

Abstract. *The article endeavors to validate the scale developed by Mimouni-Chaabane and Volle (2010) that measures perceived benefits of customer loyalty programs in the Indian context. On running exploratory and subsequently confirmatory factor analyses based on the responses collected from loyalty program members from two Indian cities and across different industries, the researchers opine that in the Indian context, the scale has to undergo changes. The original scale developed and tested on French loyalty program members had sixteen items that measure five perceived benefits namely, monetary savings, exploration, entertainment, recognition and social. It was found that in the case of India, the number of items remain intact. However, the entertainment benefits dimension and the recognition benefits dimension merged to form a singular dimension which the researchers name as 'ego pleasure'. The authors believe that this research will benefit the managers in devising strategies for particular segments of their loyalty program members. In addition, it opens up the possibility of further testing the scale in different cultural contexts.*

Keywords: Loyalty, perceived benefit, customer loyalty program (CLP), scale, Indian loyalty market.

PERCEIVED BENEFITS OF CUSTOMER LOYALTY PROGRAMS: VALIDATING THE SCALE IN THE INDIAN CONTEXT

Sunny BOSE

*ICFAI University Dehradun
Rajawala Road, Dehradun, India
Email: sunny_1708@rediffmail.com*

Venu Gopal RAO

*IBS, Hyderabad
Shankarapalli Road, Hyderabad, India
Email: ksvg.rao@gmail.com*

*Management & Marketing
Challenges for the Knowledge Society
(2011) Vol. 6, No. 4, pp. 543-560*

1. Introduction

Rapid changes are taking place in the business environment. The competitive advantage that organizations achieved due to product differentiation no longer holds good due to a proliferation of similar looking and performing “me too” products. Most organizations today can mass customize products and services and make it very difficult for customers to distinguish between their product/ service and that of a competitor. In such an environment, having loyal customers is an ever increasing challenge for the marketer. The choice of products and services has increased so much that today’s customers are always having an alternative. It is therefore, of absolute importance and necessity for the marketer that she or he has ways and means to stop the customer from switching over to the competing products and services.

Companies try to outsmart their competitors through a variety of marketing strategies and tactics. One such tactic happens to be the ubiquitous ‘loyalty program’. In short it means rewarding a customer who comes back to you and purchases your product or service.

Customer Loyalty as defined by Khan and Khan (2006) reads “... *exists when a person regularly patronizes a particular (store or non store) that he or she knows, likes and trusts*”. Zeithaml et al. (1996) opine that a loyal customer will result in repeat purchase; increase in purchase value and volume over time and in spreading positive word of mouth (wom) which in turn will bring newer customers to the business.

The primary motive behind a loyalty program is rewarding customers for their repeat purchase behavior, encouraging, maintaining and subsequently enhancing the level of loyalty by providing the customers with targets at which various benefits can be earned by them. By implementing effective reward programs, marketers retain their old customers i.e. earn their loyalty. In addition, it can attract new customers, some of whom will become loyalists in the long run (O’Malley, 1998). Loyalty programs are considered to be highly effective in retaining customers and are readily accepted by both customers and retailers.

Today loyalty programs are in vogue in different types of businesses such as retail stores, hotels, airlines and host of other services. Dowling (2002) suggests that loyalty programs do not necessarily generate loyalty and are not cost effective and that the proliferation of loyalty programs is hype or a “me-too” scheme.

2. Review of literature

Keeping in view the objectives set out for the study we now look at some relevant literature pertaining to customer loyalty, satisfaction and customer loyalty programs.

Customer Loyalty

Loyalty has been widely researched in the domain of marketing. It has been found by researchers that a satisfied customer tends to be loyal. That customer remains

Perceived benefits of customer loyalty programs: validating the scale in the Indian context

loyal to an organization as long as she or he feels that the organization gives him or her better services or products as compared to another organization.

In the business context, loyalty is the customer's commitment to do business with a particular organization which effects in repeat purchases of goods and services of that organization. It also results in recommending the goods and services to friends and associates (McIlroy, Barnett, 2000). The key to the successful adoption of relationship marketing lies in the building of client loyalty in dynamic business environments (Morris et al., 1999). In the words of Shoemaker and Lewis (1999) “. . . *loyalty occurs when the customer feels so strongly that you can best meet his or her relevant needs that your competition is virtually excluded from the consideration set and the customer buys almost exclusively from you - referring to you as 'their restaurant' or 'their hotel'.*”

Oliver (1999) however contradicts this definition on the grounds of being incomplete and failing to provide a unitary definition and that it relies on only three phases of cognition, affect and behavioral intention. He emphasizes on situational influences and adds action as a fourth phase. This phase is characterized by commitment, preference and consistency while recognizing and interacting with the dynamic nature of the marketing environment.

Loyalty & Satisfaction

The extant literature in marketing mentions customer satisfaction as a key antecedent to loyalty and repurchase behavior. The general and more accepted view among the marketing scholars and practitioners alike is that customer satisfaction positively impacts purchase intentions as well as behavior. However, it has been found that customer satisfaction, in no way, can guarantee customer loyalty. Therefore, much research has been done in this area and with interesting results. Chandrasekaran et al (2007) mention that in a study for the U.S. Office of Consumer Affairs (Technical Assistance Research Program 1986) it is found that in households that face service problems, only 54% would maintain brand loyalty even after satisfactory resolution of the problems. They conclude that strongly held satisfaction will only lead to loyalty. In addition, prior relational experience with the service provider would also translate into loyalty.

Conversely, researches also suggest that successful recovery or resolution of service problems can positively affect positive word of mouth and purchase intentions. Maxham (2001) opines that failed or poor service recovery may result in customer defection. Moderate or high service recovery on the other hand significantly increases the possibility of customer satisfaction, purchase intentions and positive WOM as to the pre-failure situation. Maxham and Netemeyer (2002) and Smith and Bolton (2002) opine that the customer's perceived justice about the resolution process would affect his satisfaction with the recovery and overall satisfaction with the firm, which individually would directly affect his purchase intention and WOM intent as well as have a mediating effect of overall firm satisfaction between satisfaction with service recovery and WOM intent and purchase intention.

Reichheld (1996) put forth that 65%-85% of customers who move away from the product or service are actually satisfied or very satisfied customers. Szymanski and Henard (2001) in a meta-analysis of customer satisfaction research find that customer satisfaction explains less than twenty five percent of the variance in repeat purchase which is considered to be major cue for customer loyalty. They point out that there is a strong possibility of other factors excluding satisfaction that have an effect on loyalty.

Customer Loyalty Programs

Loyalty among customers can be considered to be susceptible as customers tend to shift products and services on their perception of getting better value, convenience or quality elsewhere. It is therefore, of crucial importance to a marketer to ensure the minimization of customer shift.

Loyalty programs have been defined in various ways by different researchers. Liu (2007) defines loyalty program as a program run by the marketer that allows consumers to accumulate free rewards as incentives for making repeat purchases with a firm. Such a program is not beneficial to the consumer for a single purchase as it aims achieving loyalty over time. Dowling and Uncles (1997), opine that loyalty programs are important in enhancement of the overall value of the product or service as they motivate loyal buyers to make their next purchases.

The literature on customer loyalty programs can be broadly classified into specific areas of focus that researchers have tried to understand and infer upon. The most voluminous work in the customer loyalty program literature is the different research conducted on the impact of customer loyalty program on consumers. This extant body of knowledge include works that deal with: a) loyalty programs and the customer; b) considerations made by marketers relating to the loyalty programs they operate; and c) there are also other prominent works in customer loyalty program literature that have looked into specific strategic and significant issues that relate to loyalty programs.

Several studies prove the effectiveness of loyalty decisions on the repurchase decisions of the customers as well as their share of wallet. Lewis (2004) studies the loyalty program of an online grocery and drug store merchant using experiments to check for long term effect of loyalty program on customer retention. He concludes that the loyalty program under the study was successful in increasing the annual purchase for a substantial proportion of the customers. Nako (1997) has put forth that a reward program, added to excellent service with easy and quick earned rewards, takes the consumers' minds off the price. Hence, consumers do not hesitate in purchase even at the cost of spending more.

Reichheld (1996) postulates that as a customer frequently purchases from a specific outlet or marketer, he fails to keep a track of the competitors' prices and thus, fails in comparing them. Consequently, he becomes less sensitive to the competing prices. Loyalty programs tend to increase the switching costs of the customer (Kim et al., 2001). As a member of a loyalty program, consumers tend to make purchases from a single firm to accumulate rewards rapidly. For example, travelling by a single airline

Perceived benefits of customer loyalty programs: validating the scale in the Indian context

or making purchases from a single retail outlet or eating out at a particular restaurant repeatedly.

In most of such cases loyalty program members tend to overlook their negative experiences with the firm and are less likely to compare its services with others (Bolton et al., 2000). They are more likely to buy exclusively from the firm. This increase in the switching costs has an important long run implication for customer loyalty as the greater the length of membership in the program, the greater is the loss of incentive on exit. This creates a long-term customer lock-in (Sharp and Sharp, 1997).

Noordhoff et al (2004) find that loyalty card programs impact behavioral as well as affective loyalty of the customers. However, the efficacy of the program tends to diminish with the increase in number of alternative card programs. In a similar study on Tesco loyalty cardholders of Dundee, it was found that having a loyalty card moderately affects the customer's loyalty. Moreover findings suggest that owning the cards clearly increased the purchase volumes of the consumers (Turner, Wilson, 2006).

Liu (2007) on his research on long term purchase behavior of consumers has found support for the claims made by O'Brien and Jones (1995). Using two year longitudinal data of a convenience store franchisee the researchers concluded that loyalty card holders who were heavy buyers at the beginning tend to claim their rewards without increasing their purchase frequency. In contrast, loyalty programs had more positive impact on moderate and light buyers with respect to increase in purchase frequency.

There is availability of extant literature that deals with the reasons and issues that make customers participate in loyalty programs. Using Zaichkowsky's (1985) involvement inventory researchers have studied the influence of rewards on the perceived value of the loyalty program and how this perceived value affects customer loyalty. They find involvement to be a moderator in the effect of the loyalty program on customer loyalty (Yi and Jeon, 2003).

The extant literature on customer loyalty program also includes works that have studied the negative impacts of customer loyalty programs on customers and criticisms of such programs. In a different study, Strauss et al (2005) examine the negative impacts of customer loyalty program with reference to frustration theory. They categorize program related frustrations into incidents relating to: inaccessibility, worthlessness, qualification barrier and redemption costs, and relationship related incidents comprising of discrimination, economization and defocusing.

The early works relating to the marketer's perspective of customer loyalty program deal with considerations the marketers must have before strategizing on the program. Uncles et al (2003) provide a checklist for managers to give a consideration for strategic or operational implications of starting a loyalty program: a) context for launching the program; b) assessment of customer loyalty; c) assessment of the loyalty program to be launched; and d) assessment of traps in the program. Similarly, marketers must ask the following question before venturing into a loyalty program: a) does the brand encourage loyalty; b) whether the company is supportive of customer

collaboration; and c) whether the information is integrated by the organization even for a single customer? (Duffy, 2003).

Verhoef (2003) on the effects of customer relationship management (CRM) on customer retention and customer share development concludes that customer loyalty programs that provide economic incentives positively affect both customer retention and customer share development. In contrast direct mailings only affect customer share development. He also suggests that a firm can use both strategies simultaneously for customer retention and customer share development.

Using firm and individual level data from airline industry to study the effects of competition on the success of loyalty programs, Liu and Yang (2009) conclude that in a competitive market only high market share firms can increase their sales through customer loyalty programs as they possess supporting products and a strong customer base. In addition the effectiveness of a loyalty program diminishes when there is a crowding out of loyalty programs.

3. Need for the study

Customer loyalty programs have been in active existence since 1980s. However, not many attempts were made in the past to objectively measure benefits from such programs with respect to the loyalty program members. Mimouni-Chaabane and Volle (2010) (Exhibit 3 in appendices) attempted to address this void by developing an instrument that measures perceived benefits from customer loyalty programs. The researchers explain the scale to measure perceived benefits from customer loyalty programs as *“a scale that measures the main benefits customers perceive when they participate in loyalty programs”* (Mimouni-Chaabane and Volle, 2010). The instrument is a sixteen item scale that measures five types of perceived benefits namely, monetary savings, exploration, entertainment, recognition and social benefits from customer loyalty programs.

In India too, loyalty programs are gaining popularity and marketers are giving them the importance they deserve. The Indian loyalty market is presently valued at around Rs 5000 crores (US\$ 1.1 billion) (Nair, 2009) and is set to grow even further.

Though there is availability of voluminous literature on customer loyalty, studies that focus on customer loyalty programs in the Indian context have been limited. Rao and Jain (2009) had studied loyalty programs of retail chains in Delhi to find the level of satisfaction of loyalty card holders where they concluded that customers at present are moderately satisfied with the cards and the privileges.

Given this context, it is imperative that in India the efficiency and impact of customer loyalty programs need to be investigated. India is culturally and economically different from the US and the developed western European countries (Hofstede, 1980; 1994). It is most likely that something like loyalty program membership would be considered luxury in the Indian context. Therefore, intuitively the perceived benefits derived by Indians from a loyalty program might not be exactly the same for that of the French members. Therefore, the researchers thought that it

Perceived benefits of customer loyalty programs: validating the scale in the Indian context

would be a worthy attempt to assess how Indian customers perceive the benefits of these programs. This will immensely contribute to the extant body of knowledge in this emerging field and will help the loyalty business as a whole by better understanding the market.

4. Objectives of the study

This study aims to capture how customers perceive benefits from loyalty programs launched by companies in the Indian context. In order to achieve this objective the authors adapt the instrument developed by Mimouni-Chaabane and Volle (2010). The scale has been originally tested in the French context but requires testing in different cultural contexts. The study also attempts to understand the factor structure of the scale and its applicability in a different country.

5. Methodology

Initially pre- test was run on the original set of questions as developed by Mimouni- Chaabane and Volle (2010) to check whether the questions could be properly understood and interpreted by the Indian respondents. Six research scholars and two faculties from a reputed business school in southern India participated in the questionnaire survey. Based on the feedback, the language of few of the questions was altered to suit the Indian context. Once the language of the questions was altered, the instrument was given to elicit opinions from a larger sample of respondents (table 1 and 2). The researchers used five- point Likert scales having the options strongly disagree to strongly agree for each item (Exhibit 1).

The researchers used exploratory factor analysis (EFA) and confirmatory factor analyses (CFA) to test the validation of the scale in the Indian context. CFA is run to confirm the factor structure that is generated by the EFA. At present, CFA is being considered as an essential test even for scale validation as validating a tested scale in a different cultural context might result in required alterations in the original scale. Therefore, in such case the altered scale generated from the EFA must be validated by CFA.

Responses are drawn from individuals who are presently members of at least one customer loyalty program. The programs considered belongs to airlines, retailing, clubs (including resorts and spas), restaurants and cafes, products and brands and other miscellaneous loyalty programs. Snow ball sampling technique is used for both the data sets.

Table 1

First Sample: Sample breakup by Occupation

	Hyderabad	Kolkata	Total	Percentage
Research Scholars	25	-	25	22.72%
High school / UG students	-	21	21	19.10%
Salaried employees	-	29	29	26.36%
Businessmen	-	18	18	16.36%
Self employed / professionals	-	13	13	11.82%
Homemakers	-	04	04	03.64%
Total	25	85	110	100.00%

Source: Primary data.

Table 2

Second Sample: Sample breakup by Occupation

	Hyderabad	Kolkata	Total	Percentage
Research Scholars	09	-	09	05.42%
MBA students	27	-	27	16.27%
High school / UG students	-	34	34	20.48%
Salaried employees	-	34	34	20.48%
Businessmen	-	28	28	16.87%
Self employed / professionals	-	26	26	15.66%
Homemakers	-	08	08	04.82%
Total	36	130	166	100.00%

Source: Primary data.

The first set comprise of one hundred and ten individuals (Table 1). Twenty five of the respondents are from a leading business school in Hyderabad, India. The other eighty five respondents were identified from Kolkata, one of the metros in India. The second data set has one hundred and sixty six respondents (Table 2). The sample, collected from the same leading business school in Hyderabad, India, has thirty six respondents. The balance of the sample has one hundred and thirty responses taken from Kolkata.

6. Analysis and findings

Exploratory factor analysis (EFA) using varimax rotation was run on the first data set to check the structure of the scale (refer to Table 3). Varimax rotation maximizes the loadings across the columns of the factor matrix, the result being some of the items loading highly on one factor (near to ± 1) and lowly on others (near 0). The method ensures clearer separation of the factors and therefore, provides better understanding. The KMO test value 0.763 is acceptable, suggesting the sample chosen to run the analysis is adequate.

Perceived benefits of customer loyalty programs: validating the scale in the Indian context

It is found that the items one to three load heavily on one single factor namely, “Monetary benefits” (C3) with loadings more than 0.7 for each. Four to six load heavily on factor “Exploration benefits” (C4) with loadings more than 0.7 for each. Items seven to thirteen are loading into a single factor, “Ego pleasure benefits” (C1). Finally, items 14 to 16 load with “Social benefits” (C2) with high loadings of more than 0.75 for each.

The outcome of the rotated component matrix suggests a four factor solution for the items. The first three items load into a single factor, namely, ‘monetary benefits’. The next three items load into the factor ‘exploration benefits’. The next seven items load into the factor ‘ego pleasure benefits’ and finally, the items 13 to 16 load into the factor ‘social benefits’.

Table 3

Factor Analysis Results

Factor	Items	Component (C)			
		1	2	3	4
Monetary Benefits	Low financial cost			.748	
	Spend less			.826	
	Save money			.855	
Exploration Benefits	Discover new				.762
	Wouldn't discover otherwise				.850
	Try new product				.747
Ego pleasure Benefits	Collecting points	.755			
	Redeem points	.842			
	Feel good	.738			
	Better care	.635			
	Treated better	.702			
	More respect	.681			
	More distinguished	.659			
Social Benefits	Share same value		.773		
	Close to brand		.766		
	Similar values		.792		
Reliability (Cronbach's Alpha)		.853			

Source: Primary Data.

The confirmatory factor analysis (CFA) (Figure 1) shows low correlations among the factors with highest correlation between “social benefits” and ‘ego pleasure benefits’ at 0.56. This suggests discriminant validity criterion holds good for the model. All the items correlate high on their respective factors. The lowest correlation is for “redeeming points is enjoyable” and “I feel good about myself on redeeming points” with Ego pleasure at 0.58 each. Therefore, for the model, the convergent validity criterion is also met.

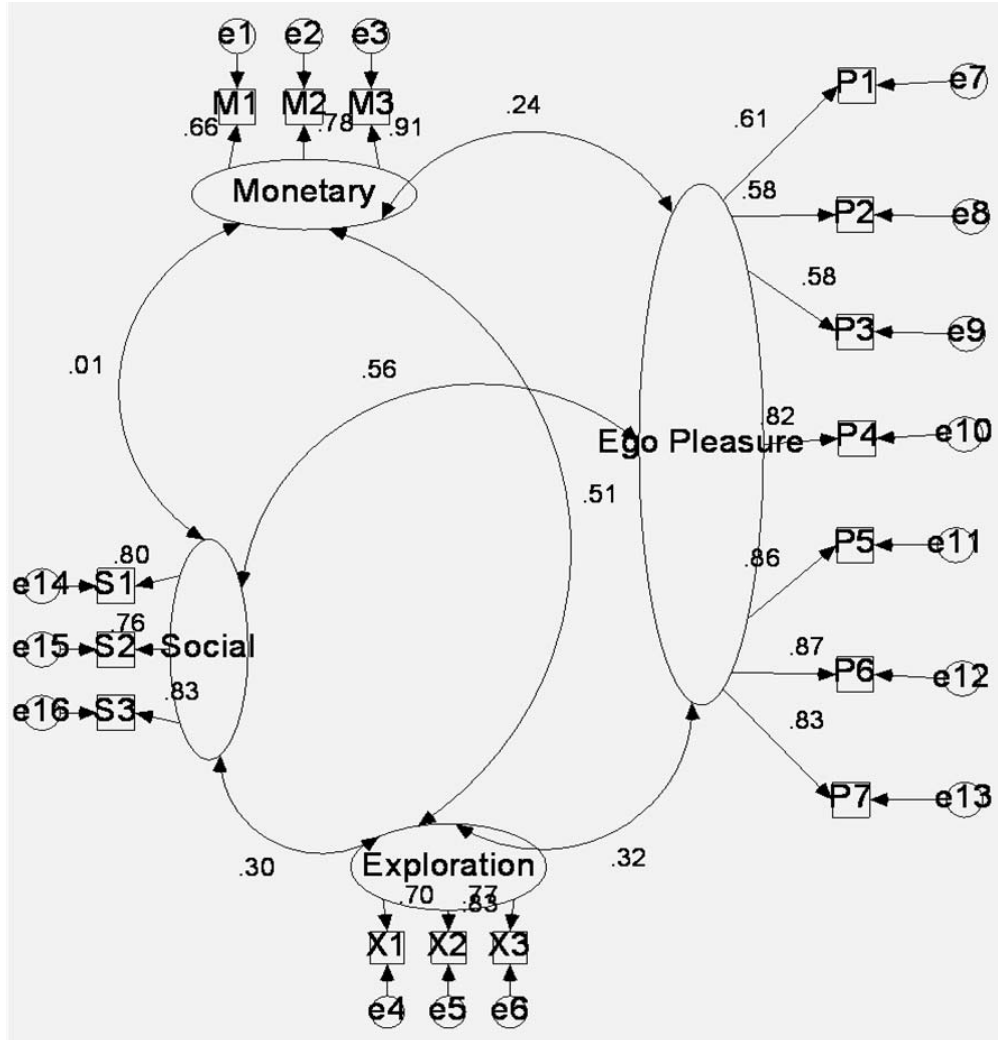


Figure 1. CFA Structure (Standardized estimates)

For the new factor structure the standardized values are considered (see Exhibit 2). The CMIN/DF stands at 3.60 which are acceptable. The goodness of fit of the model with the actual data is measured by RMR, GFI and AGFI. RMR (root mean square residual) is 0.081 which is low enough for acceptance and the GFI (goodness of fit index) shows .801 which is again in acceptable region. The AGFI (adjusted goodness of fit index) is 0.724. Given the difference between GFI and AGFI is 0.075, the AGFI has acceptable value. RMSEA (root mean square of error

approximation) is 0.086. Though, the RMSEA value is on the higher side, it is within the acceptable range (Hair et al., 2006). Overall, the proposed structure shows acceptable fit with the sample data.

7. Conclusions

Given the findings, the researchers posit that unlike the five dimensions found by Mimouni-Chaabane and Volle (2010) namely, monetary savings, exploration, entertainment, recognition and social, the perceived benefits from loyalty program as per Indian customers are to be revised to four.

Spread across sixteen variables of the original scale, researchers find four factors: a) monetary benefits (three items); b) exploration benefits (three items); c) social benefits (three items); and d) ego pleasure benefits (seven items). In the Indian scenario, the entertainment dimension and the recognition dimension merge to form the ego pleasure dimension. This new dimension has been named 'ego pleasure' as the researchers find that the items hint at benefits that not only please the customers' ego but also make him feel important.

The EFA result also suggest that items 10 to 13 that made up the factor recognition benefits in the original scale, had also loaded with the social benefits factor in the Indian context. Thus, the scale fails to replicate the results of the original study with French respondents.

The findings clearly suggest that on validating the scale in a different country, one of the dimensions got lost in translation. Similar outcome was reported by Bose and Roy (2010) in their validation of the scale that measures satisfaction from service recovery. Boshoff (1999) developed the seventeen item scale on responses collected from New Zealand. However, on validating the same in India, Bose and Roy (2010) found that the scale was to be revised to thirteen items to maintain its objectivity.

The researchers opine that the most probable reason would be difference in internal stimuli processing between Indian and French members. The French are more exposed to the loyalty program phenomenon than the Indians and therefore, could be clearer about the various benefits a loyalty program can provide and therefore, clearly segregate the benefits they want or perceive to be provided by the loyalty program. In India, loyalty program market is in its fledgling stage and is restricted mainly to the urban populous and/or youth exposed to western lifestyle. Therefore, the members may not be analytical to the minutest detail about the particular benefits they require or perceive a loyalty program to provide. Hence it might be the case that exploration and recognition dimension from the original scale got merged in the Indian context. The members might actually take membership to get the hedonistic benefit of recognition and superiority as a customer and in the process consider the exploration benefits to be the obvious consequences.

Hofstede (2011) suggests that culturally India is different from France. Therefore, it may be a case that the benefits the Indians perceive from loyalty programs might actually differ from that of the French. However, the notion that

cultural differences affected perception of benefits that loyalty programs might provide, has to be empirically tested.

8. Discussion and managerial implications

The research throws light into the minds of the Indian customers with respect to perceived benefits from customer loyalty programs. It has shown that ego pleasure benefits are very important to an Indian customer for being a part of a program. Moreover, by validating the scale in the Indian context, the researchers have thrown light upon the all the probable perceived benefits a customer find in a customer loyalty program.

It must be kept in mind that the ultimate goal behind running a customer loyalty program is increasing sales. Therefore, this research will also benefit the managers in devising strategies for particular segments based on income and spending power. For example, even today loyalty programs are generally for the better-off sections of the society. In that case, the focus should be given on the 'ego pleasure benefits' to promote the programs. In contrast, marketers trying to get the loyalty of middle class segment should inform them about the monetary benefits of such programs. The nouveau riche (new rich) want social recognition acceptance, promotion should be made in the lines of social benefits.

Another purpose that the scale would serve is to enable marketers identify the key benefits that customers are seeking from particular loyalty programs. For example, in most of the loyalty programs run by music retailers, the majority of members are students, young adults and young executives or similar. For this class, the most important reason for joining a program is discount on purchases made. Therefore, for such a business, the most important requirement for a successful loyalty program would be monetary benefits. Airlines mostly have middle and senior executives, business men, professionals and high net worth individuals as their loyalty members. For them, the major reason might not actually be monetary savings but facilities such as upgrade to executive class, reserved lounge facilities, complementary tickets etc. Therefore, in airlines sectors the loyalty programs might require to be more focused on 'ego pleasure benefits' than the rest. Similarly, movie theatres and multiplexes have majority of the loyalty program members that join the program not only because of discount on tickets, but also for special screenings, movie previews, contests and other free movie merchandises. Thus, the movie theatre business has to look into the 'exploration benefit dimension' for their loyalty programs.

9. Contribution, Limitations and Scope

The article contributes to the existing body of knowledge on customer loyalty program by validating the scale in the Indian context. In doing so, the researchers were able to bring out the differences in the way members perceive benefits in India and France. Moreover, it opens up the possibility of further testing the scale in different

Perceived benefits of customer loyalty programs: validating the scale in the Indian context

cultural contexts. It also throws light upon strategies that marketers running such programs in India should undertake.

The analyses were conducted on information drawn from respondents from only two cities. The proportion of the respondents was heavily skewed in favor of the eastern Indian metro. Therefore, further research can be done using a more representative sample. Secondly, a larger sample size for both exploratory and confirmatory factor analyses might have suggested different interpretations.

This research opens up the scope of studying, analyzing and categorizing customers based on the importance they give on specific perceived benefits. Moreover, segmentation of the market can be done keeping one of the benefits as constant. For example, considering middle income individuals join loyalty programs for monetary benefits, what are the factors that help them choose a particular program over others. Such studies would be of immense benefit to marketers.

The loss of a dimension due to change in culture can be a topic of further investigation. The cultural effect on the scale can be studied from two perspectives: a) testing the scale in different countries having totally distinct cultures like China and the Arab countries; and b) finding the cultural antecedents that affect the changes in perception of benefits derived from something.

References

- Bolton, RN. Kannan R., & Bramlett, MD. (2000), "Implications of Loyalty Program Membership and Service Experiences for Customer Retention and Value", *Journal of the Academy of Marketing Science*, Vol. 28, No. 1, pp. 95-108
- Boshoff, C. (1999), "RECOVSAT: An instrument to measure satisfaction with transaction specific service recovery", *Journal of Service Research*, Vol. 1, No. 3, pp. 236-249
- Bose, S. & Roy, S. (2010), "Validating the RECOVSAT in the Indian context", *Romanian Journal of Marketing*, Vol. 5, No. 3, pp. 136-153
- Chandrashekar, M., Rotte K., Tax, SS. & Grewal, R. (2007), "Satisfaction strength and customer loyalty", *Journal of Marketing Research*, Vol. 44, No. 1, pp. 153-163
- Dowling, GR. & Uncles, M. (1997), "Do customer loyalty programs really work?", *Sloan Management Review*, Vol. 38, No. 4, pp. 71-82
- Dowling, G. (2002), "Customer Relationship Management: In B2C Markets, Often less is more", *California Management Review*, Vol.44, No. 3, pp. 87-104
- Duffy, DL. (2003), "Internal and external factors which affect customer loyalty", *Journal of Consumer Marketing*, Vol. 20, No. 5, pp. 480-485
- Hofstede, G. (1980), "Motivation, leadership and organization: Do American theories apply abroad?", *Organizational Dynamics*, Summer, pp. 42-63
- Hofstede, G. (1994), "The business of international business is culture", *International Business Review*, Vol. 3, No. 1, pp. 1-14
- Hofstede, G. (2011), "Geert Hofstede: Cultural Dimensions" available at: http://www.geert-hofstede.com/hofstede_dimensions.php (accessed November 28th, 2011)
- Hair Jr., J, Black, W., Babin, B., Anderson, R. & Tatham, R., (2006), *Multivariate Data Analysis*, 6th edition, Pearson Education, New Delhi

- Jang, D. & Mattila, AS. (2005), "An examination of restaurant loyalty programs: what kinds of rewards do customers prefer?", *International Journal of Contemporary Hospitality Management*, Vol. 17, No. 5, pp. 402-408
- Khan, K. & Khan, M. (2006), *The Encyclopedic Dictionary of Marketing*, Response Books, New Delhi
- Kim, B., Shi, M. & Srinivasan, K. (2001), "Reward programs and tacit collusion", *Marketing Science*, Vol. 20, No. 2, pp. 99-120
- Lewis, M. (2004), "The influence of loyalty programs and short-term promotions on customer retention", *Journal of Marketing Research*, Vol. 41, No. 3, pp. 281-92
- Liu, Y. (2007), "The long- term impact of loyalty programs on consumer purchase behavior and loyalty", *Journal of Marketing*, Vol. 71, No. 4, pp. 19-35
- Liu, Y. and Yang, R. (2009), "Competing loyalty programs: Impact of market saturation, market share and category expandability", *Journal of Marketing*, Vol. 73, No. 1, pp. 93-108
- Maxham III, JG. (2001), "Service recovery's influence on consumer satisfaction, positive word-of-mouth and purchase intentions", *Journal of Business Research*, Vol. 54, pp. 11-24
- Maxam III, JG. & Netemeyer, RG. (2002), "Modeling customer perceptions of complaint handling over time: the effects of perceived justice on satisfaction and intent", *Journal of Retailing*, Vol. 78, pp. 239-252
- McIlroy, A. & Barnett, S. (2000). Building customer relationships: Do discount cards work?. *Managing Service Quality*, 10 (6), 347-355
- Mimouni- Chaabane, A. & Volle, P. (2010), "Perceived benefits of loyalty programs: Scale development and implications for relational strategies", *Journal of Business Research*, Vol. 63, No. 1, pp. 32-37
- Nako, SM. (1997), "Frequent flier programs and business travelers: An empirical investigation", *Logistics and Transportation Review*, Vol. 28, No. 4, pp. 395-410
- Nair, S. (2009), "Loyalty model for the emerging Indian economy", available at: <http://www.ibsplc.com/blog/ttl-trends-and-industry/loyalty-model.html> (accessed on 28 April, 2009)
- Noordhoff, C., Pauwels, P. & Oderkerken- Shroder, G. (2004), "The effect of customer card programs: A comparative study in Singapore and the Netherlands", *International Journal of Service Industry Management*, Vol. 15, No. 4, pp. 351-364
- Morris, DS., Barnes, BR. & Lynch, JE. (1999), "Relationship marketing needs total quality management", *Total Quality Management and Business Excellence*, Vol. 10, No. 4, pp. 659-665
- O' Brien, L. & Jones, C. (1995), "Do rewards really create loyalty?", *Harvard Business Review*, Vol. 73, No. 3, pp. 75-82
- O'Malley, L. (1998), "Can loyalty schemes really build loyalty?", *Marketing Intelligence & Planning*, Vol. 16, No. 1, pp. 47-55.
- Oliver, RL. (1980), "A cognitive model of the antecedents and consequences of satisfaction decisions", *Journal of Marketing Research*, Vol. 17, No. 4, pp. 460-469
- Oliver, RL. (1999), "Whence consumer loyalty?", *Journal of Marketing*, Vol. 63, (special issue), pp. 33-44
- Rao, S. & Jain, D. (2009), "A multi variant analysis of loyalty programs in retail store in Delhi", *Advances in Management*, Vol. 2, No. 2, pp. 54-59
- Reinhold, FF., (1996), *The loyalty effect-the hidden force behind growth, profits and lasting value*, (pp. 909), Harvard Business School Press Books, Boston

Perceived benefits of customer loyalty programs: validating the scale in the Indian context

- Sharp, B. & Sharp, A. (1997). Loyalty programs and their impact on repeat- purchase loyalty patterns, *International Journal of Research in Marketing*, 14 (5), 473-486
- Shoemaker, S. & Lewis, RC, (1999), "Customer loyalty: the future of hospitality marketing", *International Journal of Hospitality Management*, Vol. 18, No. 4, pp. 345-370
- Smith, AK. & Bolton, RN. (2002), "The effects of customers' emotional responses to service failures on their recovery effort evaluations and satisfaction judgments", *Journal of the Academy of Marketing Science*, Vol. 30, No. 1, pp. 5-23
- Strauss, B., Schmidt, M. & Schoeler, A. (2005), "Customer frustration in loyalty programs", *International Journal of Service Industry Management*, Vol. 16, No. 3, pp. 229-252
- Szymanski, DM. & Henard, DH. (2001), "Customer satisfaction: A meta-analysis of the empirical evidence", *Journal of the Academy of Marketing Science*, Vol. 29, No. 1, pp. 16-35
- Turner, JJ. & Wilson, K. (2006), "Grocery loyalty: Tesco Clubcard and its impact on loyalty", *British Food Journal*, Vol. 108, No. 11, pp. 958-964
- Uncles, MD., Dowling, GR. & H, K. (2003), "Customer loyalty and customer loyalty programs", *Journal of Consumer Marketing*, Vol. 20, No. 4, pp. 294-316
- Verhoef, PC. (2003), "Understanding the effect of customer relationship management efforts on customer retention and customer share development", *Journal of Marketing*, Vol. 67, No. 4, pp. 30-45
- Yi, Y. & Jeon, H. (2003), "Effects of loyalty programs on value perception, program loyalty and brand loyalty", *Journal of the Academy of Marketing Science*, Vol. 31, No. 3, pp. 229-240
- Zaichkowsky, JL. (1985), "Measuring the involvement construct", *Journal of Consumer Research*, Vol. 12, No. 3, pp. 341-352
- Zeithaml, VA., Berry, LL., & Parasuraman, A. (1996), "The behavioral consequences of Service Quality", *Journal of Marketing*, Vol. 60, No. 2, pp. 31-46

Appendices

Exhibit 1: Rephrased items of the Mimouni- Chaabane and Volle (2010) Scale

I shop at lower financial cost	Monetary Savings
I spend less	
I save money	
I discover new products	Exploration
I discover products I wouldn't have discovered otherwise	
I try new products	
Collecting points is entertaining	Entertainment
Redeeming points is enjoyable	
When I redeem points, I'm good at myself	
They take better care of me	Recognition
I'm treated better than other customers	
I'm treated with more respect	
I feel I'm more distinguished than other customers	
I belong to a community of people who share the same values	Social
I feel close to the brand	
I feel I share the same values as the brand	

Exhibit 2: Output of the Confirmatory Factor analysis

CMIN

Model	NPART	CMIN	DF	P	CMIN/DF
Default model	38	353.508	98	.000	3.601
Saturated model	136	.000	0		
Independence model	16	1633.311	120	.000	13.611

RMR, GFI

Model	RMR	GFI	AGFI	PGFI
Default model	.081	.801	.724	.577
Saturated model	.000	1.000		
Independence model	.341	.339	.251	.299

RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	.086	.112	.141	.000
Independence model	.278	.266	.290	.000

Exhibit 3: Items in the Original Mimouni- Chaabane and Volle (2010) scale

Items
I shop at lower financial costs
I spend less
I save money
I discover new products
I discover products I wouldn't have discovered otherwise
I try new products
Collecting points is entertaining
Redeeming points is enjoyable
When I redeem points, I'm good at myself
They take better care of me
I'm treated better than other customers
I'm treated with more respect
I feel I am more distinguished than other customers
I belong to a community of people who share the same values
I feel close to the brand
I feel I share the same values as the brand