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Does card loyalty increase customer loyalty?

Evidence from a Swedish context with a regional focus

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ABSTRACT

Purpose: The aim of the study is to investigate if card loyalty increases attitudinal and behavioral loyalty of the customers, with a loyalty program (LP) membership.

Theoretical approach: The thesis is based on previous literature on loyalty programs and customer loyalty. The conceptual model proposed in the study ties card loyalty to the two loyalty dimensions of customer loyalty: attitudinal and behavioral loyalty.

Design/methodology: The study is conducted through a quantitative research design where data is collected through a survey. The self-reported questionnaires are sampled from social media users with active loyalty program membership with Coop.

Findings: The empirical data from the 93 qualified questionnaires and the data analysis, indicate a significantly positive influence between both card loyalty and attitudinal respectively behavioral loyalty. Furthermore, the findings indicate that composite loyalty is present in the researched setting, since a strong correlation between attitudinal and behavioral loyalty was found. Although, the two-tailed correlation led to a revisiting of the conceptual model, since behavioral and attitudinal loyalty could also influence card loyalty.

Practical implications: The findings of the study provide academic implications by showcasing LP effectiveness and create a methodology for regional LP research. The results also provide managerial implications for managers who contemplate updating or implementing a LP.

Originality/value: The study adds to loyalty program literature by investigating how card loyalty influences customer loyalty, within a sparsely researched nation with a regional focus.

Keywords: Loyalty programs, customer loyalty, loyalty schemes, card loyalty, loyalty card, attitudinal loyalty, behavioral loyalty, composite loyalty, brand loyalty.

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1. INTRODUCTION

1.1 Background of the study

Marketing has adopted a customer oriented focus, where customer relationship management (CRM) issues are becoming central to brands commercial activities (Bruneau, Swaen & Zidda, 2018). A common way to handle relationships with customers is through a loyalty program (LP) (Chen, Mandler & Meyer-Warden, 2021). Wright and Sparks (1999) explains how LPs are common practice within modern marketing in multiple industries, but can also be traced back to the 1800s. LPs, also called "loyalty schemes", can be defined as personalized systems of communication and actions by companies to offer customers' physical and nonphysical offers and rewards (Chen et al., 2021). A traditional LP gives customers points based on the purchase amount which can be used in future purchases as discounts. By offering rewards and offers to loyal customers, LPs can maintain both the customer's attitudes and behavior when interacting with the brand (Bruneau et al., 2018). LPs are becoming of greater importance and influence, because of their effectiveness in monitoring and influencing the customer's relationship to a brand (Chen et al., 2021).

The intention of LPs is to create customer loyalty which is defined as "*… a customer's commitment to do business with a particular organization, purchasing their goods and services repeatedly, and recommending the services and products to friends and associates*" (McIlroy & Barnett, 2000, p.348). The concept of loyalty is multidimensional and traditionally divided into two aspects of loyalty within the research field: behavioral loyalty and attitudinal loyalty (Dick & Basu, 1994; Samuelson & Sandvik, 1997). Behavioral loyalty considers actual purchases while attitudinal loyalty considers affection towards a brand or product (Yoo, Bai & Singh, 2020). When both behavioral- and attitudinal loyalty are simultaneously considered, "composite loyalty" occurs which is a third loyalty perspective (Yoo et al., 2020).

Within many industries, the customers accumulate benefits and offers from the LP through a loyalty card (LC). LCs are the customer's everyday way of interacting with the LP, when purchasing a brand's products or services (Rowley, 2005). LCs are traditionally plastic cards which are registered during purchases, which yield credits to be used in future purchases (Rowley, 2005). Chen et al. (2021) highlight the ongoing shift from traditional physical plastic cards, to virtual accounts managed through the customer's cellphone. Furthermore,

digitalization offers new and better opportunities to gather and structure data, while decreasing the operative costs of the LPs (Chen et al., 2021). Meanwhile, the technological advancements have allowed further use of LPs by brands within multiple industries which in turn has intensified the competition between LPs and customers' value requirements (Bombaij & Dekimpe, 2020).

1.2 Problem statement

Rowley (2005) argues that card loyalty and customer loyalty are separate phenomenons, which highlight the issue of what the customer is actually loyal to. While a customer can show both attitudinal- and behavioral manifestations of loyalty towards a brand, the same customer can fail to be "loyal" to their loyalty card (Rowley, 2005). Constant interaction with the LP has proved crucial to understand the full picture of customers' behavior and preferences (Bruneau et al., 2018; Wright & Sparks, 1999). Frequent LP interaction shows the customer's engagement with- and commitment to the brand, which in turn allows better data and opportunities for the brand to create customer loyalty (Bruneau et al., 2018). To summarize, card loyalty is thus the customer's continued habitual registration of the LC to interact with the LP (Rowley, 2005). Card loyalty is the customers' manifestations of loyalty towards the LP, while LCs are the interaction tool with the LP (Rowley, 2005).

While previous studies provide an ambiguous picture of the subject, the theoretical and empirical influence between LPs and customer loyalty is continuously investigated (Chen et al., 2021). On one hand, studies suggest that LP membership, claiming LP rewards and registering LCs is not enough to create customer loyalty (Bruneau et al., 2018; Nastasoiu & Vandenbosch, 2019). The widespread use of LPs causes shifts in preferences and loyalty in competitive industries, e.g. retailing (Ramanathan, Subramanian, Yu & Vijaygopal, 2017). The vast amounts of offers and rewards provided the customer create confusion which affect their purchasing behavior and timing. Due to a constant flow of benefits and offers, customers' tend to delay their purchases to time offers and price reductions (Ramanathan et al., 2017). Since many brands solely compete in price, this can often lead to price wars which causes decreased profitability within standardized industries such as retailing (Nastasoiu & Vandenbosch, 2019). Some researchers therefore argue that LPs are mere promotional gimmicks, which do not influence customer loyalty (Meyer-Waarden, 2015; Wright & Sparks, 1999).

On the other hand, research argues that LPs have potential, but improvement is required to create loyal customers due to the competition (Bruneau et al., 2018; Nastasoiu & Vandenbosch, 2019; Bruneau et al., 2018). Creating differentiated and truly desirable offers and personalized communication can make LPs a competitive advantage within standardized industries (Nastasoiu & Vandenbosch, 2019). Furthermore, creating further LP engagement by customers can influence their loyalty towards the brand (Bruneau et al., 2018). Other studies suggest that more traditional LPs also can positively impact customer loyalty since LP membership alone, can positively influence behavioral and attitudinal loyalty (Noordhoff, Pauwels & Odekerken-Schröder, 2004; Turner & Wilson, 2006).

A popular industry to investigate LPs impact on customer loyalty is grocery retailing, where foreign brands such as Tesco have been researched (Rowley, 2005; Rowley, 2007; Turner & Wilson, 2006). Furthermore, nationally comparative studies have been conducted about LP effectiveness within the industry (Bombaij & Dekimpe, 2020). Studies suggest an increased competition and a new technological frontier of LPs, which urges further assessment of the effectiveness of traditional LPs (Bombaij & Dekimpe, 2020; Chen et al., 2021).
Furthermore, there are limited studies within the Swedish context. Lundberg and Lundberg (2010) have conducted a Swedish study and found that LPs positively affect the choice of food retailer for large purchases. The study also found that geographical distance and store characteristics are influential factors in the choice of retailer (Lundberg & Lundberg, 2010). Although, there is no prior research investigating the influence of card loyalty on customer loyalty, within a Swedish grocery retailing brand. Furthermore, there are no studies which investigate the influence, within a regional perspective.

1.3 Research aims and objectives

The purpose of the study is to investigate if card loyalty increases attitudinal and behavioral loyalty of the customers. The present study investigates the Swedish grocery retailer Coop, with a focus on the geographical area of Gävleborgs län. The study adds to customer loyalty research by examining customer loyalty's relationship to LPs, in a geographically centrated context in a sparsely researched nation.

1.4 Research Question

To achieve the study objectives the researchers have formulated the following research questions:

RQ1: How does card loyalty influence attitudinal and behavioral loyalty of the customers?

1.5 Significance of the research

While some studies showcase the effects of LPs in relation to customer loyalty aspects (Noordhoff et al., 2004; Rowley, 2005), there is primal emphasis on LP structure within the research frontier (Chen et al., 2021). Considering LCs important role as the customer's interaction tool with the LP and the brand's main data collection method of the customers' preferences and attitudes, the effectiveness of the cards is crucial for brand's CRM-activities. The technological advancements within the area calls for continued investigation (Bombaij & Dekimpe, 2020; Chen et al., 2021), to evaluate if standard LPs still are generating brands' desired results. The general requirements on LPs are e.g. higher amongst "Millennials" used to technology, which expect personalized communication, modern payment solutions and gamification (Nesset, Bergem, Nervik, Sørlie & Helgesen, 2021). If LPs are no longer matching customer requirements, there are incentives for not only updating LPs (Bruneau et al., 2018; Nastasoiu & Vandenbosch, 2019) but also update the ways in which the customer interacts with LPs (LCs).

Furthermore, present issues such as the GDPR regulations, are a hindrance in the development of LPs and customer motivation in sharing all data required to map customer behavior (Nesset et al., 2021). Since companies urge customers to share their data the return value of the data exchange is evaluated in a larger context, than simply the concerned company's usage of the data (Nesset et al., 2021). The customers' consciousness about data sharing urges brands to carefully gather the right amount of qualitative data through reliable sources. In turn, this highlights the importance of further investigating LPs effectiveness, also as a data collection method.

Lastly, the study will further investigate LPs effectiveness on customer loyalty within a new context, thus generating theoretical contributions to existing research about LP effectiveness (Chen et al., 2021; Noordhoff et al., 2004). Furthermore, the findings will provide useful insights to brands and marketers, contemplating to create or update a LP. Lastly, the findings

may deem interesting for customers' and other organizations to understand how LPs can influence loyalty intentions.

1.6 Delimitations of the study

The study is limited to a regional investigative approach, focusing on Gävleborgs län. Therefore, respondents with residence in other regions were excluded from the study. Furthermore, the study is limited to investigate how card loyalty influences customer loyalty in the context of Coop, thus limited to investigate findings in regards to the specific brand. The study is also limited to investigate how card loyalty's influence on attitudinal and behavioral loyalty, thus limited to investigate these variables of customer loyalty. The survey questions are based on the literature framework and therefore limited to the literature addressed in the study.

1.7 Structure of the study

The present thesis consists of six sections. The first section contains an introduction to LPs and customer loyalty elements, the problem statement, the chosen research objective and the research question. The second section contains the literature review of the research frontier, hypothesis development of the thesis and the proposed conceptual model. The third section describes the methodological choices, the research design, the data collection process, ethical issues, the survey data, method of data analysis and statistical tests. The fourth section portrays the empirical findings. The fifth section discusses the research findings and variables. Lastly, the sixth section provides a conclusion of the thesis, the academic and managerial implications, the limitations of the study and future research opportunities.

2. LITERATURE AND THEORETICAL FRAMEWORK

2.1 Customer loyalty

Pesonen, Komppula and Murphy (2019) argue that the goal of management and marketing strategies is to engage customers with the brand and increase customer loyalty. By obtaining customer loyalty, the brand can expect a larger commitment, positive word-of-mouth, a larger share-of-wallet and a higher profitability, from the customer. Turner and Wilson (2006) describe how customer loyalty can strive from quality, location, price and accessibility. Research also debate whether customer loyalty is uniquely tied to a brand and product, or if a multiple faceted loyalty can occur across products, brands and different LPs (Pesonen et al., 2019).

There is an overall ambiguity in previous research about customers' interest to engage in long term relationships with brands (Wright & Sparks, 1999). On one hand, there is evidence that customers seek a connection to brands to reduce uncertainty by creating a sense of belonging (Wright & Sparks, 1999; Yoo et al. 2020). On the other hand, findings also suggest that customers simply are interested in the benefits of the relationship rather than the relationship itself (Pesonen et al., 2019; Wright & Sparks, 1999). To summarize, the multiple aspects within the loyalty concept portray a complex phenomenon dependent on multiple factors (Dick & Basu, 1994).

2.2 Loyalty programs

Research suggests that LPs promote mutual exchange, where the customer tends to be more willing to invest in a brand, which is investing in the customer (Rowley, 2007). Recent research also shows a variety of impact areas for LPs.“*The main objective of a customer loyalty program is to preserve and retain customers and, at the same time, enhance future revenue from customers, thereby increasing profit*” (Agarwal & Mahrotra, 2018, p. 311). A prominent LP can attract and retain customers, while enhancing repeat purchase behavior, to ultimately increase the customers’ perceived value of the firm’s services or products (Agarwal & Mahrotra, 2018). A more general definition of LPs is “...*tools for building brand equity*”, where different actions within the program can fulfill different goals (Nastasoiu & Vandenbosch, 2019, p.208). LPs can have multiple or various focus areas in e.g. creating word-of-mouth or increase the company’s’ share of the customers’ purchases.

Within the hotel industry, LPs are considered as key activities in creating customer loyalty and maximize the customer lifetime value (Koo, Yu & Han, 2020; Pesonen et al., 2019). Since hotels have difficulties in differentiating their services they mainly focus LP activities to attract new customers. The industry has large operative expenses through staffing and fixed costs while there are few strategies to increase revenue (Koo et al., 2020). LPs is considered as a key strategy to increase repeat visits by guests, since maximizing income per guests is a long-term activity within the industry. The LP serves as a way for the customer to create a bonding experience with the hotel chain throughout their lifetime, which in turn maximizes the share of the customer's time value (Koo et al., 2020).

Although, the research on the true effects on customer loyalty and their long-term effectiveness are ambiguous (Pesonen et al., 2019). Loyalty programs tend to fail in their accounts for customer behavior and customer types, since the data has limitations in the ability to determine the true intentions of the customers (Pesonen et al., 2019). While research supports that LPs increase repeat purchases from customers, the same studies argue that that service level and value exchange, is more important than the rewards of LPs, when choosing a hotel chain (Pesonen et al., 2019). Furthermore, Pesonen et al. (2019) discusses whether LPs are a necessity within certain industries such as hospitality, due to the widespread praxis of LPs. Since customers are often members of several different programs, they tend to base their purchases on price and thus exploit LPs (Pesonen et al., 2019).

Extensive research about LPs has also been conducted within our researched industry, grocery retailing (Rowley, 2005; Rowley, 2007; Turner & Wilson, 2006). While there are differences in LPs of the hotel and the grocery retailing industry, they are both featured by standardization, similarities resulting in price competition and low switching costs (Nastasoiu & Vandenbosch, 2019). Within these industries, LPs can serve as a tool of competition and differentiation instead of price wars, which decreases margins and profits for the entire industry (Nastasoiu & Vandenbosch, 2019). Prior LP research has only considered limited contexts in different industries, which results in ambiguous and contradictory findings (Bombaij & Dekimpe, 2020). In turn, this creates confusion rather than clarity for managers about the effects, benefits and flaws of LPs.

While the ultimate goal of LPs is to *"...be in sync with a customer's behavior and expectations..."* there are few guidelines to create successful LPs (Agarwal & Mahrotra,

2018, p. 312). In settings where there are few competing LPs, the effectiveness in retailer performance is higher (Bombaij & Dekimpe, 2020). This could be explained by the larger area of differentiation which occurs, when competing alternatives are absent. Noordhoff et al. (2004) also found that the number of competing LPs and the customers familiarity with LPs, influence both attitudinal and behavioral loyalty. Although, LPs are common practice within multiple industries which urges companies to create differentiated programs (Chen et al., 2021; Nastasoiu & Vandenbosch, 2019).

Agarwal and Mahrotra (2018) suggests that a successful LP has a differentiated mix of monetary and non-monetary rewards, to attract a wide group of customer interests. A balance is furthermore required between attracting new members and improving the LP offers, to both retain and recruit members. When communicating with customers, it is especially important to highlight the differences to competing LPs in terms of financial benefits while encouraging application for membership (Agarwal & Mahrotra, 2018). Nastasoiu and Vandenbosch (2019) also suggests alternative ways of creating a competitive LP based on non-monetary incentives. The research urges modern LPs to create truly desirable and differentiated rewards, personalized rewards and tend to additional needs, to make the LP a source of competition (Nastasoiu & Vandenbosch, 2019). The requirements on LPs are furthermore higher amongst younger generations used to technology, which expect personalized communication, modern payment solutions and gamification (Nesset et al., 2021).

2.3 Attitudinal loyalty

Noordhoff et al. (2004) define attitudinal loyalty as an ongoing psychological process which is influenced by the customer's attitude and preferences. Attitudinal loyalty is therefore the customer's gathered affective and cognitive processes, which create a mental and emotional bond to a brand (Noordhoff et al., 2004). Furthermore, Meyer-Waarden (2015) describes how behavioral loyalty towards a brand is built upon positive trust signals, attitudes and a simultaneous attachment. To evaluate the attitudinal loyalty of customers, a brand should evaluate the commitment, general perception, willingness to recommend the brand and the favorability of the brand, among their customers (Noordhoff et al., 2004).

Research highlights how customers' perceived value of LPs can influence attitudinal loyalty, through the relationship of satisfaction, image and loyalty (Nesset et al., 2021). The findings

of the study shows that "*...satisfaction creation, image building, and loyalty program value creation are parallel processes*" (Nesset et al., 2021, p.8). The quality of service and price have a lower effect than LP value, on total customer loyalty. This in turn indicates that companies should increase the customer perceived value of LPs rather than creating attractive pricing and service quality, to increase LPs performance thus also customer loyalty (Nesset et al., 2021).

Baker and Legendre (2021) argue that customers affect each other's attitudes by comparing received benefits and value of their purchases. Therefore, customer attitudes and preferences are not an independent phenomenon created in a vacuum, but rather contain an interdependable social creation process (Baker & Legendre, 2021). Results of the study suggest that attitudinal loyalty intention decreases, when customers can see similar benefits and rewards to their own, being obtained by less effort of other customers. In turn, this urges for a fairness within loyalty programs and their reward structure, since information about LP rewards and benefits are easily accessible by customers about other customers (Baker & Legendre, 2021).

2.4 Behavioral loyalty

Bruneau et al. (2018) explain how behavioral signals from customers' often determine the success of LP initiatives by brands. Since brands strive to create engagement with the brands products and services, the factual actions of the customer is naturally fundamental. Bruneau et al. (2018) explain how redeeming loyalty points or registering a LC, is considered as common behavioral manifestations within customer loyalty theory. Meyer-Waarden (2015) explains how indicators to measure behavioral loyalty are e.g. repeat purchases and mean purchasing amount. To e.g. predict potential repeat purchase opportunities, brands should measure indicators such as proportion of the purchases and purchase probability (Dick & Basu, 1994). The benefits of obtaining behavioral loyalty is that "*Once a behavior becomes habitual through repeated past experiences, it becomes relatively free of cognitive appraisal*" (Dick et al., 1994, p.104).

Yoo et al. (2020) have studied behavioral loyalty from a longitudinal viewpoint, to determine whether LPs increase the lifetime value of casino customers'. An LPs effectiveness is determined based on "*... purchasing loyalty, which is represented in the members' behavioral*

changes" (Yoo et al., 2020, p. 47). LPs strive to promote further point accumulation through purchases, until the customers obtain the reward. In turn, customers tend to continue relationships where they obtained points since they anticipate positive outcomes and rewards in the future (Yoo et al., 2020). The findings of the study suggest that LPs gradually increase visits and monetary value of customers over time, thus customer lifetime value. LPs therefore increase behavioral loyalty by promoting gradual change in the customers' behavioral manifestations (Yoo et al., 2020

Bombaij and Dekimpe (2020) highlight how the grocery retail industry can benefit from basic LPs with direct rewards to promote behavioral loyalty (Bombaij & Dekimpe, 2020). However, more complex reward structures and multi-corporate LPs, prevents the adoption of LPs among customers. More complex LP reward schemes could motivate a higher spending among groups of customers, while it discourages other groups of customers (Bombaij & Dekimpe, 2020). The research finds that the negative effects outweigh the positive effects, since "*... failure to reach certain thresholds might evoke negative associations due to goal-failure, demotion and envy of lower-rank members*" (Bombaij & Dekimpe, 2020, p.192).

Although, critique is raised against LPs ability to create behavioral loyalty. Findings suggest that some customers are willing to adapt their behavior to LP offers and rewards, while other customers refuse behavioral change based on the rewards offered (Wright & Sparks, 1999). Some customers also do not want to be identified by their purchasing habits, which proposes further challenges in creating behavioral loyalty (Wright & Sparks, 1999). Findings also suggest that the behavioral loyalty portrayed through LPs is spurious and doesn't create true commitment (Rowley, 2007). Lastly, the behavioral manifestations of LPs, such as point redeeming and LC registration, are suggested as superficial levels of loyalty (Bruneau et al., 2018). In turn, deeper levels of behavioral loyalty such as customers' information receptiveness, adaptation of purchasing behavior and LP recommendation, indicates further engagement and deeper levels of behavioral loyalty. LPs should therefore promote manifestations beyond superficial levels of loyalty (Bruneau et al., 2018). Koo et al. (2020) argue that behavioral loyalty manifestations strive from the customer understanding the full extent of value, find the offers attractive and realize the switching cost to other LPs.

2.5 Card loyalty

Data generated through loyalty card registration is crucial to understanding the customer's true behavior, therefore the customer's LC needs to be registered in every purchase (Wright & Sparks, 1999). Companies need to promote constant LC usage, even in small purchases which don't generate loyalty points, to obtain credible data about customer behavior (Wright & Sparks, 1999). Following this argument, challenges appear when there is a joint ownership of LCs among e.g. families and friends, since it generates less qualitative data (Rowley, 2005).

Bruneau et al. (2018) explain that customers frequently join LPs but often fail to engage with the programs and their offers. Statistics show that an average household in the U.S have 29 active LP memberships, but only use loyalty cards to get rewards and points from 12 of these LPs. The same pattern occurs within France, where customers' only actively use half of their loyalty cards (Bruneau et al., 2018). The findings suggest that companies are effective in recruiting new members but fail to engage the customers into long-term relationships with present LPs. Nesset et al. (2021) also suggest that companies should allocate resources to enlarge the customer perceived value rather than the number of LP members, since it creates more profitable relationships to- and higher loyalty among customers. (Nesset et al., 2021).

2.6 Hypothesis development

Critics against LPs argue that they portray fractional data about customers which cannot be processed correctly (Rowley, 2007). Furthermore, previous findings suggest that card registration and LP point redemption are superficial manifestations of loyalty (Bruneau et al., 2018). Critique is also raised about LPs acting as simple discount tools, where customers' exploit the best available temporary offer without loyalty intent (Pesonen et al., 2019; Rowley, 2007; Wright & Sparks, 1999). Thus, the study proposes the following hypotheses:

H1a: Card loyalty has a non-significant impact on attitudinal loyalty.
H2a: Card loyalty has a non-significant impact on behavioral loyalty.

Although, the benefits of LP memberships have been highlighted in previous research. In the context of Tesco, Turner and Wilson (2006) found that customers who own a LC are more likely to be loyal customers. Wright and Sparks (1999) also suggests that simply owning a

LC can influence customer behavior positively for brands, even if the card is not actively used. Furthermore, Tesco utilizes the gathered customer data as a competitive advantage by identifying customer groups, creating individual rewards and personalized advertising (Rowley, 2007). Chen et al. (2021) also highlights the positive outcomes of LP digitalization, which provide optimized resource allocation and better data structuring. Lastly, a positive influence between LPs and both attitudinal loyalty and behavioral loyalty has previously been identified (Chen et al., 2021; Noordhoff et al., 2004). The findings are ambiguous about LPs extent of influence on customer loyalty, but a common theme within previous research is an evaluation of the influence. Thus, the study also propose the following hypotheses:

H1b: Card loyalty has a significant positive impact on attitudinal loyalty.
H2b: Card loyalty has a significant positive impact on behavioral loyalty.

2.7 Conceptual model

Figure 2.7 shows our proposed conceptual model for the present thesis. The model is based on LP literature which has evaluated and investigated the influence of card loyalty on customer loyalty (Chen et al., 2021; Noordhoof et al., 2004; Rowley, 2005; Wright & Sparks, 1999). The reviewed literature related to LPs and customer loyalty, has generated three loyalty dimensions of investigation in the thesis: Card loyalty, attitudinal loyalty and behavioral loyalty (Dick & Basu, 1994; Rowley, 2005; Wright & Sparks, 1999; Yoo et al., 2020).

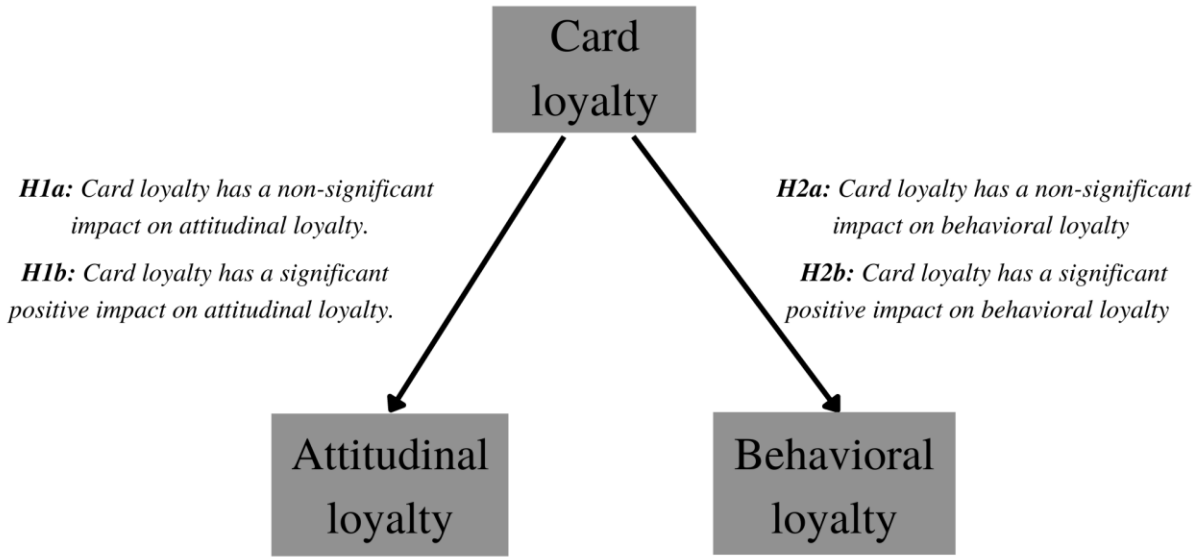


Figure 2.7: Conceptual model

Figure 2.7 illustrates how the thesis intends to investigate the relationship between card loyalty and attitudinal and behavioral loyalty. The conceptual model proposes a direct impact on attitudinal respectively behavioral loyalty, when the customer displays card loyalty. The model thus indirectly proposes an impact on customer loyalty when card loyalty is present, since customer loyalty consists of attitudinal and behavioral loyalty (Dick & Basu, 1994; Yoo et al., 2020).

3. METHODOLOGY

3.1 Research approach

The study is based on established previous theory about LP and consumer loyalty. The study seeks to test whether behavioral and attitudinal loyalty increase among customers portraying card loyalty in a new context, where the grocery store Coop's LP on the Swedish market is studied. The theory in the field has resulted in four hypotheses that are being tested within this new context. This leads to the study taking a deductive approach as hypothesis testing is part of this school (Bryman & Bell, 2017). The study has also a quantitative approach where a survey was conducted with quantified answers. Bryman and Bell (2017) explain that deduction fits well when you collect quantitative data in the form of numbers and thus have a quantitative approach.

3.2 Research design

The study seeks to find answers about whether consumers who portray card loyalty also show loyalty on a deeper level to Coop's brand. It was therefore natural to collect data directly from the customers. The research design chosen was a cross-sectional design where the most suitable method for obtaining these answers was a questionnaire survey. This is because cross-sectional design is well suited to receive responses from multiple cases simultaneously (Bryman & Bell, 2017). This was needed to be able to analyze the LP members and answer the research questions. This design also provides the possibility, through quantification, to find patterns and connections (Bryman & Bell, 2017). This was considered important to be able to answer our questions.

3.3 Data collection method

As mentioned, the study used a questionnaire survey as the primary data collection method. This is because this method falls within the deductive and quantitative compartment. More specifically, a self-reported online questionnaire was used. This particular data collection method was used because it provided many benefits from a researcher perspective. Mainly this method makes it possible to effectively reach a large volume of respondents within the specified population. Furthermote, the method makes it possible to obtain a sample size which makes it possible to draw generalizable conclusions and which also reduces the risk of errors (Bryman & Bell, 2017). At the same time, we considered it important to get correct

answers and that questionnaires often give more honest answers than a method in the form of an interview (Bryman & Bell, 2017).

3.4 Research context and sampling design

3.4.1 Gävleborg and Coop: the regional context

Gävleborg County is located in the southeastern part of northern Sweden (Wikipedia, 2021). The county consists of ten municipalities, is Sweden's seventh largest county in area size and eleventh largest county in population (Wikipedia, 2021). There are 27 Coop stores of different sizes located within Gävleborg County (Coop, n.d.). The stores within the region are managed by a "Coop Mitt" customer association (Coop, n.d.).

3.4.2 Coop's Loyalty program

Coop is one of Sweden's biggest grocery retailing chains, with 800 stores in the country (Coop, n.d.). Coop describes themselves as the green brand of the industry, with a big focus on sustainability. Coop's stores are managed by 28 consumer associations, while the brand itself is a Cooperative owned by its 3,7 million members (Coop, n.d.). The regulation and management of the business is performed by Coop Sverige AB, which in turn is owned by some of the consumer associations. (Coop, n.d.). By becoming a member in Coop's LP, the customer therefore becomes a part owner.

The LP of Coop is called "Coop medlem", which awards the customer loyalty points from purchases at the stores. (Coop, n.d.). The customer registers their purchases to the LP through a Coop LC or a Coop mastercard. The LC only accumulates loyalty points in purchases from Coop's stores, while the mastercard accumulates points per SEK (Swedish crown) totally spent on the card (Coop, n.d.). Although, the point accumulation levels for both cards are based on the customer's spendings. The customer receives 0,5 points per spent SEK up to 1000 SEK, which then increases by 0,5 points per 1000 SEK spent (Coop, n.d.). Coop's LP collaborates with Coop's partners, where customers' also accumulate extra loyalty points by using the Coop mastercard in the partners' online stores (Coop, n.d.).

The received points are available for 36 month, which can be spent in future purchases through vouchers tied to the LC or be used in the LP "point-shop" (Coop, n.d.). An independent study shows that Coop's LP award the customers' the most bonus of all the

Swedish grocery retailers. Due to the point structure, a connected credit or debit card proved to be the most beneficial for maximizing the rewards and offers (Coop, n.d.).

3.4.3 Population

The population in the study consists of individuals living in Gävleborgs län in Sweden who have a Coop's LC. By using control questions in the survey, we ensured that the right population participated in the study. A known limitation is that part of the population may have been excluded from participation, since we conducted the survey online and not all customers of Coop are active online.

3.4.4 Sample size

The aim was to receive as many answers as possible in the survey. A total of 101 respondents answered the study and because of the limited time frame we had to settle with that sample size and move on with the analysis. With a model of five or fewer constructs a minimum sample size of 100 is suggested (Hair, Black, Babin & Anderson, 2014).

3.4.5 Sampling technique

The survey was designed digitally through Google forms for easy administration and dissemination. Furthermore, the non-probability sampling method convenience sampling was adopted because it was the most suitable way to reach as many respondents as possible in the study.

The survey was spread through social channels on the internet, where Facebook was the most used channel. Surveys were shared in different interest groups, through the researchers' private channels and through direct contact with relevant respondents. One limitation is that the researchers' private networks have a larger proportion of people of their own age, which means that the selection is affected. The study was limited in time and scope, which made it difficult to carry out a random selection and why a convenience selection was chosen instead.

3.5 Structure of the survey

To design the survey, we used the collected previous research on LPs and customer loyalty. The theory provided clear divisions and well-founded questions to ask in the survey. The study was further divided into different sections based on previous theory. We chose to keep the survey relatively short as it tends to give more answers and reduce survey fatigue (Bryman & Bell, 2017).

Initially, control questions were asked about the respondent's holding of Coop's LC and if they lived inside the geographical research area. Furthermore, two personal factual questions were asked in order to later be able to segment the answers based on different demographic denominators. The demographic questions we asked included the person's gender and age. Lastly a question about the amount of grocery LP's the respondent participates in.

In the next part of the study, we narrowed down the different theoretical areas within customer loyalty into the three sections card loyalty, attitudinal loyalty and behavioral loyalty. To get the answers in the following sections quantifiable and more nuanced than yes and no answers, a Likert scale coded with a rating of one to five was used. This where one equivalent "not correct at all" and five equivalents are "fully correct". This is a great method when conducting a survey and when measuring different attitudes of the respondents (Bryman & Bell, 2017). This method also makes the answers easy to code and then to analyze the connections between the answers (Bryman & Bell, 2017). We also chose to ask four questions within each section to create a multi-indicator measure. This so the answer from one question would not reflect the entire section and affected the study in a negative way (Bryman & Bell, 2017). The reason for using closed questions was because it is easier to compare these answers as the risk of variation decreases (Bryman & Bell, 2017).

In the first section, three questions were asked that highlighted the respondents' card loyalty. This is to measure whether the respondents felt that Coop's LC actually created card loyalty. The questions that the respondents needed to consider were: *"I always register my Coop card when I shop at Coop.", "The Coop card makes me shop more often at Coop.", "The Coop card makes me a loyal customer at Coop"* and *"I receive a greater value by registering my Coop card with each purchase".*

Section two instead asked questions aimed at answering customers' attitudinal loyalty. This is to be able to analyze whether Coop's LC created loyalty beyond card loyalty and within the defined area attitudinal loyalty. The questions in this area asked to the respondents were: *"If it's further to Coop than another grocery store, I still go shopping at Coop", "Coop is my favorite grocery retailer.", "If someone asks which grocery store is best I would recommend Coop"* and *"I think Coop's membership offers and points system are fair to me as a member".*

In the last section, the question was instead aimed at answering customers' behavioral loyalty. This with the same purpose as above, to be able to analyze whether Coop's LC created loyalty beyond card loyalty and within the defined area of behavioral loyalty. The questions the respondents needed to consider were: *"I usually shop at Coop.", "Coop is my first choice of store for purchasing groceries", "I will continue to shop frequently at Coop in the future"* and *"It is easy to understand and achieve different reward levels in Coop membership programs"*.

3.6 Ethical issues of survey

In conducting this survey, the ethical aspects concerning Swedish research have been fully applied in order for the respondents to feel secure participating in the survey and that their personal data and answers are handled correctly. We made sure to meet the information requirement, false predictions and the usage requirement (Bryman & Bell, 2017). This is done by informing all respondents about the purpose of the study and that their answers would only be used to fulfill this purpose. Furthermore, we clarified that participation was voluntary and that we did not collect any information made possible for the respondents' anonymity to be curtailed. This so that the participants could not be harmed by participating in the study. Through this, we therefore met the requirements that the participants should not be harmed by the survey, the anonymity requirement and the consent requirement (Bryman & Bell, 2017).

3.7 Method of analysis

In the study, a linear bivariate regression analysis is performed where we set two variables against each other to look at the relationship and affection (Bryman & Bell, 2017). In this study, these two variables are about the relationship between card loyalty and attitudinal loyalty respectively behavioral loyalty. Answers to one of these specific concepts were summed up to create a summated scale in a composite measure. This is because it reduces the risk of error (Hair et al., 2014). Since we cannot determine that the distance between the different categories in the questions is the same, we treat the answers as ordinary variables.

Through the use of Google forms, we had the opportunity to export data to an Excel file that made it possible to design a contingency table with small efforts (Bryman & Bell, 2017). We

later used this table to perform our analysis through the IBM SPSS Statistics computer program. First a confirmatory factor analysis was conducted to clarify that factors summed to explain one concept actually measure the underlying concept and were unidimensional. Also before the summated scales were constructed, calculations of the variables reliability was conducted. The reliability score was conducted with Cronbach's alpha. After these tests were conducted we combined the questions answering one concept in the survey to summated scales. Then a normal distribution test was conducted to check that the sample from the survey was from a normally distributed population (Hair et al., 2014).

When this was cleared the correlations between the concepts were carried out. Since the answers were ordinary variables the correlation analysis was conducted with Spearman's rho (Bryman & Bell, 2017). We conducted the correlation to clarify if any connection was found (Hair et al., 2014). Finally a regression analysis was conducted to check if the dependent variable club card loyalty has any effect on the independent variables attitudinal and behavioral loyalty (Hair et al., 2014).

3.8 Reliability, validity and replicability

There are three areas to highlight for a cross-sectional design study to meet the requirements for a credible study. These are reliability, validity and replicability (Bryman & Bell, 2017). We are aware that there are limitations in our study in several areas and that the scope and time frame of the study is a major causal factor in this.

Reliability in quantitative research includes three areas (Bryman & Bell, 2017). Firstly, stability, which aims to ensure that if research is carried out at a later stage, respondents' responses should not fluctuate (Bryman & Bell, 2017). Because this essay is performed within a time-limited framework, we are aware that we do not have control over this parameter and that this can therefore be questioned in our work. Secondly, internal reliability, aims to ensure that the indicators on scales in the survey are reliable (Bryman & Bell, 2017). This concerns this study as the Likert scale is used. To ensure that the questions are related to the areas we seek answers to, factor analysis, Cronbach's alpha and normality test was conducted. This with the questions the theory raises to answer these different types of loyalty. Thirdly, inter-assessor reliability concerns studies where there are several researchers and where the data collected is interpreted (Bryman & Bell, 2017). As this study collection

method is a questionnaire that is answered without the researchers' presence and where the questions are closed, this credibility requirement is not something we need to worry about in this study.

Validity includes in quantitative research whether the measurements and indicators are correct. Four areas of validity are often highlighted in quantitative research (Bryman & Bell, 2017). Firstly, conceptual validity, which is about the study measuring the right measurements (Bryman & Bell, 2017). We are aware that loyalty is an abstract area that researchers have explained in different ways for decades and that it can be difficult to draw conclusions in a study like this on loyalty. We are therefore not seeking to find an unambiguous answer to this, but we will see if the respondents show higher brand loyalty of different types by owning and using Coop's LC. Secondly, internal validity aims to determine whether the study has a causal relationship (Bryman & Bell, 2017). As previously highlighted, we seek to find a connection between card loyalty and attitudinal loyalty respectively behavioral loyalty. With that said, we are aware that this study does not answer if there is a causal relationship about cause and effect, but that we can find out whether a correlation exists or not.

Thirdly, the external validity deals with the generalizability of the study is also something that is difficult to achieve in a study where non-probability selection has been chosen, due to the time horizon (Bryman & Bell, 2017). This means that the study will not be able to draw any generalizable conclusions. Fourthly, ecological validity, which means that answers that are technically valid may still not be applicable in everyday life (Bryman & Bell, 2017). Since the respondent in the study is responsible for their own opinions, it can be assumed that they respond based on their own ability and what they believe. However, this does not necessarily mean that it is true and therefore the validity of the study could have been strengthened by performing further data collection through a method other than survey. This to complement the survey's answers and get a more accurate picture of reality and everyday life of the phenomena we are looking at.

Replicability is the third area to consider. This is about being as transparent and descriptive as possible in the research so that the opportunity to replicate the study at a later time should be available to other researchers (Bryman & Bell, 2017). We have therefore been as nuanced

and detailed as possible in the study. This by explaining the purpose, approach and results of the research to facilitate a later replication.

3.9 Data from the survey

Under these sections the answers from the survey are presented in the order they were asked. In total 101 respondents answered the survey.

3.9.1 Eligibility of respondents

In the first question, the respondents answered whether they live in Gävleborg. This is to screen out the people who responded and do not live in Gävleborg. The figure below states the answers that the respondents provided on this question. The blue area in the circle represents yes, which corresponded to 97 answers and the red area no, which corresponded to 4 answers. The 4 respondents who answered no did not meet the requirement to participate in the study and therefore their answers have been removed in the later analysis. The reason why the colors are presented as "ja" and "nej" is that the study was performed in Swedish and these are the Swedish words for yes and no. This applies to figure 2 and figure 3 below also.

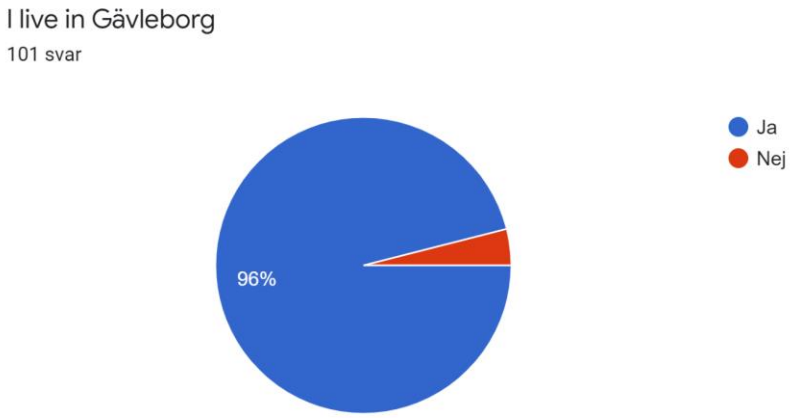


Figure 1. "I live in Gävleborg". (Source: the study survey about Coop LC)

Question two was also a type of control question, this to check that the respondents were members of Coop's loyalty program. Here it turned out that 95 respondents were this but that 6 respondents were not this. Here too, we have therefore later in the analysis screened out the answers that do not meet the study's requirements.

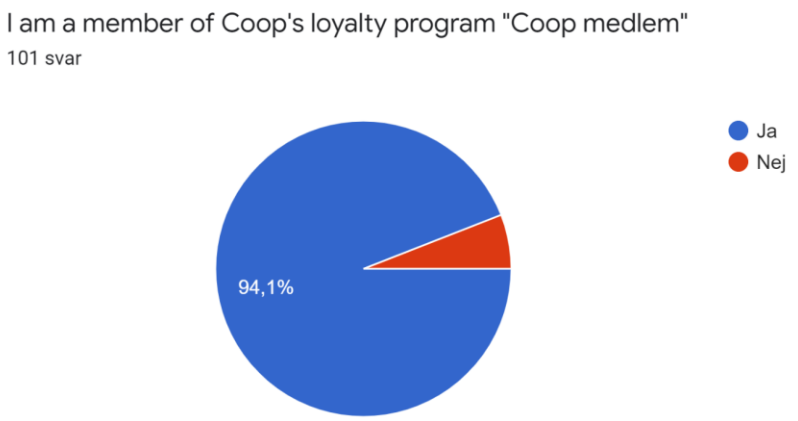


Figure 2. "I am a member of Coop's loyalty program". (Source: the study survey about Coop LC)

In the last control question, we ensured that the respondents were aware of the ethical aspects of the study and asked if they agreed with them. 100 respondents accepted this while 1 respondent did not. The responses from the respondent who did not accept this were therefore removed.

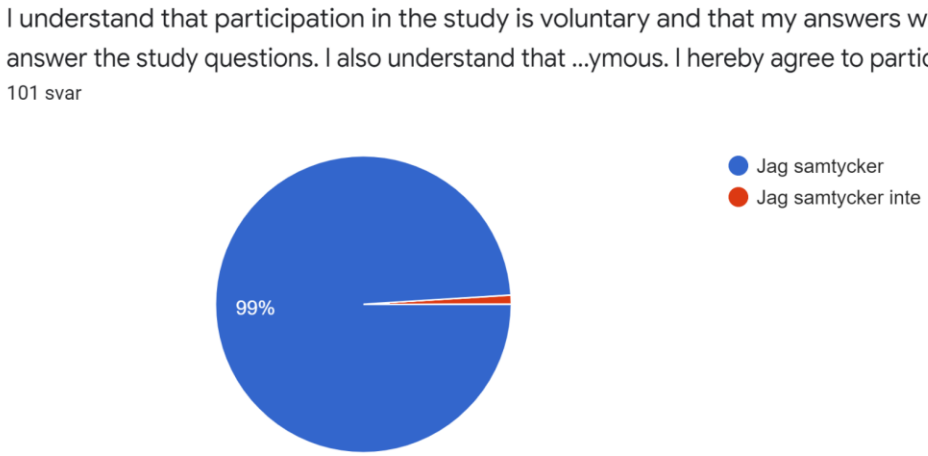


Figure 3. "Agreement of participation". (Source: the study survey about Coop LC)

3.9.2 Demographics of respondents

After the unqualified answers were removed, 93 answers remained. The ages of the respondents who responded are presented in Figure 4 below. A relatively widespread distribution with respondents from 19-82 years participated in the survey. However, the largest number of respondents who responded was between 24-29 years, with the largest number of respondents (11) at the age of 26 years.

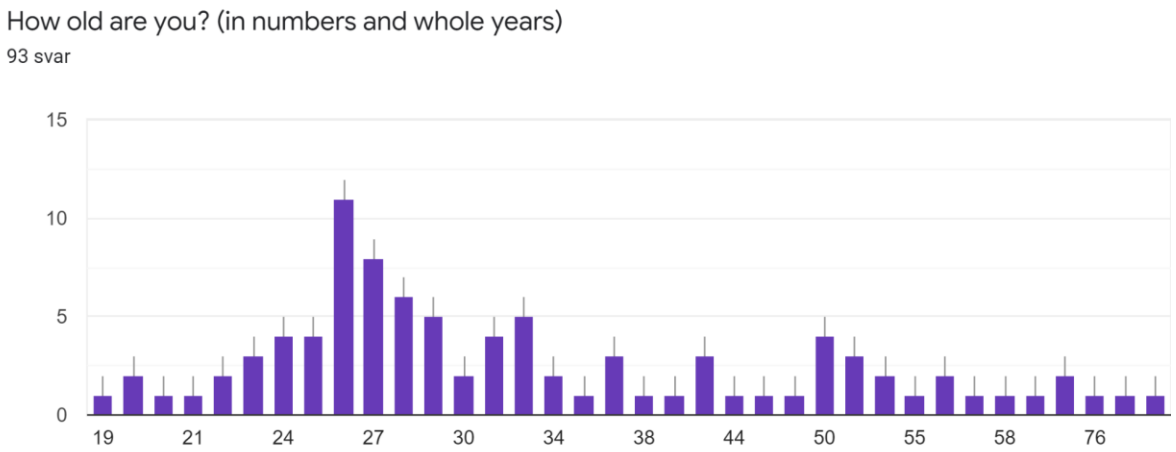


Figure 4. "Age". (Source: the study survey about Coop LC)

Furthermore, the distribution between women and men in the sample was also relatively even. The distribution in figure 5 explains that 46.2% of men participated while 53.8% of women participated in the survey.

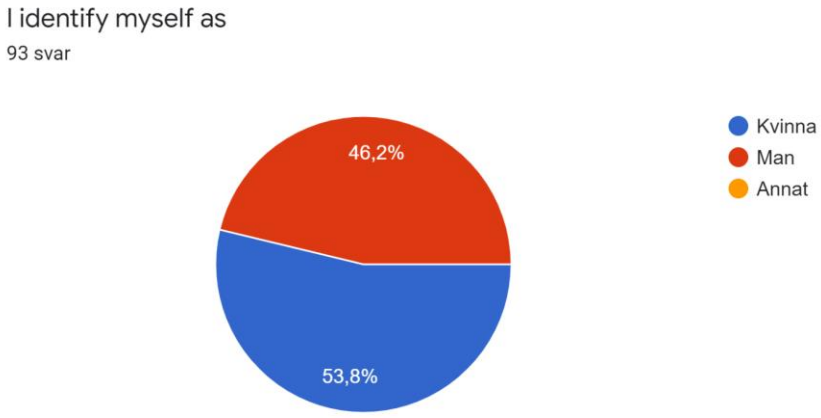


Figure 5. "Gender". (Source: the study survey about Coop LC)

The number of memberships in grocery store LP's was also asked among the respondents. As shown in the figure below, all respondents had 1 to 4 memberships in LP's. Most respondents, 47.3%, were members of 2 LP's. The second most respondents, 23.7%, were members of 3 LP's. Furthermore, 18.3% had membership in only Coop's LP, while 10.8% of the respondents had 4 different LP memberships in grocery stores.

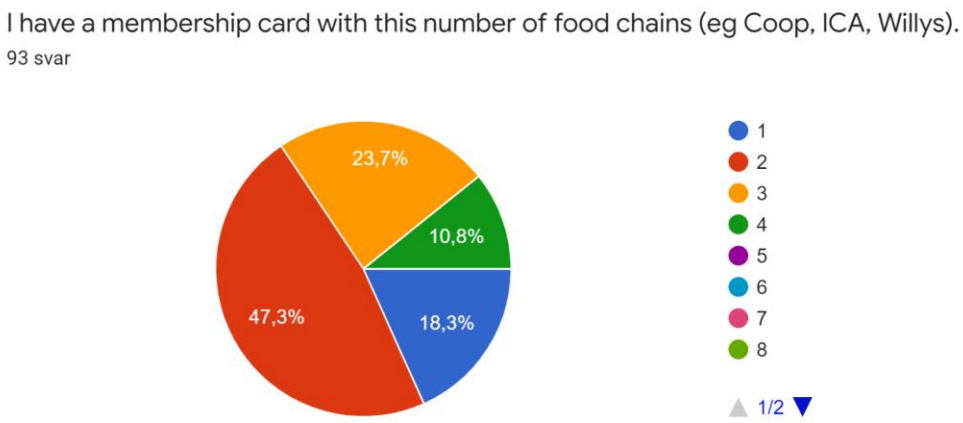


Figure 6. "Numbers of LC's". (Source: the study survey about Coop LC)

3.9.3 Club card loyalty

In this section of the survey, questions were asked to ascertain the respondents' club card loyalty. All the questions below are rated 1 to 5 where 1 means not true at all and 5 completely true. The first question included the statement *"I always register my Coop card when I shop at Coop"*. In the figure below, we can see the answers to this question which show that there is a strong trend towards always registering LC when the respondents shop at Coop. 50.5% always registered their card followed by 29% who most often registered their card. Instead, 8.6% registered their card sometimes, while 7.5% rarely registered their card and 4.3% never registered their card.

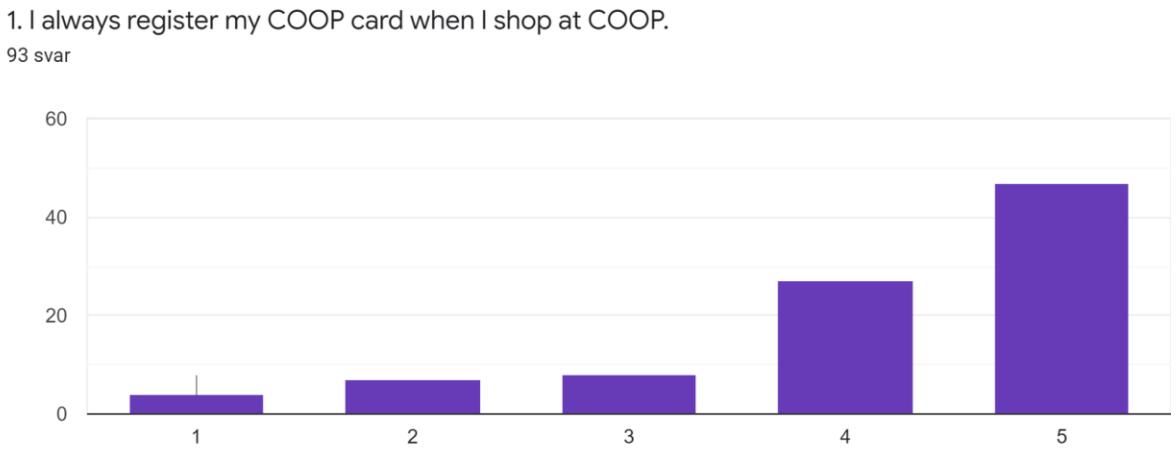


Figure 7. "Question 1". (Source: the study survey about Coop LC)

In the second question associated with club card loyalty, the statement instead was *"The Coop card means that I shop at Coop more often"*. Here we can see more scattered answers where the largest proportion, 34.4%, thought this was partly correct. 20.4% thought that this was not true at all, followed by 17.2% who thought that this was true to a low degree. 14% thought that this was true to a high degree and 14% thought that this was completely true.

Figure 8. "Question 2". (Source: the study survey about Coop LC)

The third question was based on the statement *"The Coop card makes me a loyal customer of Coop"*. The largest proportion, 34.4%, answered that this was partly true. 21.5% thought that this was true to a low degree, followed by 19.4% who believe that this is not true at all. 16.1% explained that this is true to a high degree and 8.6% that this is completely true.

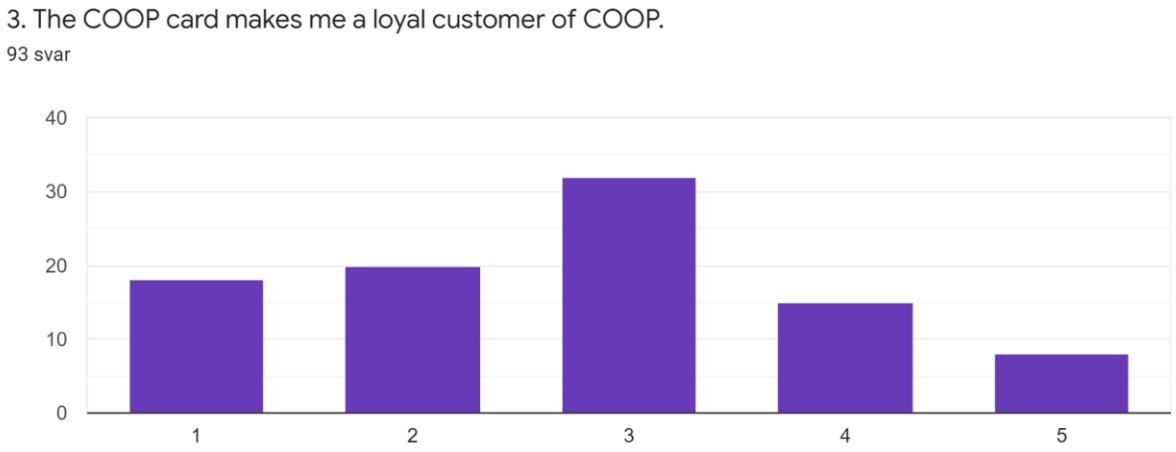


Figure 9. "Question 3". (Source: the study survey about Coop LC)

The fourth and final question in this concept stated *"I get a greater value by registering my Coop card with each purchase"*. 29% thought that this was partly true. 25.8% said that this is largely true, followed by 18.3% who believe that this is completely true. 17.2% said instead that this is true to a low degree and 9.7% that it is not true at all.

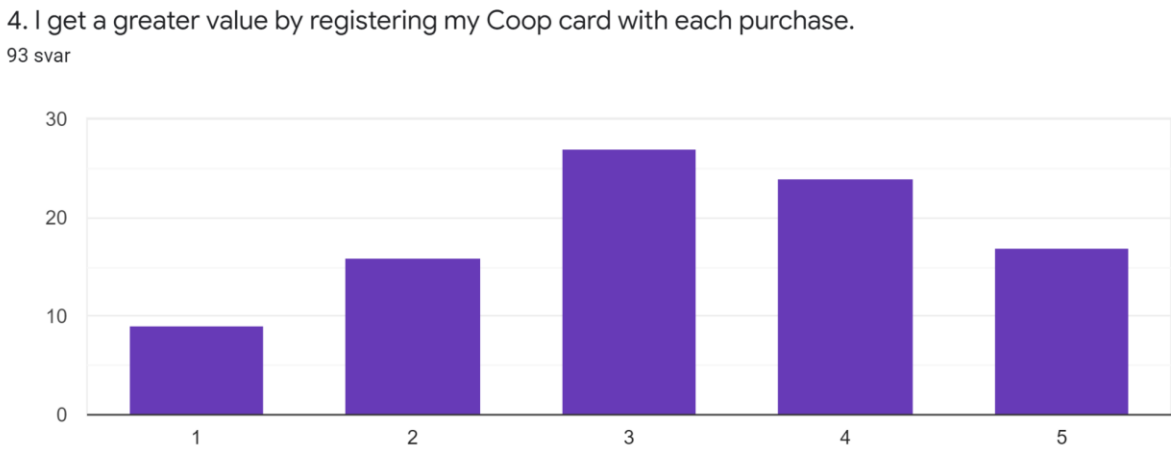


Figure 10. "Question 4". (Source: the study survey about Coop LC)

3.9.4 Attitudinal loyalty

In this part, the questions aim to answer the respondents' attitudinal loyalty to Coop. The first question *"If it's further to Coop than another grocery store, I still go shopping at Coop"* had a clear pattern where 35.5% thought that this was not true at all. 22.6% further said that this is true to a low degree. 19.4% that this is partly true. 17.2% that it is true to a high degree and 5.4% that it is completely true.

Figure 11. "Question 5". (Source: the study survey about Coop LC)

The next question included the statement *"Coop is my favorite grocery retailer"*. 28% thought that this was partly true. 22.6% that this is true to a low degree, followed by 19.4% who believe that this is true to a high degree. 17.2% said that this is not true at all while 12.9% believe that this is completely true.

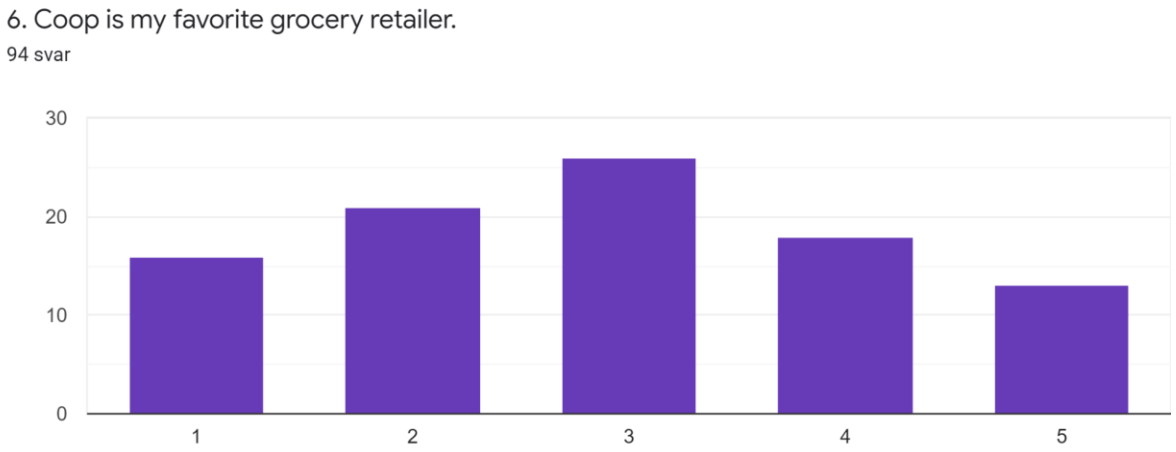


Figure 12. "Question 6". (Source: the study survey about Coop LC)

To the third question *"If anyone asks which grocery store is best I would recommend Coop"*, the largest proportion, 33.3%, answered that this is partly true. The second largest proportion, 24.7%, thought that this was true to a high degree, while the 3rd largest, 17.2%, thought that

this was true to a low degree. 14% believe that this is not true at all and 10.8% that it is completely true.

Figure 13. "Question 7". (Source: the study survey about Coop LC)

In the last question regarding this concept, the question stated *"I think Coop's membership offers and points system are fair to me as a member"*. 30.1% thought that this was partly true. 24.7% thought that this was true to a high degree and 21.5% that this was completely true. 12.9% believe that it is true to a low degree and 10.8% that it is not true at all.

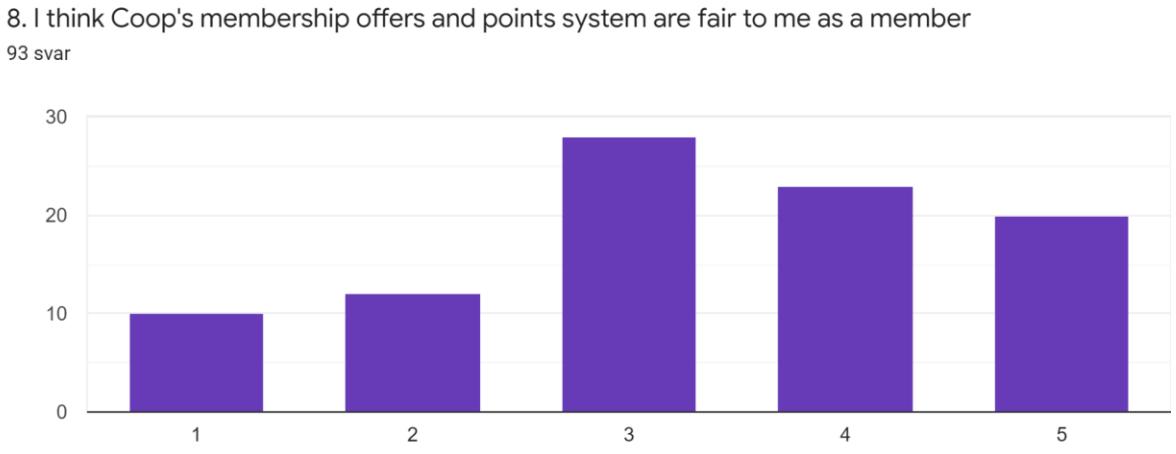


Figure 14. "Question 8". (Source: the study survey about Coop LC)

3.9.5 Behavioral loyalty

In this section, the questions were instead about behavioral loyalty and how it is experienced by the respondents. In the first question *"I usually shop at Coop"*, the highest share of 29% answered that this is completely true. The second highest proportion of 28% thought that this was true to a high degree. 20.4% said that this is partly true. 11.8% said instead that this is true to a low degree, followed by 10.8% who said that this is not true at all.

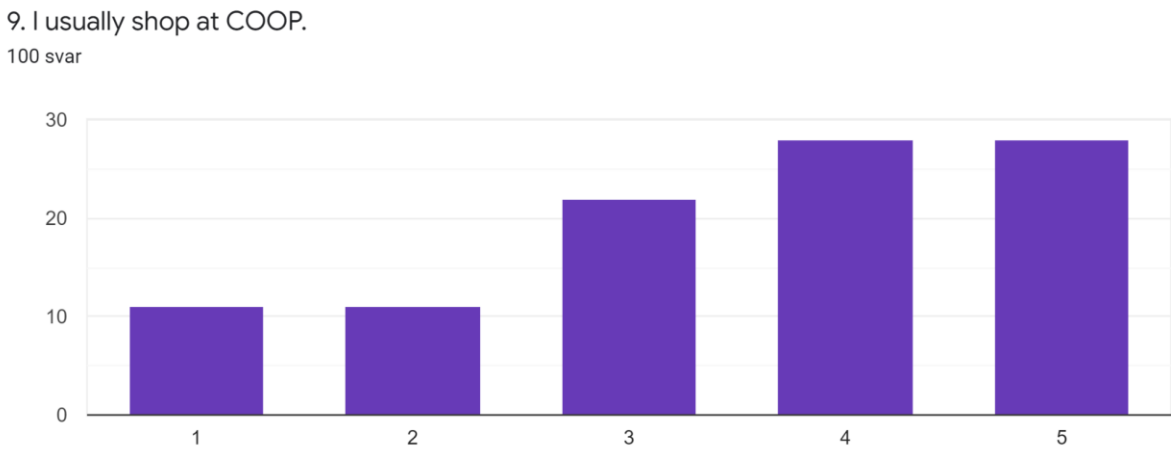


Figure 15. "Question 9". (Source: the study survey about Coop LC)

In the second question *"Coop is my first choice of store for purchasing groceries"*, 29% answered that this is partly true. 19.4% answered that this is true to a large extent, followed by 18.3% who said that this is true to a low degree. 17.2% said instead that this is completely true while 16.1% said that this is not true at all.

Figure 16. "Question 10". (Source: the study survey about Coop LC)

The third question within this concept was *"I will continue to shop at Coop frequently in the future"*. Here, 28% answered that this is completely true. 26.9% answered that this is true to a high extent and 26.9% also answered that this is partly true. 12.9% thought that this was true to a low degree and 5.4% that this was not true at all.

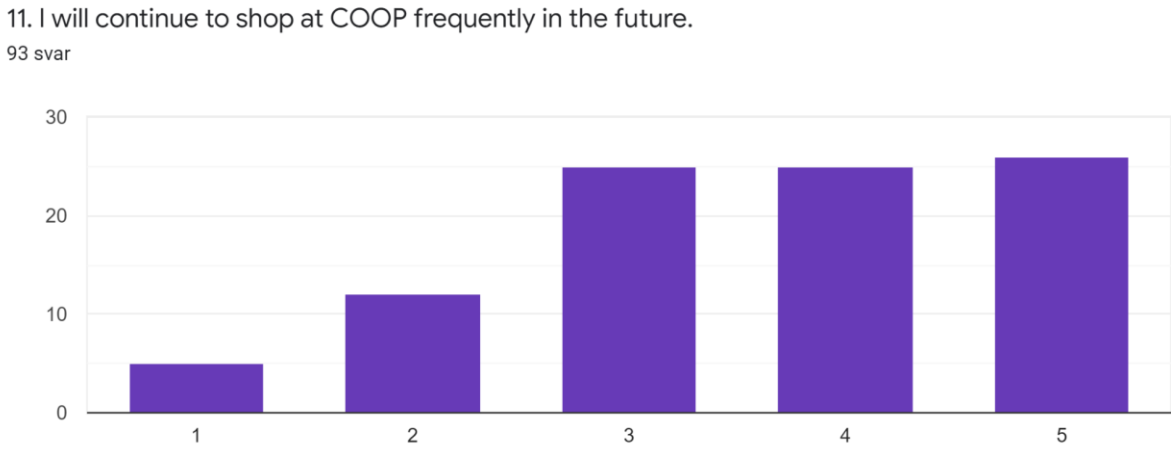


Figure 17. "Question 11". (Source: the study survey about Coop LC)

In the last question *"It is easy to understand and achieve different reward levels in Coop membership programs"*, 30.1% answered that it is true to a high extent. 28% answered that this is partly true and 18.3% that it is completely true. 12.9% answered that this is true to a low degree and 10.8% that this is not true at all.

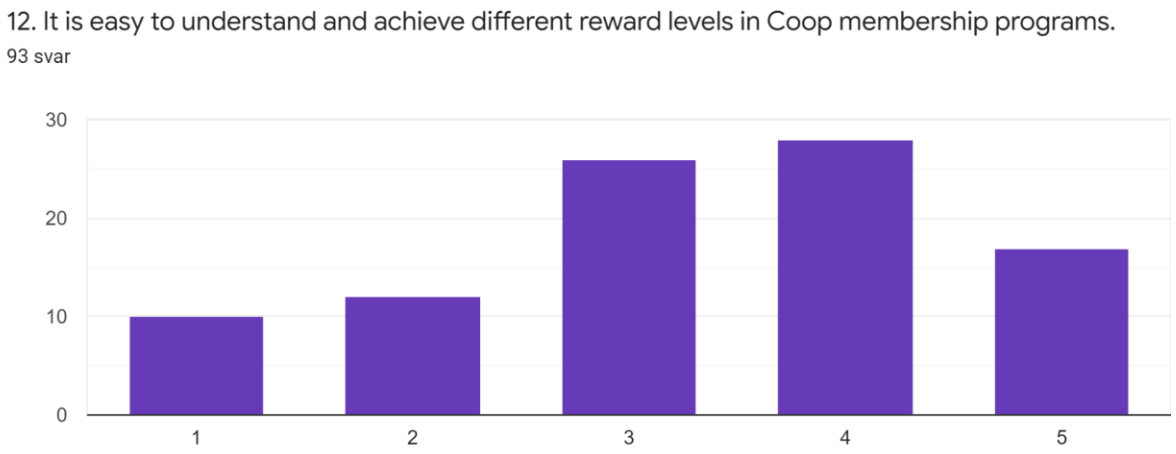


Figure 18. "Question 12". (Source: the study survey about Coop LC)

3.10 Operationalization of variables

3.10.1 Factor analysis

The factor analysis was conducted to see whether the questions in the survey actually measure the underlying concept. To do this the four questions from each concept were opposed to each other to check that these originate from the same concept. This to be able to combine these questions to one factor (Hair et al., 2014). For a variable to be acceptable to explain one factor the value must exceed .50 (Hair et al., 2014).

3.10.1.1 Club card loyalty

As shown in the table 1 below all components tested to explain club card loyalty exceeded .5. The highest value was found in question three with ,910. The second highest value of .889 was found in question two. Followed by .824 in question four. The lowest value of concept explanation was found in question one with .627, but since it does exceed .5 it is considered acceptable to explain the concept.

Component Matrix[a]

	Component 1
1. I always register my COOP card when I shop at COOP.	,627
2. The COOP card means that I shop at COOP more often.	,889
3. The COOP card makes me a loyal customer of COOP.	,910
4. I get a greater value by registering my Coop card with each purchase.	,824

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Table 1. "Card loyalty factor analysis".

3.10.1.2 Attitudinal loyalty

Regarding attitudinal loyalty the results are found in table 2 below. Also here all components tested to explain attitudinal loyalty exceeded .5. The highest value was found in question seven with ,925. The second highest value of .921 was found in question six. Followed by .836 in question eight. The lowest value of concept explanation was found in question five with .835.

Component Matrix[a]

	Component 1
5. If it's further to Coop than another grocery store, I still go shopping at Coop	,835
6. Coop is my favorite food chain.	,921
7. If anyone asks which grocery store is best I would recommend Coop.	,925
8. I think Coop's membership offers and points system are fair to me as a member	,836

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Table 2. "Attitudinal loyalty factor analysis".

3.10.1.3 Behavioral loyalty

Regarding behavioral loyalty the results are found in table 3 below. Also here all components tested to explain behavioral loyalty exceeded .5. The highest value was found in question ten with ,885. The second highest value of .884 was found in question eleven. Followed by .857 in question nine. The lowest value of concept explanation was found in question tvelve with .824.

Component Matrix[a]

	Component 1
9. I usually shop at COOP.	,857
10. COOP is my first choice of store when I buy food.	,885
11. I will continue to shop at COOP frequently in the future.	,884
12. It is easy to understand and achieve different reward levels in Coop membership programs.	,824

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Table 3. "Behavioral loyalty factor analysis".

3.10.2 Cronbach alpha

The reliability score was conducted with Cronbach's alpha. The four questions explained each concept was put together to check the internal consistency of the questions to their concept (Hair et al., 2014). Cronbach's alpha is measured by a number between 0-1 where a score over 0.7 is considered reliable (Hair et al., 2014).

3.10.2.1 Club card loyalty

In table 4 below the Cronbach's alpha of the concept "club card loyalty" is presented. The value is .834. As the value exceeds .7 it indicates that the questions are considered reliable to explain the concept.

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,834	,831	4

Table 4. "Card loyalty reliability statistics".

3.10.2.2 Attitudinal loyalty

In table 5 below the Cronbach's alpha of the concept "attitudinal loyalty" is presented. The value is .901. As the value exceeds .7 it indicates that the questions are considered reliable to explain the concept.

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,901	,902	4

Table 5. "Attitudinal loyalty reliability statistics".

3.10.2.3 Behavioral loyalty

In table 6 below the Cronbach's alpha of the concept "behavioral loyalty" is presented. The value is .884. As the value exceeds .7 it indicates that the questions are considered reliable to explain the concept.

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,884	,885	4

Table 6. "Behavioral loyalty reliability statistics".

3.10.3 Normality test

In a bivariate analysis normality is the most fundamental assumption. To ensure the sample data is normally distributed a normal probability plot was performed. With a small data sample (n<200) a p-plot can be used to check if the data follow a normal distribution. If the plots follow a linear relationship and no obvious outliers occur, the data is normally distributed (Hair et al., 2014).

3.10.3.1 Club Card Loyalty

In the table 7 below a normality p-plot test of club card loyalty is presented. As the plots follow the linear relationship and no plots are too far away from the line, the data is considered to be normally distributed.

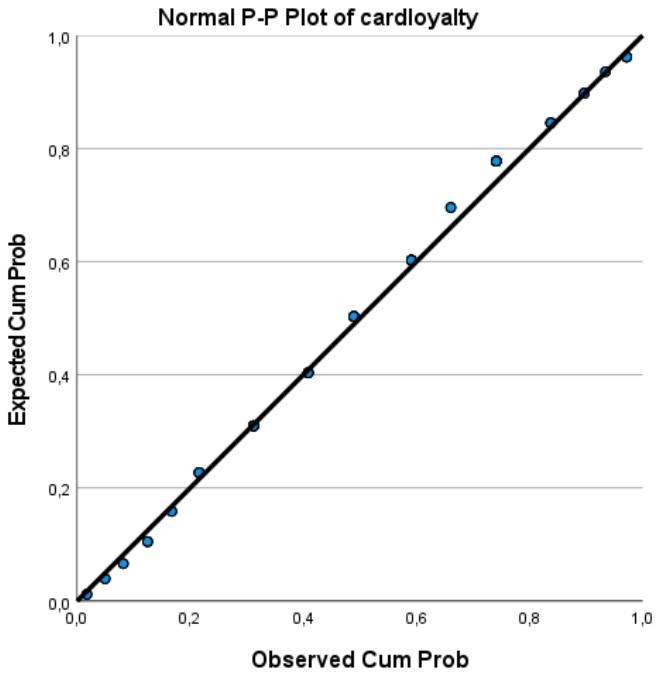


Table 7. "Card loyalty p-plot".

3.10.3.2 Attitudinal Loyalty

In the table 8 below a normality p-plot test of attitudinal loyalty is presented. As the plots follow the linear relationship and no plots are too far away from the line, the data is considered to be normally distributed.

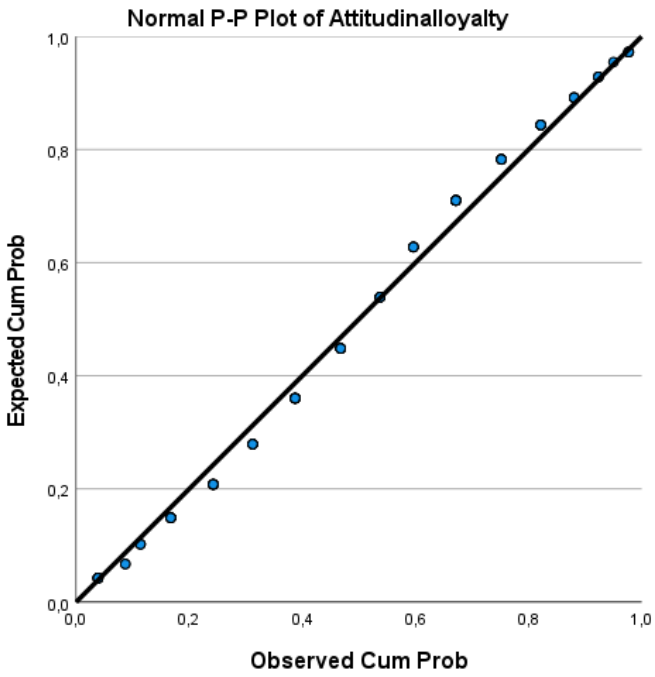


Table 8. "Attitudinal loyalty p-plot".

3.10.3.3 Behavioral Loyalty

In the table 9 below a normality p-plot test of behavioral loyalty is presented. As the plots follow the linear relationship and no plots are too far away from the line, the data is considered to be normally distributed.

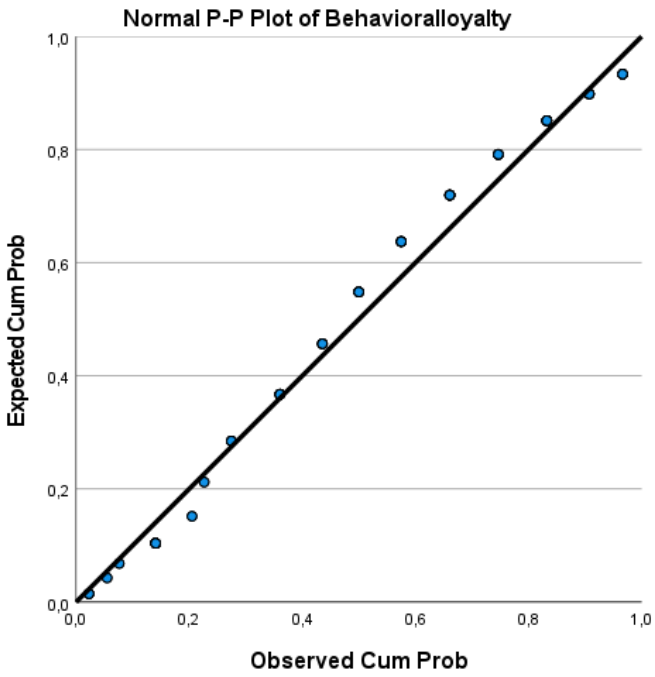


Table 9. "Behavioral loyalty p-plot".

4. RESULTS

4.1 Correlation analysis and descriptive data

In table 10 descriptive data of the three concepts are presented. The highest mean value was found in behavioral loyalty with a mean of 3,3683 and a standard derivation of 1.08635. Club card loyalty had the second highest mean value of 3.2419 with a .99144 standard derivation. The lowest mean was found in attitudinal loyalty with a mean of 2.8925 and a standard derivation of 1.08635.

We conducted the correlation analysis to clarify if any correlation was found between the concepts and other control variables. According to Spearman's rho, the coefficient of the relation between -1 and 1, where 0 corresponds to no relation at all, -1 is a perfect negative relation and 1 is a perfect positive relation (Bryman & Bell, 2017). A relationship from ± 0.6 to ± 1 indicates a strong relationship (Hair et al., 2014).

Table 10 illustrates correlations between the three concepts and the control variables age, gender and number of LC. As shown in table 10 a statistically significant strong positive correlation of ($r (93) = .716$, $p < 0.001$) between club card loyalty and attitudinal loyalty occurs. Furthermore a statistically strong positive correlation of ($r (93) = .688$, $p < 0.001$) has also been detected between club card loyalty and behavioral loyalty

A statistically significant strong positive correlation of ($r (93) = .826$, $p < 0.001$) also occurs between the 2 independent variables attitudinal loyalty and behavioral loyalty. A high significant correlation (over .70) between two independent variables suggests that a multicollinearity may occur (Hair et al., 2014). To test multicollinearity, therefore, the variance inflation method (VIF) is used to ensure that these two concepts do not measure the same things (Hair et al., 2014). A VIF below 10 indicates low multicollinearity. As seen in table 14 a VIF value of 3,571 is found between the independent variable attitudinal loyalty and the dependent variable. A VIF value of 3,360 is found between the independent variable behavioral loyalty and the dependent variable. This indicates that the data has no problem with multicollinearity.

The correlation between the dependent variable and the control variable age did show a weak positive correlation of (r (93) = .178). Furthermore, the correlation between the dependent variable and the control variable number of LC did show a weak positive correlation of (r (93) = .174). Lastly, the correlation between the dependent variable and the control variable gender did show a weak negative correlation of (r (93) = -.199). This means that no statistically significant strong correlation was found between the control variables and the dependent variable, nor was it found between the control variables and any other variable either.

Variable	Mean	S.D	1	2	3	4	5	6
1. Card Loyalty	3,2337	,99366	-					
2. Attitudinal Loyalty	2,8886	1,10280	,716 (3,571)**	-				
3. Behavioral loyalty	3,3668	1,09221	,688 (3,360)**	,826**	-			
4. Age	35,79	14,198	,178	,242*	,119	-		
5. Number of LC	2,27	,891	,174	,069	-,036	,095	-	
6. Gender	,47	,502	-,199	-,166	-,047	-,074	-,201	-

Spearman's Correlation withVIF-values in parentheses.

N=93 ** $P < 0.01$ * $P < 0.05$ All two-tailed tests

Table 10. "Correlations and descriptive data".

4.2 Regression analysis

The linear regression was conducted to examine the influence of the independent variables on the dependent variable (Hair et al., 2014). In the table 12 below a summary is presented over the regression analysis. In column model 1 the regression of the control variables is presented. In model 2 all the independent variables are presented.

One of the most important variables to present is the R-square which tells us what proportion of the dependent variable can be explained by the independents (Hair et al., 2014). The adjusted R-square is another measurement which explains the same as R-square but takes the number of independent variables in account and adjusts the value (Hair et al., 2014).

Standardized β-coefficient explains the relationship and strength between the dependent and independent variable. The β-value predicts the change in the independent variable by a 1-unit change of the dependent variable (Hair et al., 2014). The T-value shows how significant the Standardized β-coefficient is. A value of over or under 1.96 means that the coefficient is significant at a 95% level (Hair et al., 2014).

The F-value is the predictive power of all the independent variables (Hair et al., 2014). The F-value must exceed 1 and the bigger the number is the more effective the model is (Hair et al., 2014). The significance score associated with the F-value needs to be under .05 to be considered significant at a 95% level (Hair et al., 2014).

4.2.1 Model 1

In the first column the results of model one are outlined. The independent variable "age" had a standardized coefficient (β=.137, p > 0.10). The p value was higher than .10 and the T-value was 1.32. The next independent variable "number of LC" had a standardized coefficient (β=.117, p > 0.10). The p value was higher than .10 and the T-value was 1.09. The last independent variable "gender" had a standardized coefficient (β=.208, p > 0.10). The p value was higher than .10 and the T-value was -,16. All these results show a non-significant and weak relationship between the independent variables and the dependent variable. The model had an R-square =.069 and the adjusted R-square = 0,38 which means that the independents only can explain the dependent variable to a low extent. Also the low F-value = 2,185 shows that the predictive power is low.

4.2.2 Model 2

In the second column of table 12 the independent variables of the hypotheses were added. The independent variable "behavioral loyalty" had a standardized coefficient (β=.460, p < 0.001). This means that a one unit change in club card loyalty will lead to a .460 change in behavioral loyalty. The independent variable "attitudinal loyalty" had a standardized coefficient (β=.310, p < 0.05). This means that a one unit change in club card loyalty will lead to a .310 change in attitudinal loyalty. Both had a significant p-value and the T-value was for behavioral loyalty 3,67 and for attitudinal loyalty 2,40 which also indicates that these independent variables are significant.

The other independents also displayed in model 1 have some changes from model 1. Variable "age" had a standardized coefficient (β=.049, p > 0.10). The p value was higher than .10 and the T-value was ,685. The next independent variable "number of LC" had a standardized coefficient (β=.136, p < 0.10). The p value was lower than .10 and the T-value was 1.93. The last independent variable "gender" had a standardized coefficient (β=-.085, p > 0.10). The p value was higher than .10 and the T-value was -1,20.

The R-square value has raised to .599 which in this study means that 59,9 % of the variation of club card loyalty can be explained by attitudinal, behavioral loyalty and the other control variables. The adjusted R-square value has .575. The F-value of (F-value=.25,645, p < 0.001) shows that the model is considered effective.

	Dependent variable: Card Loyalty	**Dependent variable: Card Loyalty**
Independent variables	**Model 1**	**Model 2**
1. Age	,137 (1,32)	,049 (,685)
2. Number of LC	,117 (1,09)	,136 (1,93)†
3. Gender	,208 (-,16)	-,085 (-1,20)
4. Behavioral loyalty	-	,460 (3,67)***
5. Attitudinal Loyalty	-	,310 (2,40)*
R^2	,069	,599
Adjusted R^2	0,38	,575
F-value	2,185†	25,645**

[a]Standardized coefficients with t-values in parentheses.

*** P < 0.001 ** P < 0.01 * P < 0.05 † P < 0.10

All two-tailed tests

Table 12. "Regression summary".

4.3 Confirmation or rejection of hypotheses

The data analysis shows that card loyalty significantly influences behavioral and attitudinal loyalty. Thus, hypotheses H1b and H2b were confirmed, which emphasized an influence. Following this argument, the study therefore rejects the opposing hypotheses H1a and H1b.

4.4. Summary of findings

To summarize the findings we can see that a strong significant correlation was found between the dependent variable card loyalty and the two independent variables behavioral loyalty and attitudinal loyalty. Furthermore a weak non-significant correlation was found between the dependent variable and the other independent variables.

Regarding the regression analysis the result shows that the dependent variable can be explained by the independents behavioral loyalty and attitudinal loyalty to a large extent but not by the other independents. Furthermore, a strong relationship was found between the dependent and independent variables behavioral loyalty and attitudinal loyalty but a weak relationship was found for the other independents.

5. DISCUSSION

Previous studies provide an ambiguous picture of LPs influence on customer loyalty (Chen et al., 2021). Some studies argue that LPs, under the right circumstances, can provide valuable information about the customers' behavior and preferences which brands can use to create customer loyalty (Bruneau et al., 2018: Wright & Sparks, 1999). Although, companies need to promote the customer to frequently interact with the LP to enhance the collected data and show "the full picture" of the customer's interests (Bruneau et al., 2018: Wright & Sparks, 1999). Some studies even suggest that LP membership and LC ownership can independently positively influence customer loyalty (Noordhoff et al., 2004; Turner & Wilson, 2006).

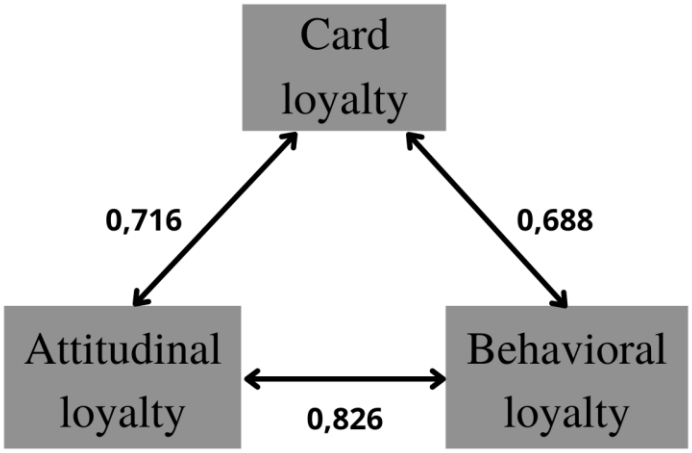
Other studies argue that LPs are mere promotional gimmicks which have no influence on the customers' loyalty intentions (Meyer-Waarden, 2015; Wright & Sparks, 1999). The customers are used to offers and rewards thus time their purchases to optimize their profit of the transaction (Ramanathan et al., 2017). In turn, this slashes margins within standardized industries since the strategy is easily replicated (Nastasoiu & Vandenbosch, 2019). The widespread use of LCs thus creates shifts in loyalty and preferences among customers (Ramanathan et al., 2017).

LPs are common practice and a prominent CRM tool within multiple industries (Chen et al., 2021), but often fail to understand what the customer is actually loyal to (Rowley, 2005). Increased competition and technological advancements also urge further assessment, in traditional LPs influence on customer loyalty (Bombaij & Dekimpe, 2020; Chen et al., 2021). The present study therefore focuses on a regional investigation on the influence of card loyalty on customer loyalty, within the Swedish grocery retailing brand Coop.

5.1 The impact of card loyalty on attitudinal loyalty and behavioral loyalty

The results show that card loyalty influences behavioral respectively attitudinal loyalty, which agrees with some previous research (Chen et al., 2021; Noordhoff et al., 2004; Turner & Wilson, 2006). Therefore, the findings agree with our proposed conceptual model (figure 2.7), since the model emphasizes an influence. Although, *table 10* and *table 12* showcase a two-tailed relationship which results in a difficulty in determining if e.g. card loyalty positively impacts attitudinal loyalty or attitudinal loyalty positively impacts card loyalty. The findings suggest that a relationship exists rather than a one way influence, which was our

initial understanding which formed our research aim. Therefore, our findings urge for a revisiting of our conceptual model, which emphasizes a two-tailed correlation.



Revised figure 2.7: Conceptual model of correlations (Spearman's rho)

While hypotheses H2a and H2b emphasize a one-sided influence, the revisited conceptual model confirms the influence when showcasing a relationship. Thus, the revised model do not reject the hypothesized one-sided influence. Our results therefore contradict previous studies which propose that LPs do not influence customer loyalty (Pesonen et al., 2019; Rowley, 2007; Wright & Sparks, 1999).

Furthermore, the data analysis and revisited conceptual model present a strong two-tailed correlation (0,826) between attitudinal and behavioral loyalty. The findings therefore suggest that composite loyalty is present in the studied context (Yoo et al., 2020). This means that e.g. card loyalty influences attitudinal loyalty, which in turn influences behavioral loyalty.

5.2 Additive independent variables

The additive independent variables investigated in the study (age, sex and number of LCs), shows a non-significant impact on card loyalty, behavioral loyalty and attitudinal loyalty. In turn, this provides important insights when formulating LPs. Studies suggest that e.g. personalization and perceived value are key elements to create successful LPs (Nastasoiu &

Vandenbosch, 2019; Nesset et al., 2021). The findings of the present study suggest that shortcuts in segmentation when creating personalized and mutually valuable relationships, could be a harmful oversimplification. Since e.g. age does not influence the customers' card loyalty intentions, companies should avoid LP communication focused on different age intervals. The findings therefore agree with previous research which emphasizes true personal communication, without generalizations, to enhance the perceived value of the LP (Nastasoiu & Vandenbosch, 2019; Nesset et al., 2021). Noordhoff et al. (2004) argue that the number of competing LPs and the customer's familiarity with the programs, moderate the LPs effectiveness on customer loyalty. The present findings contradict this argument, since the *number of LCs* shows a non-significant influence on the relationship.

6. CONCLUSION

To conclude, the present thesis aimed to investigate: How does card loyalty influence attitudinal and behavioral loyalty? Previous research portrayed an ambiguous picture of the relationship between card loyalty and customer loyalty, but continued to investigate and evaluate the relationship (Chen et al., 2021). Since the relationship was continuously investigated, the authors therefore initially contemplated an influence in the present context. When proposing the conceptual model (model 2.7) a one-sided impact was hypothesized, where card loyalty was believed to influence attitudinal and behavioral loyalty. This assumption was based on previous research, which highlighted a one-sided influence between card loyalty and attitudinal/behavioral loyalty (Chen et al., 2021; Noordhoff et al., 2004).

The methodological choices of the study presented the opportunity to evaluate the influence of card loyalty on customer loyalty, within a Swedish regional context. The conducted survey and the data analysis, provided evidence to answer the initial ambiguity of the research frontier. Within the thesis chosen context of Gävleborg, card loyalty towards Coops LP significantly influences customer loyalty. Although, the predicted one-sided influence between the variables was proven to be two-tailed, according to the data analysis. The results therefore suggest that card loyalty influences customer loyalty and that customer loyalty influences card loyalty. This two-sided relationship has not been directly highlighted in previous research, but is logical due to the aim and use of LPs. Furthermore, previous research has proposed moderating variables to the relationship, such as the customers' numbers of competing LPs (Bombaij et al., 2020; Noordhoff et al., 2004). Although, the customers' number of possessed LCs and other investigated independent variables of the study, proved to have a non-significant impact on card loyalty, attitudinal loyalty and behavioral loyalty.

6.1 Academic and managerial implications

Due to the widespread use of LPs within multiple industries and the versatile research frontier, the research presents important academic and managerial findings. Firstly, the study provides findings from a regional setting. The research provides evidence from a sparsely researched nation (Sweden) which adds to the national comparability focused LP research. Secondly, the research adds to the pro-LP research arguing that traditional LPs are still successful data collecting sources which fulfill their purpose in enhancing customer loyalty.

Lastly, the research provides insights to managers who contemplate implementing or updating a LP.

6.2 Limitations of the thesis

The proposed academic and managerial implications although have limitations. While the study highlights multiple aspects within the research field, there are limitations due to the scope of the study. Firstly, the quantitative approach conducted in the study provides findings about LPs relationship to customer loyalty, which could be nuanced by complementing the study with qualitative data. The findings would also describe the relationship in other manners, if a qualitative research design was chosen in the present study. Secondly, the non-probability data collection methodology, convenience sampling, results in limitations in generalization. Furthermore, using our private social media networks for the data collection have e.g. influenced the age of the respondents, since our network consist mainly of individuals of similar age. Thus, the sampled data may also be skewed and not representable for the population of the county. While our sample size could generate more general conclusions if probability sampling was applied, the limited time prevented this data collection methodology.

Thirdly, a conceptual flaw was detected by opponents regarding LC registration. The Coop mastercard automatically register Coops LP to every purchase at Coop. In turn, this mean that respondents with Coop mastercard automatically fulfill question 1 related to card loyalty "*I always register my Coop card when I shop at Coop"*. This may have caused skewedness in the data analysis. Fortunately, this conceptual flaw only affected one of the questions in the survey and therefore does not make the findings non-applicable. Since we did not separate Coop LC and Coop mastercard in the data collection, we are unaware of the dispersion between the two types and thus the conceptual flaws extent. Lastly, the regional investigative approach and the brand (Coop) also presents limitations in comparability. Regional and industry differences could present obstacles in appliance of the findings in other contexts.

6.3 Future Research Recommendations

The research limitations of the thesis, provide future research opportunities. Firstly, a similar study with a larger research scope would provide opportunities for broader conclusions and generalization. The chosen brand Coop could also be investigated in a similar context, within

a different region to provide additive findings and regional comparability. Although, when conducting similar research a separation between Coop LC and Coop mastercard is required to avoid skewedness in the data analysis. The methodological choices of the present study could be replicated within different contexts, to investigate intra-national differences in LP research. Furthermore, a different brand could also be investigated in a regional context, with a similar research methodology. LPs evolution to alternative industries provides opportunities for interesting research, beyond the retail and hotel industry (Chen et al., 2021).

Furthermore, a qualitative research approach investigating the relationship between card loyalty and customer loyalty, would add to the research frontier. The research within the frontier is mainly conducted through quantitative research, resulting in a difficulty to explain the underlying intentions of the customers (Chen et al., 2021). Combined with previous research, additive qualitative research would nuance the picture and help LPs to endure rapid technological development (Chen et al., 2021; Bombaij & Dekimpe, 2020). A qualitative approach could also better explain customers' attitudes towards the data sharing issues, which are crucial for LPs (Nesset et al., 2021).

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8. APPENDIX

8.1 Survey questionnaire

Part 1 - Determinants of survey fit

1. I live in Gävleborg.

2. I am a member of Coop's loyalty program "Coop medlem"

3. I understand that participation in the study is voluntary and that my answers will only be used to answer the study questions. I also understand that my answers are completely anonymous. I hereby agree to participate in the study.

Part 2 - General questions

4. How old are you?

5. I identify myself as: male/female/other

6. I have a membership card with this number of food chains (e.g. Coop, ICA, Willys): 1-10

Part 3 - Research questions

Card Loyalty

1. I always register my Coop card when I shop at Coop.

2. The Coop card makes me shop more often at Coop.

3. The Coop card makes me a loyal customer at Coop.

4. I receive greater value by registering my Coop card with each purchase.

Attitudinal Loyalty

5. If it's further to Coop than another grocery store, I still go shopping at Coop.

6. Coop is my favorite grocery retailer.

7. If someone asks which grocery store is best I would recommend Coop.

8. I think Coop's membership offers and points system are fair to me as a member

Behavioral Loyalty

9. I usually shop at Coop.

10. Coop is my first choice of store for purchasing groceries.

11. I will continue to shop frequently at Coop in the future.

12. It is easy to understand and achieve different reward levels in Coop membership programs.