loyalty revolves around the attitude and behaviour of the customers to prefer specific brand in the contemporary business environment over the offering of the competitors (Orel and Kara 2014: 119). Customer loyalty over the years has been argued to play an influential role in encouraging and motivating the customers to consistently purchase the goods and services offered by the retailer. In this regards Peiguss (2012) has defined the concept of customer loyalty as the willingness of the customers to purchase the offered products and services in the marketplace

against the offerings of the competitors. Moreover Kumar and Reinartz (2016) has indicated that companies have continually worked towards the development of customer loyalty by offering them unmatched experience and superior quality products and services which has eventually influenced them to return for the similar experience rather than switching to other companies. Considering this it has been argued that once customers are influenced and motivated to use the products and services offered by the company they would take significant interest in the company's offering though they may not have best quality service or price (Srinivasan et al. 2002: 49).

On the contrary Zikmund et al. (2002) argued that loyalty is not about the repetition of behaviour over and over again but it is far more. In this regards Zikmund et al. (2002) indicated that customers can be loyal to the brand the price the quality or other customers; however the concept of customer satisfaction is significantly important for the companies as it has influenced the customers to repeat their purchase based on the unique and unmatched services offered by the company. In this regards Srinivasan et al. (2002: 49) indicated that customer loyalty is continually affected by emotional bonding habit purchase history customer satisfaction trust and the history with the company. Therefore Peiguss (2012) argued that the satisfaction of the customers with respect to the products and services offered by the company should be considered as its success and competitive advantage.

2.1.1. Importance and Benefits of Customer Loyalty

Under the findings of Kumar and Shah (2004) it has been suggested that building and maintaining outstanding loyalty amongst the customers has become a rising concern for the companies. Since companies are offering almost identical products and services they have relied upon the concept of customer loyalty to ensure that customers would prefer their offered products and services rather than switching to other offerings in the intensely competitive business environment. Considering this Markin (2001) argued that customer loyalty has played an influential role in the success and growth of companies; therefore companies have relied extensively on keeping the customers loyal rather than replacing them with potential customers. Furthermore Kumar and Shah (2004) highlighted the most prominent advantages associated with customer loyalty which includes;

- Price-sensitivity decreases in loyal customers
- Loyal customers are more inclined to spend quality time with the company rather than seeking other companies that could satisfy their demands
- Loyal customers tend to share their outstanding experience and association with the brand which eventually encourages others to purchase the goods and services offered by the company (p. 319).

Some of the other benefits associated with customer loyalty in the contemporary business environment are as follows;

2.1.1.1. Economic and Non-economic Benefits

In the contemporary business environment the foremost objective of both local and international organisations is to maximise the profitability while ensuring that the stakeholders of

the company are satisfied with the financial performance productivity and operational efficacy. With this into consideration Ahmad and Buttle (2001) indicated that customer loyalty has provided the companies with an opportunity to transform their customers into clients which eventually results in enhanced customer base (p. 31). Since loyal customers are more inclined to remain with the company for long-term they tend to overlook other companies offering identical products and services which eventually enhance the likelihood of the company to retain its loyal customers easily and conveniently (Liu 2007 : 31). The retention of loyal customers offers economic benefits to the company which includes;

- Customer loyalty reduces the costs associated with the acquisition and/or replacement of the existing customers
- The retention of customers based on loyalty increases the performance and productivity of the company
- The operating costs significantly reduces as loyal customers are more inclined to share their experiences with others in the society and community which eventually increases the likelihood of gaining new customers with minimal advertisement and promotional campaign costs.
- Loyal customers are more willing to pay premium prices for the superior quality goods and services offered by the company rather than waiting for promotional offers

On the other hand it has been indicated that loyal customers are interested in offering feedbacks and opinions about the products and services which eventually provides the company with an opportunity to improve its quality delivery time service and product features to ensure that customers are offered with additional value (Ahmad and Buttle 2001).

2.1.1.2. Relational Benefits for Consumers and Company

In the intensely competitive business environment it has become significantly important for the companies to develop outstanding relationship with the customers. In this regards Marzo et al. (2005) argued that the concept of loyalty has played an influential role in helping the companies in the development of relationship with the customers while ensuring that the promises and expectations of the customers are met in effective manner. As a result of customer loyalty companies have expanded their relationship with the existing customers while ensuring that new promises with the potential customers are kept in optimal manner (Gustafsson et al. 2005: 216). Under the light of the academia it has been indicated that maintaining a stable relationship with the customers has eventually increased their confidence in the offerings of the company and have significantly reduced the risk of switching to other companies. Furthermore the other advantages associated with relationship with the customers include the achievement of economies of scale and operational excellence (Rauyruen and Miller 2007: 27).

The benefits associated with developing and maintaining outstanding relationship with the customers can be broadly categorised into social and functional benefits. At one end social benefits are more concerned with the comfortable and pleasant relationship with the customers. Moreover Marzo et al. (2005) indicated that the development of stable relationship with the customers eventually results in the reduction of problems associated with the purchase; thus the company can improve its overall efficacy with respect to the decision making. On the other hand the functional benefits associated with customer loyalty include; convenience time saving and purchasing decisions (Rauyruen and Miller 2007: 27).

With respect to the relational benefits for the company it has been indicated that companies have the opportunity to retain its existing customers rather than working towards the attraction of potential customers (Palmatier et al. 2007: 197). In this regards it has been indicated that customer loyalty has played an influential role in improving the overall growth and success of the business by engaging the customers with the offered products and services. Furthermore the loyalty amongst the customers also helps the company in establishing and strengthening the communicate route with the customers which eventually prevents the competitors to set higher prices for the offered products and services (Palmatier et al. 2007 : 197).

2.1.1.3. Retention of Customers

In light of the literature it has been indicated that loyal customers of the company are more inclined towards the purchase of offered products and services. In particular they tend to spend 67% more than the potential or new customers of the company (Singh 2006: 197). Considering the statistics it has been revealed that companies have focused on building extensive relationship with the customers to ensure that they are satisfied with the offered products and services which eventually results in the loyalty of the customers (Bell et al. 2005: 171). Furthermore it has been indicated that acquiring new customers in the intensely competitive business environment is quite problematic for the company considering the costs associated with it. In this regards companies have focused on retaining the customers on the basis of satisfaction and loyalty and only 5% of the company's loyal customers can increase the profitability of the company by 85% (Zineldin 2006 : 437). With this into consideration companies have focused extensively upon the retention strategy to ensure that it is provided with an opportunity to increase its profit margin while reducing the additional costs associated with the business.

2.1.1.4. Customer Lifetime Value

The concept of Customer Lifetime value has been argued as the net profitability of the company which has frequently been attributed to the extensive relationship with the customers (Kim et al. 2006: 106). In simpler words the concept focuses on investigating and measuring the worth and value of the customers in present years followed by the projected value of the customers in the forthcoming years. In this regards it has been found that companies have increased the lifetime value of the customers through the inclusion of customer loyalty concept into its operations where the foremost goal is to ensure that the customers are satisfied and committed towards the organisation as well as its offerings (Meyer-Waarden 2007 : 233).

Furthermore it has been indicated that retailers have introduced and implemented the concept of loyalty and reward programmes which have eventually offered the companies with behavioural data of its customers and their buying habits (Malthouse and Blattberg 2005 : 7). Since customers have frequently purchased goods and services based on their emotions companies have considered this data in offering the customers with information related to the benefits associated with the usage of the brand (Malthouse and Blattberg 2005 : 7). This eventually creates an interest amongst the customers which ultimately leads to the purchase of offered products and services.

Furthermore the definition of customer loyalty revolves around both attitudinal and behavioural aspects. Considering this it has been highlighted by Allaway et al. (2011) that customers tend to spend approximately 78% at retail stores' meanwhile the percentage of loyal

customers was found to be 32% greater than the other customers in the marketplace (: 199). Considering this companies have changed their opinions and perspective about customer loyalty and have ultimately acknowledged them as beneficiary to the company (Li and Green 2011: 1). Since loyal customers bring continuous cash flows into the business companies have frequently offered its customer base with a variety of products and differentiated services to ensure that they would remain loyal to the company and its offerings which is similar to the concept of additional selling and cross-selling. In particular companies have continually worked towards the enhancement of familiarity of the customers with the offered products and services which eventually offer the company with an opportunity to create cost-advantages (Li and Green 2011 : 1).

On the other hand it has also been indicated that loyal customers tend to spread positive word of mouth marketing which significantly reduces the company's costs associated with marketing and advertisement (Rowley 2004 : 127). Furthermore the literature has indicated that loyal customers are more interested in helping the company in terms of improving the features and characteristics of their brands through feedbacks and complaints. Similarly Johnson et al. (2006) has indicated in the research study that loyal customers have continually ignored the marketing communication and advertisements of competitors which implies that loyal customers have frequently resisted the offers of competing firms (p. 129).

2.1.2. Factors affecting Customer Loyalty

According to Ball et al. (2004) there are several antecedents and factors affecting the loyalty of the customers in both business-to-consumers and business-to-business. They further categorised the antecedents into 4 groups which are as follows;

Characteristics of the Environment	Characteristics of the Dyadic Relationship	Characteristics of the Consumer	Consumer perceptions of the firm or the relationship with the marketing firm
<ul style="list-style-type: none"> • Competitive attractiveness and perceived switching costs (Jones et al., 2000) • Technological changes (Parasuraman and Grewal, 2000) • Legal, economic, or environmental changes 	<ul style="list-style-type: none"> • Shared norms (such as solidarity, mutuality, flexibility, and conflict/complaint resolution) (Gundlach et al., 1995) • Equity (Oliver and Swan 1989) • Spatial proximity and relationship duration (Price et al., 1995) 	<ul style="list-style-type: none"> • Relationship tendency or proneness (Ganesh et al., 2000) • Deal proneness (Lichtenstein et al., 1995) • Involvement in the category 	<ul style="list-style-type: none"> • Overall product or service satisfaction (Oliver 1997) • Performance trust and Benevolence trust (Ganesan, 1994) • Depth or value of communication (Morgan and Hunt, 1994) • Firm or brand image (Anderson and Weitz, 1989) • Relationship quality (Crosby et al., 1990) • Relationship satisfaction (Morgan and Hunt, 1994)

Figure 1: Antecedents of Customer Loyalty

Source: Ball et al. (2004)

Following are some of the most commonly accepted antecedents of customer loyalty in the contemporary business environment;

2.1.2.1. Service Quality

The term service quality according to Fogli (2006) can be described as the attitude and behaviour of the customers with respect to the offered service which eventually results in the

overall impression of the customer with respect to the service's inferiority and/or superiority in the business environment. Furthermore Fogli (2006) indicated that service quality as an antecedent of customer loyalty is the cognitive judgement of the customers with respect to the offered product and service.

Considering the importance of quality it has been indicated that companies should focus extensively upon the quality of services offered to the customers; meanwhile Stafford et al. (1998) argued that companies operating in intensely competitive business environment have increased their emphasis on the quality of service as well as customer satisfaction (p. 429). Moreover the literature has indicated that service quality has been found to have positive correlation with word-of-mouth marketing (Sivadas and Baker-Prewitt 2000: 77). This implies that satisfied customers are more willing to promote the offered products and services based on the quality to their friends and family members.

Similarly the literature has also shown that loyal customers are willing to pay higher prices for the goods and services based on superior quality (Huang and Huddleston 2009: 979). In this regards a study was conducted by Wong and Sohal (2003) with an aim to evaluate the impact of service quality on the loyalty of the customers at two distinct levels of store (i.e. person to firm) and interpersonal (i.e. person to person). The study found that a the strength of relationship was significantly higher between customer loyalty and service quality. Additionally the study highlighted that the strength of relationship between company and the customers was relatively stronger in comparison to interpersonal level where the important predictors of loyalty at store level was the tangible beings and empathy at the interpersonal level (Wong and Sohal 2003 : 499).

2.1.2.2. Customer Satisfaction

Customer satisfaction as explained by literature is the result of customer's weightage of their perception related to the actual performance of the brand against their expectations (Deng et al. 2010: 297). Considering the definition it has been indicated that the satisfaction of the customers is their fulfilment response where customer judges the characteristics and features of the products and services in terms of offering them with pleasurable fulfilment rate (Akbar and Parvez 2009). Over the years a variety of researches have been conducted to examine the role and influence of customer satisfaction in increasing the level of loyalty amongst the consumers. In this regards it has been revealed that satisfaction has stimulated and motivated the consumers to prefer the specific brand over others available in the marketplace while ensuring that the customer would frequently purchase the goods and services offered by the company (Chang et al. 2009 : 441).

2.1.2.3. Trust

Trust in the contemporary business environment has been argued as an important element that has helped consumers and customers in developing a relationship with the brand (Martinez and Del Bosque 2013: 91). The concept of trust under the light of the academia has been defined as the willingness of the customers to be vulnerable to another party's actions based on their expectations. In this regards it has been suggested that trust amongst the customers is developed based on the integrity and honesty in the business communication (Luarn and Lin 2003: 159).

Likewise Chaudhuri and Halbrook (2001) highlighted the importance of trust and credibility with respect to customer loyalty (: 88). In particular they argued that loyalty amongst the customers is directly affected by the trust; meanwhile Singh and Sirdeshmukh (2000) argued

benevolence as an important factor affecting and explaining the concept of loyalty. Likewise Ball et al. (2004) highlighted that trust is an important factor for companies operating in intensely competitive business environment while indicating that lack of trust **always** results in the obstruction of the loyalty formation.

2.1.2.4. Commitment

In light of the literature commitment is amongst the important factors affecting the loyalty amongst consumers and customers (Dimitriades 2006: 787). In this regards it has been indicated that commitment has influenced the customers to continue their association and relationship with the company. With this into consideration it has further been indicated that relationship between the consumers and companies are based on the mutual commitment (Mattila 2004: 137).

On the other hand Moorman et al. (1992) defined the concept of commitment as the enduring desired and attitude of the individual towards the specific brand which implies that commitment influences the individuals to become emotionally connected to the products and services offered by the company while sustaining the desired for ever-lasting relationship (: 314). Furthermore the study conducted by Jones et al. (2010) was focused on evaluating and investigating the dimensions of commitment as a construct; therefore they study was primarily concerned with the importance of consumer loyalty in terms of willingness to pay higher prices for acquiring the offered products and services followed by repurchase intentions altruism and advocacy. In light of the literature commitment has played an important role in reducing the switching intention of the consumers and customers considering the variety of identical and similar products and services in the marketplace (Fullerton 2005: 1373).

2.1.2.5. Corporate Image

The concept of corporate image has been argued to have a significant impact on the consumer loyalty and their satisfaction level. With this into consideration a research conducted by Minkiewics et al. (2011) indicated that corporate image can be defined as the beliefs feelings and attitudes of the stakeholders towards the organisation and its offered products and services (: 193). The study also agreed and acknowledged the findings of Bosch et al. (2006) where it was revealed that corporate image has significantly increased the likelihood of shaping the response of the customers based on their perceptions and feelings (p. 879).

2.2. Loyalty Programmes

Loyalty programmes have remained the foremost priority of the companies operating across the globe (Meyer-Waarden and Benavent 2006: 69). In particular it has been indicated that loyalty programmes are part of the structured marketing efforts where the purpose is to ensure that the customers are frequently rewarded for their outstanding association with the company (Dorotic et al. 2012: 219). Moreover it has been indicated that loyalty programmes have played an influential role in encouraging the customers to develop positive buying behaviour which ultimately is beneficial for the company.

On the other hand it has been indicated that companies have embraced and integrated the concept of loyalty program into the business strategy for optimal level of growth and survival followed by outstanding level of customer loyalty (Lin and Bennett 2014 : 931). In this regards it has been revealed that companies have offered rewards programmes a part of loyalty programme to customers that have frequently purchased the goods and services offered in the intensely

competitive business environment. Likewise Peiguss (2012) argued that loyalty programmes have worked as an incentive offered to the customers where they are provided with a variety of benefits considering their cumulative purchasing and association with the company over time (Sharma and Bhardwaj 2016).

In the intensely competitive business environment companies have offered their customers with loyalty programmes which has further encouraged and motivated them to shift from one-time purchase to multiple-period purchases. In this regards Lewis (2004) has revealed that loyalty and reward programmes have played an influential role in encouraging the customers to frequently purchase the offered goods and services while ensuring that they would with the company based on the incentives offered to them for being loyal to the company (Asiah et al. 2013 : 37).

The concept of loyalty programme was initiated in Germany but was implemented by American Airlines to ensure that customers would frequently use the services offered by the company (Zhang et al. 2014 : 291). Considering the positive impact of loyalty programmes on the purchase intention of the customers the concept was frequently used by hotels credit card organisations retailers and car rental companies. Organisations have frequently used reward systems a part of loyalty programme to ensure that their frequent and best customers are retained by the company in most effective manner (Palmer et al. 2016 : 481). Furthermore companies have used the loyalty programmes not only to increase the loyalty amongst customers but have also used as an opportunity to gain relevant and valuable information about the customer's preferences and purchase habits which eventually helps the organisation to customise the offered products and services to them (Srivastava and Rai 2015 : 89). In the case of retail industry retailers have continually acknowledged the importance of acquiring the information regarding

customers without which the retailers would not be able to identify the rewards that would be most suitable for the customers.

According to Peter (2010) it is important for a loyalty programme to consider a variety of rules which are briefly highlighted below;

- Acquiring the customers that are more willing to repurchase the goods and services offered to them
- Recognising the customers with lower level of interest with respect to repurchasing the goods and services while ensuring that the budget allocated for marketing for the specific segment is reduced accordingly
- Focusing extensively on the customers that have exhibited the similar profiles of existing customers but have not purchased the offered goods and services for the second time.

2.2.1. Types of Loyalty Programmes

In the globalised era companies have relied on the use of loyalty programmes to ensure that the loyal customers are rewarded based on their frequency of purchase through either enhanced services or price discounts (Noble et al. 2014 : 363). In this regards it has been indicated that both product and service sector have implemented the concept of loyalty programmes to ensure optimal level of satisfaction amongst the customers. With this into consideration Singh and Khan (2012) have indicated that companies have continually used a variety of loyalty programmes in the retail sector which are as follows;

2.2.1.1. Points System

Points system is amongst the most commonly used loyalty programme across the globe. In this loyalty programme the frequent consumers are offered with an opportunity to earn points based on their purchase which is then translated into the rewards offered by the company that may either be gifts special treatment discounts etc. (Leva and Ziliani 2014). Furthermore Peiguss (2012) has indicated that hospitality and transportation companies have continually incorporated the concept of reward programmes which has been argued as the most appropriate and feasible programme for companies that encourages short-term achievement of goals rather than emphasising for sustainability.

2.2.1.2. Tier System

In this type of loyalty programme companies tend to offer small rewards to their customers to ensure that they would become part of the overall programme of the company while encouraging the customers to increase the overall value of the reward by frequently purchasing the goods and services offered by the company (Colliander et al. 2016 : 169). An increase in the frequency of purchase helps the customers to move up the loyalty ladder.

This type of loyalty system is quite different from point system as it focuses on extracting long-term value rather than short-term value. According to Peiguss (2012) this type of loyalty programmes are quite important as they work towards higher level of commitment from the customers while ensuring an increasing in the willingness of the customers in higher price-point companies like hospitality airlines financial service institutions etc.

2.2.1.3. VIP Benefits 不完善

In this loyalty programme type companies charge their customers one-time fee to initiate the collection of points based on their total dollar spent. Considering the nature of this system it has been used by businesses that encourage customers to frequently purchase the goods and services (Stathopoulou and Balabanis 2016 : 5807). Likewise Peiguss (2012) has indicated that this loyalty type has significantly reduced the inconvenience of the customers with respect to paying a fee on monthly bases.

2.2.1.4. Non-Monetary Programmes

Non-monetary programmes are quite opposite to monetary programmes. Instead of offering the customers with monetary benefits companies tend to offer them a non-monetary thank you. In particular companies tend to offer them free products and vacation packages to appreciate the commitment and level of loyalty of the customers. In the non-monetary loyalty programmes companies are more inclined to offer customers with additional values rather than offering them dollar rewards or price discounts (Melnyk et al. 2015 : 414). In particular this type of loyalty programme has been used across the globe as customers are more interested in additional value rather than the monetary rewards.

2.2.1.5. All-Inclusive Offers

In this loyalty programme type companies tend to develop partnership with other companies to develop an understanding of their purchasing process and lifestyles to ensure that customers are offered with appropriate rewards that may help in influencing them to frequently purchase from the company (Melnyk et al. 2015 : 414).

2.2.1.6. Loyalty Cards

This type of loyalty programme focuses on gathering relevant information about the customers and their interests. With the information into consideration organisations offer their customers with coupons product discounts and free merchandise or other rewards to ensure that customers would voluntarily participate in the programme (Kang et al. 2015 : 470). Moreover it has been indicated that loyalty cards are used by companies to ensure that customers would frequently purchase the goods and services if they are offered something in return for their participation.

2.2.1.7. Gift Card

The last type of loyalty programme focuses on offering the customers with gift card or certificates to develop an association between the customers and the retailers. In this regards it has been found that retailers have continually offered their frequent customers with gift vouchers with specific amount which can be redeemed by spending the amount within the specific retail store (Kang et al. 2015 : 470). Furthermore offering gift cards has been found to increase the willingness of the customers to spend more of their money which ultimately increases the number of items sold.

2.2.2. *Importance of Loyalty Programmes*

Loyalty programmes have been argued to be significantly important for companies operating in the intensely competitive business environment (Bowen and Chen 2015 : 419). In this regards it has been revealed that companies have relied upon loyalty programmes to ensure

their survival and growth (Breugelmans et al. 2015 :131). Following are some of the benefits and importance associated with the usage of loyalty programmes in the contemporary business environment.

2.2.2.1. Boosting Growth

Over the past decades a variety of researches has been conducted with respect to the importance of loyalty programmes and has revealed that each type of loyalty programme has offered the businesses with different results irrespective of their nature and scope of operations (Steinhoff and Palmatier 2016 : 91). Furthermore a research conducted by marketing gurus revealed that the inclusion of loyalty programmes within the operations of the business can enhance the profitability and growth of the company while offering the businesses with an opportunity to expand the business easily (Steinhoff and Palmatier 2016 : 91). In this regard the most prominent findings indicated that companies can develop exceptional loyalty amongst its customer-base by offering them a variety of loyalty programmes.

2.2.2.2. Enhanced Reputation

Loyalty programmes over the years have played an influential role in making the existing customers feel that they are continually valued by the company (Brashear et al. 2016 : 1195). Furthermore it has been suggested that loyalty programmes have also influenced the potential customers to frequently purchase the goods and services offered by the company. This implies that loyalty programmes have served dual function in the contemporary business environment (Brashear et al. 2016 : 1195). Instituting loyalty programme within the business strategy has not only resulted in the appreciation from the customers but also have increased the likelihood of the

company in terms of sharing the joy with stakeholders that are close to the company (Brashear et al. 2016 : 1195). Once the customers develop a feeling that they are appreciated by the company they tend to support the operations of the business by referring friends and family members to use the products and services offered by the company rather than looking for products and services offered by other brands.

2.2.2.3. Increase in the Level of Sales

In the contemporary business environment marketers and professionals have considered the concept of loyalty programmes significantly important as they tend to improve the company's ability in terms of retaining the customers (Cao and Li 2015 : 215). Since loyalty programmes are appreciated by the customers they tend to purchase the goods and services offered by the companies to ensure that they are rewarded appropriately for the total dollar spent. Considering the attitude and behaviour of the customers companies have embraced the concept of loyalty programmes to access larger share of the wallets of the customers (Cao and Li 2015 : 215).

2.2.2.4. Vital Market Research

Offering the customers with loyalty programmes is more likely to provide the company with valuable information regarding the customer's preferences their buying habits and the products that attract them the most (Hutchinson et al. 2015 : 481). With all this information companies can formulate the most appropriate marketing and reward strategies to assure the growth of the business. The use of the valuable information can also help the retail stores in attracting diversity of the customers (Hutchinson et al. 2015 : 481).

2.3. Loyalty Programmes and Customer Loyalty

In the globalised environment companies have invested hundreds and millions of dollars in loyalty programmes to ensure optimal level of loyalty (Zakaria et al. 2014 : 27). Under the light of the academia it has been suggested that loyalty programmes have played an influential role in developing positive association and loyalty amongst the customers which eventually results in the success and growth of the companies in the intensely competitive business environment (Zakaria et al. 2014 : 27). Following are some of the most reasons that companies have adopted the concept of loyalty programmes to boost the customer loyalty across the globe.

2.3.1. Strengthening Positive Experience

In the grocery retailing sector it has been found that customers are more likely to turn to competitor if they feel that they are not being valued by the company (Babin et al. 2015 : 270). In this regards it has been suggested that companies can strengthen their position in the grocery retailing industry by showing the customers that they are valued by the company which is done through the use of loyalty programmes (Babin et al. 2015 : 270). The psychology behind offering the customers with loyalty programmes is to ensure that they continually purchase the goods and services offered by the company for getting extra money from purchasing. Since the relationship is developed between the customers and the company customers tend to return the favour by motivating other shoppers to purchase grocery from a specific retail store rather than purchasing it from competitors (Babin et al. 2015 : 270). This implies that the strengthening positive customer experience eventually give rise to customer loyalty.

2.3.2. Encouraging Referrals

Loyalty programmes have played an important role in making the customers realise that they are quite valuable for the company (Garnefeld et al. 2013 : 19). Since they are offered with loyalty programmes customers are more likely to encourage and motivate their friends family members peers and colleagues to frequently purchase the goods and services offered by grocery retailers. Even though the products and services offered by grocery retailers are almost identical customers tend to prefer only those grocery retailers that have valued them on a continuous basis (Garnefeld et al. 2013 : 19). Over the years it has been revealed that loyal customers are more interested in referring their friends and family members to use the products and services offered by the specific company rather than for searching the products and services from other retailers.

2.4. Conceptual Framework

The conceptual framework for the study is as follows;

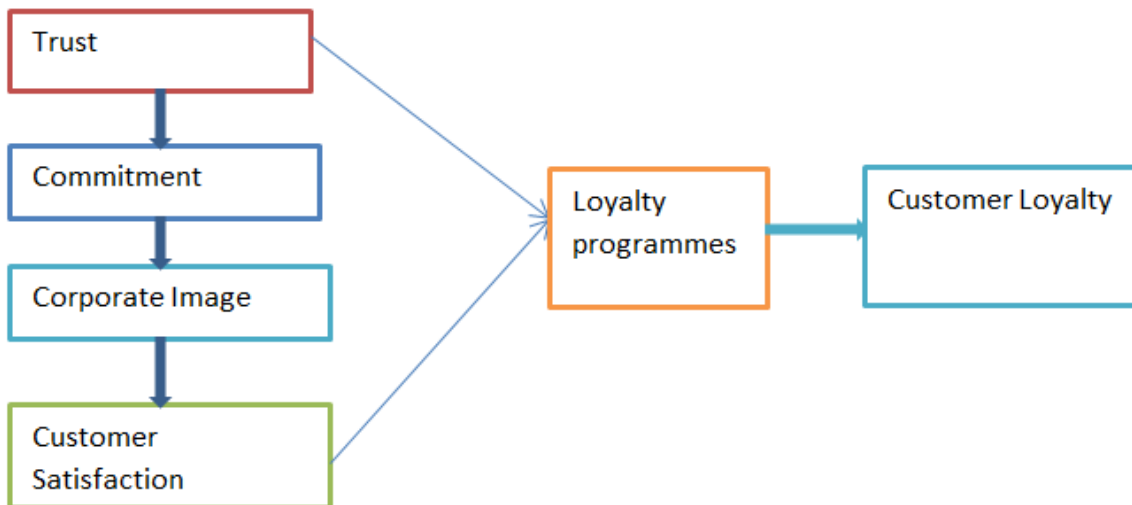


Figure 2: Conceptual Framework

Source: Author

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