

An Exploratory Study on the Scale Development for Perceived Attributes of Loyalty Programmes

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ABSTRACT

Purpose of the study: The present study is aimed at developing the scale items for widely used loyalty programmes for customers i.e., membership programmes; reward-point system; and gift vouchers/coupons.

Design/ Methodology/ Approach: A convenience sampling technique (197 samples) was utilized for data collection. The data has been collected through a well-structured questionnaire based on a five-point Likert scale. The relevant data was processed through exploratory and confirmatory factor analysis using IBM-SPSS 20 and IBM-SPSS AMOS 26 software.

Research Type: Exploratory research study.

Findings: The study explored and confirmed the selected loyalty programmes' attributes (scale items) perceived by the customers. All the attributes were explored according to the standard criteria and the items were confirmed well to their respective constructs. Also, these items held good to adequate values of various model fit measures.

Originality/ Value: This is an original contribution of the authors. From a scholarly perspective, this study expands the existing body of knowledge about customer relationship marketing by outlining different attributes of the loyalty programmes that customers may perceive. The scale would assist marketers in designing and evaluating their loyalty programmes' performance with customers' needs and expectations, and identify the potential intensity and defects of the programmes. It would assist them in enhancing the effectiveness of customer relationships networking, designing a competitive edge over competitors, establishing intent for (re) purchase, building long-term loyalty and word of mouth publicity. Consequently, customers will benefit from better deal options from competitive marketers.

Keywords: Attributes, Gift-vouchers/ Coupons, Loyalty programme, Membership programme, Reward-point system, Scale development.

INTRODUCTION

Loyalty Programme

Undoubtedly, developing and maintaining loyalty among modern customers has emerged as a challenge for marketers. As a result, loyalty programmes have become an interesting strategic marketing technique for businesses as a tool for better customer relationship management. Businesses often adopt different types of loyalty programmes to accomplish their marketing objectives. Each loyalty programme differs in its objectives, scale and influence on the customers based on their attributes. These programmes help improve customer experience by enhancing customer satisfaction and post-purchase behaviour (customer retention and customer loyalty). As per (Tripathi et al., 2023), customer satisfaction and post-purchase behaviour are crucial in marketing.

Loyalty programmes have become popular, even perhaps ubiquitous and are an established part of the retail landscape in nations like the US, Europe, and Asia (Rowley, 2007). Ali & Karim (2011) recognized several industries like aviation, hotel and hospitality and retail businesses have implemented these programmes on a large scale. The use of loyalty programmes is a key strategy for building relationships with consumers and retaining them over time (Omar et al., 2013). Businesses that implement loyalty programmes have gained in the form of increased sales, profits, customer loyalty, the ability to fend off their direct rivals, customer networking and most importantly customer retention (Dowling & Uncles, 1997; Kumar & Shah, 2004; Ali & Karim, 2011). Customer retention directly affects a company's profitability and acquiring new customers which might otherwise cost up to five times as much as keeping existing ones (Mcilroy & Barnett, 2000). Consequently, customers who take part in loyalty programmes can benefit from offers like discounts, gifts, personal communications and special privileges (Bridson et al., 2008) which motivate them to shop regularly and enhance customer loyalty (Ali & Karim, 2011). They expressly reward customers through loyalty programmes for making larger purchases and limiting their brand ranges (Sharp & Sharp, 1997). In addition to fostering customer loyalty, loyalty programmes can serve as a sign of a company's dedication to its clients (Ali & Karim, 2011). This act of dedication and goodwill will strengthen the bond between the company and the client (Y. Liu,

2007). Loyalty programmes can be thought of as being more defensive and long-term in nature than other marketing initiatives, like sales promotions (Ali & Karim, 2011).

LITERATURE REVIEW

A. Membership Card/ Programme

A membership card/ programme is an incentive programme through which a company can collect information about its customers by offering them various exclusive schemes. Customers who voluntarily subscribe to the card are given select access to discounts on certain products, vouchers, points toward purchases or other rewards as it is designed to offer several benefits to participating customers with an advantage over non-participating customers (Ali & Karim, 2011; Muhammad et al., 2021). It aims to rebuild the business by making a strong and long-term bond with customers (Ghaleb Magatef & Tomalieh, 2015). It may also influence their perception of the services and experiences they get (Lo et al., 2017).

Bolton et al. (2000) discovered that the loyalty programme through the credit card business appears to increase consumers' views of the service offering and induce them to discount their assessments of the firm and its competitors during the re-purchase decision. Khan et al. (2019) recognized the importance of loyalty card membership as a moderator in the link between customer experience and loyalty. These programmes are beneficial for customers (Ali & Karim, 2011). Khairawati (2019) found that the card significantly impacts customer satisfaction since it gives cardholders many privileges, amenities and tempting offers.

Membership in loyalty programmes is essential for increasing share-of-wallet i.e., purchase amount (Leenheer et al., 2007). Customers are now spending more from the business as a consequence of the loyalty card programme as they frequently utilize their cards to make transactions (F. Borrego-Jaraba et al., 2013; Rao & Kotian, 2018). As a result of consistent positive interactions with the programme and brand, loyalty increases (So et al., 2015). Further, it has a social component since customers who have it tend to often recommend it to others, which enables marketers an opportunity to build brand communities (Steyn et al., 2010).

Some attributes of the Membership programme: Members are more privileged than other customers (So et al., 2015) i.e., they are treated superior to non-members (Drèze and Nunes, 2009). Members can discover new products (So et al., 2015). They get customized offers and services (Ghaleb Magatef & Tomalieh, 2015; Išoraitė, 2019; Omar et al., 2013; So et al., 2015), advance access to new products, special sales coupons or free merchandise (Kiarie et al., 2019). The subscription charges are economical/ reasonable (So et al., 2015). High-quality/ desirable rewards as well as services are offered to members (Omar et al., 2013).

B. Reward-point System

Points-based schemes offer rewards to customers for each transaction, which makes them common in in-store environments like restaurants, departmental stores, etc. Customers may redeem their points for merchandise or discounts after they reach a particular quantity or amount. It is designed to reward customers for recurring business based on the benefits of cumulative spending (Ali & Karim, 2011). A consumer can get a reward, instant cost savings, member-only offers, refunds and entry into draws and contests after accumulating a particular amount of points (Rowley, 2007).

The reward-point system at every shop is identified as one of the factors influencing repeat business at the supermarket (Kamau, 2017). Worthington et al. (2007) pointed out that the companies that provide point-based incentive programmes are thought to be good at pulling new customers and relatively successful at fostering customer loyalty (Uncles et al., 2003). Customers are more willing to spend points when they can recognize the advantages of doing so (Kwong et al., 2011). Zhong & Huang (2016) discovered that a loyalty programme with points consistently encourages customers to purchase more. It has the most significant impact on customer satisfaction (Panjaitan, 2021).

However, (Keh & Lee, 2006; Y. Liu, 2007; Sharp & Sharp, 1997) suspected the statement that the effect of reward point programmes is beneficial to a wide range of businesses. Customers' participation in a point-structured reward programme is influenced by several factors including the point reward limit (O'Brien & Jones, 1995). If it is perceived as being too large, it may be deemed insignificant and participation is, therefore, likely to be low (Y. Liu & Yang, 2009).

M. T. Liu et al. (2012) suggested to overcome being regarded as insignificant, point-reward programmes should be created with consumers' requirements, allocation of resources to different aspects of reward programmes, including how to link reward points with usage frequency, how to communicate the programme features, the reward ratio, a diversity of reward redemption selections, etc. To encourage and reward loyal customers, the points acquired by the customers are required to be redeemed very frequently (Kamau, 2017).

Some attributes of the reward-point system: In a typical point-based loyalty programme, members earn points for their purchases of products or services (M. T. Liu et al., 2012; Nasir et al., 2019). Customers can access core information and functions (i.e., checking loyalty points) (Son et al., 2020). However, sometimes customers are unable to claim rewards of points due to trouble in line with the terms and conditions imposed, the time needed

to earn the rewards or the possibility that the thing they like to redeem is not accessible (M. T. Liu, 2017; Nasir et al., 2019; So et al., 2015). Also, (Nasir et al., 2019) highlighted the issue of fair rewards to customers.

C. **Gift voucher/ Coupon**

One of the strongest marketing strategies for attracting and keeping consumers, building trust with them, raising brand recognition and growing sales is a gift voucher/ coupon/ gift-card reward programme. Clients are more likely to continue using the brand if gift cards are included in the marketing strategy. Customers who use gift vouchers make more purchases than those who use cash. Gift voucher incentive programmes promote sales of goods and services by offering gift cards in-person or online. Companies attempt to draw and retain customers with various types of gift vouchers/ coupons (F. Borrego-Jaraba et al., 2013; Ding & Zhang, 2020). These vouchers have a substantial favourable association with re-purchase intention and customer retention (Ding & Zhang, 2020; Kamau, 2017; Kiarie et al., 2019; Shia et al., 2021).

The customer develops a positive self-image as a wise buyer by getting the desired gift of high quality. Marketers create high-value innovative and best-suited gifts to flawlessly control long-term psychological attachment to brands (Suresh, 2019). Panjaitan (2021) found that e-coupons are the programme that has the strongest impact on consumer loyalty.

A customer can also transfer his voucher to his familiar. The sharing environment encourages them to share their coupon and their efficacy (Deka, 2018; Sutherland & Jarrahi, 2018). By exchanging e-coupons, people may meet the needs of their family and friends to get advantages and foster strong bonds with one another. This may form a new relationship with new customers (Berger et al., 2020).

However, as per (Kamau, 2017), the gifts may shorten the loyalty life cycle by enabling first/second-year customers to continue as the most profitable than tenth-year customers. It is associated with repeat purchases often known as *visit buy schemes*. A little error may cost the customers and goodwill (Inman & McAlister, 1994). Sometimes, the direct gifts perceived as containing high value by patrons decrease their purchase intentions and vice-versa. Offering vouchers may disrupt the direct link and comparison between the focal product value and the gift value; therefore marketers offer vouchers rather than direct gifts (Ding & Zhang, 2020).

Some attributes of gift vouchers/coupons: Companies provide a variety of coupons/gift-voucher (F. M. Borrego-Jaraba et al., 2012). Coupons increase shopping frequency and expenditures (Gabel & Guhl, 2022). An individualized minimum purchase amount is necessary to receive the discount (Zielke, 2014). Vouchers are easily discounted at any store of the company (F. M. Borrego-Jaraba et al., 2012). Retailers usually distribute coupons periodically to their customers (Zielke, 2014). Customers are free to select gifts (Işoraité, 2019). The vouchers are transferrable (Deka, 2018; Sutherland & Jarrahi, 2018).

OBJECTIVES OF THE STUDY

- To explore the scale items of three loyalty programmes i.e., membership programme; reward-point system; and gift vouchers/ coupons based upon their attributes identified in previous literature and pilot studies.
- To confirm the scale items and model fit using confirmatory factor analysis.

RESEARCH GAP

Many studies have evidenced the impact of perceived benefits of loyalty programmes (Bose & Rao, 2011; Meyer-Waarden & Benavent, 2013; Mimouni-Chaabane et al., 2010) on the shoppers' behaviour i.e., attitude, perception, customer satisfaction, loyalty, (re)purchase intention. However, a limited number of studies have been done on the various types of loyalty programmes such as membership programmes, reward-point systems and gift-vouchers/coupons. As each type of loyalty programme differs in its objectives, and scale and effectively influences the customers based on their attributes (M. T. Liu et al., 2012), it becomes imperative to study them separately. In addition, there is a dearth of research on the scale items of membership programmes, reward-point systems and gift vouchers/ coupons. Hence, the researchers have attempted to fill this pertinent research gap by exploring the scale items of the selected loyalty programmes.

RESEARCH METHODOLOGY

Research Study: The present study is based upon exploring the attributes of three loyalty programmes i.e., membership programmes; reward-point system; and gift vouchers/coupons. These attributes are further confirmed by valid and reliable data collection and analysis from relevant shoppers' based on a five-point Likert scale.

Research Type: As mentioned in the research objectives, the study aims to explore the perceived attributes of the three loyalty programmes. Therefore, the research type of the present research would be exploratory.

Sample Size: As a widely accepted rule of thumb for reasonable sample size, the minimum sample size should be $N > V^2 + 50$, where N is the sample size and V is the number of constructs for reliable and valid results. Therefore, a sample size of 197 (which exceeds 59 sample criteria of minimum sample size) is appropriate for the study.

Sampling Technique: For data collection, a non-probability convenience sampling technique is used to reach the customers. For pilot studies, exploratory research, hypotheses formulation and in-depth research studies, the convenience sampling technique is deemed to be suitable. However, utmost care has been taken during data collection to make the data biased and error-free, so that the statistics shall resemble the parameters and be used for further generalizations.

Questionnaire Development: After a thorough pilot study and focus group discussion, the final questionnaire has been designed containing two sections. The initial section contains information regarding demographics while the next section contains the scale items' questions based on a five-point Likert scale.

Research Area: Due to fiscal and time restraints, the study area is confined to the state of Uttar Pradesh, India.

Data Collection: The relevant data has been collected through a well-structured questionnaire from shoppers having diverse demographic profiles. A total of 276 questionnaires were circulated through online platforms such as LinkedIn, e-mail and social media. Consequently, 214 responses were received. Among them, 197 responses were found suitable for further action.

Analysis Technique: The study used factor analysis methods for data analysis. These are exploratory factor analysis and confirmatory factor analysis. The exploratory factor analysis has been used to explore the attributes of the loyalty programmes. Additionally, the confirmatory factor analysis has been conducted to confirm the attributes and model fit.

Analysis Tool: The data analysis has been processed using two software i.e., IBM-SPSS 20 and IBM-SPSS AMOS 26 software. The exploratory factor analysis has been run using SPSS-20 software while the confirmatory factor analysis has proceeded in AMOS-26.

PILOT STUDY

A qualitative study was undertaken among customers who use loyalty programmes while shopping. Only those shoppers' were selected as the samples who are well aware of these loyalty programmes. Subsequently, a pilot study was conducted consisting of 20 customers, aged 18 to 50, who belong to different occupations (such as business, profession, service, etc.). There were eleven males and nine females in the sample. The respondents utilize a variety of loyalty programmes (specifically membership programmes, reward-point systems and gift vouchers/ coupons) spread throughout a social network. The questions asked through a structured questionnaire concern the kinds and numbers of loyalty programmes that the respondents take part in. The respondents were then asked about the attributes they observed from participating in each programme. A pool of 30 elements was formulated based on the literature review and pilot investigation to measure the perceived attributes of loyalty programmes. These items were also examined for content and face validity in a focus group consisting of fourteen marketing experts and eight relationship managers of renowned companies. Based on their evaluations, they recommended the elimination of a few elements they found to be unclear, redundant, or subject to misunderstanding. Following rigorous dimension reduction, a total of 13 items were pooled in the final questionnaire. The dimensions and relative relevance of theoretically outlined attributes of the three loyalty programmes were investigated in the survey.

DATA ANALYSIS

After rejecting invalid responses, the data of 197 respondents were found valid and used for the study purpose. Table 1 provides the demographic profile of the respondents belonging to a different gender, age groups, occupations, qualifications and family income groups. Approximately 52% of the respondents were female and nearly 48% of the respondents were male. Almost 84% of the respondents were belong to the age group of 18-35 years, approx. 10% of the respondents were from the group of 36-50 years and the rest were above 50 years. Occupationally, about 5% of the people were engaged in business, 10% in the profession, 9% in service, 8% in homemaking, 66% in studying and the rest were in other occupations. In the education segment, about 50% of the respondents were graduates, 46% were post-graduate and the remaining had other qualifications. Family income-wise, approx. 60% of the individuals belonged to a group of below ₹5 lacks per annum family income, 17% belonged to the income group of ₹5-7.5 lakh per annum, 12% belonged to the income group of ₹7.5-10 lakh per annum and the rest were from above ₹10 lakh per annum income group.

Demographic profile		Frequency	Percentage
Gender	Female	103	52.28%
	Male	94	47.72%
Age	18-35 years	166	84.26%
	36-50 years	20	10.15%
	Above 50 years	11	5.59%
Occupation	Business	10	5.08%
	Profession	20	10.15%
	Service	17	8.63%

	Student	130	65.99%
	Homemaker	15	7.61%
	Other	5	2.54%
Qualification	Graduation	98	49.75%
	Post-graduation	90	45.68%
	Other	9	4.57%
Family Income per annum	Below ₹5 Lakh	118	59.90%
	₹5-7.5 Lakh	34	17.25%
	₹7.5-10 Lakh	23	11.68%
	Above ₹10 Lakh	22	11.17%

Table 1: Demographic profile of respondents

EXPLORATORY FACTOR ANALYSIS OF PERCEIVED ATTRIBUTES OF THE LOYALTY PROGRAMMES

As mentioned in the pilot study, 13 key attributes/ scale items of the loyalty programmes were identified after a detailed investigation. These attributes were further processed using exploratory factor analysis in SPSS-20. In factor analysis, the items correlating with a construct/ factor are grouped as they measure the same scale. After the process, the items are grouped into three factors/ constructs namely membership programme- MP, reward-point system- RPS and gift vouchers/ coupons- GVC.

Table 2 explains the results of factor analysis i.e., factor loadings, Eigenvalue, Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy, Bartlett's Test of Sphericity measure and Cronbach's alpha.

For each construct, the optimal number of items should be taken on the scale for trading between brevity and reliability (DeVellis, 2017). Hence, 5 items (MP1, MP2, MP3, MP4 and MP5) for MP and 4 items for both RPS (RPS1, RPS2, RPS3 and RPS4) and GVC (GVC1, GVC2, GVC3 and GVC4) are observed adequate and utilized for the study purpose. In the table, the values of all the items' factor loading are found more than the suggested limit of 0.5 (DeVellis, 2017). It represents relationship strength of the items with their respective construct.

The Cronbach's alpha value of the constructs is more than 0.7 ranging between 0.880 to 0.864 in the Table. Overall, it is 0.884 showing the internal consistency and reliability of the measurement scale (Hair et al., 2010).

The Eigenvalue of the construct measures the variance explanatory power by each factor. Generally, an Eigenvalue of more than one has sufficient variance explanatory power. Looking at the table, all the constructs are found to have adequate variance explanatory power. The cumulative variance explanatory power of the constructs i.e., cumulative % of the variance is 70.658%. It indicates that factors collectively carry a substantial variance amount as it is more than criteria of 50%.

The value of the KMO Measure of Sampling Adequacy indicates the suitability of data for factor analysis (Field, 2009). The KMO value is 0.882 which is above the threshold of 0.50. This suggests that the present dataset is suitable for the factor analysis.

Bartlett's Test of Sphericity measures the significance of items for factor analysis (Tabachnick & Fidell, 2012). The chi-square value (χ^2) is 1365.032 with 78 degree of freedom. The p-value is 0.000 which is less than 0.001 showing that the items taken for the study are significant for factor analysis. Also, the correlation among them is appropriately large for so.

Item	Item's description	MP	RPS	GVC
MP1	The customer is treated as a valuable customer.	.812	.130	.085
MP2	The customer is updated about new offers.	.814	.017	.223
MP3	The customer gets initial access to fresh arrivals.	.849	.165	.104
MP4	The subscription charges are reasonable.	.758	.165	.073
MP5	The customer gets personalized offers.	.766	.193	.169
RPS1	The customer gets info about points from the salesman/website.	.151	.775	.196
RPS2	The customer can convert his points into rewards anytime.	.234	.786	.159
RPS3	The customer accesses the rewards easily.	.077	.808	.163
RPS4	The customer gets points as per their purchase amount.	.145	.852	.217

GVC1	The customer gets a variety of vouchers/coupons.	.197	.339	.757
GVC2	The customer can discount the vouchers at any store of the company.	.098	.044	.872
GVC3	Vouchers are offered at regular intervals.	.112	.362	.757
GVC4	The customer can select the gifts.	.196	.163	.807
Cronbach Alpha: 0.884		0.880	0.863	0.864
Eigenvalues		5.499	2.172	1.515
Cumulative % of Variance		42.297	59.003	70.658
KMO Measure of Sampling Adequacy		0.882		
Bartlett's Test of Sphericity		$\chi^2=1365.032$	df = 78	Sig. = 0.000

Table 2: Exploratory Factor Analysis of Perceived Attributes of Loyalty Programmes

CONFIRMATORY FACTOR ANALYSIS

After exploring the scale items, confirmatory factor analysis needs to be computed to test the measurement model. As in the exploratory factor analysis, the items were identified with suitable factor loading (< 0.50) and may be continued for assessing the covariance, model fit, reliability and validity testing (DeVellis, 2017). After satisfactory results of exploratory factor analysis, the data has been further processed for confirmatory factor analysis on the scale items along with their respective construct using AMOS-26 software. Hence, the factors are compiled for so with their respective items as shown in Figure 1. In confirmatory factor analysis, the covariance among constructs is essential to measure as it differentiates one construct from other constructs in the study. It indicates the independence of the factors (Brown & Moore, 2012). The lower value of covariances indicates the higher independence of the latent variables. The values of covariance between ‘MP and RPS’, ‘RPS and GVC’ and ‘GVC and MP’ are 0.41, 0.58 and 0.42 respectively. These values indicate that the constructs in the study have sufficient independence level.

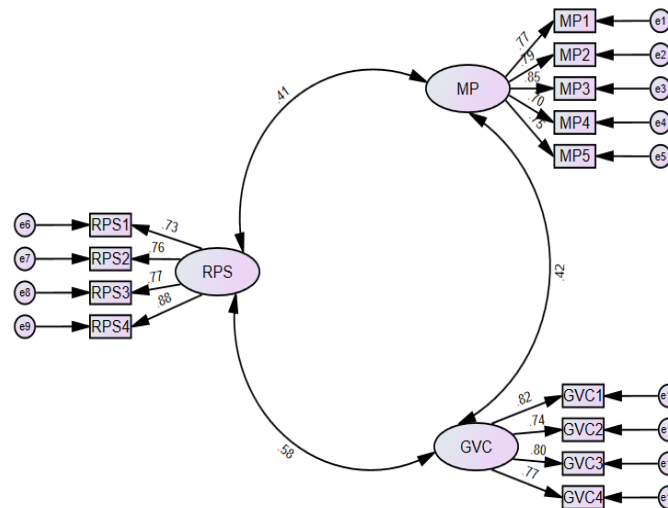


Figure 1: Confirmatory Factor Analysis of the scale items indicating the constructs, respective items and their correlation values/ factor loadings, error terms and covariance

RELIABILITY AND VALIDITY TEST

Through the confirmatory factor analysis, the reliability, validity and model fit measures for the latent variables have been assessed. The factor loadings of all items are above the threshold of 0.60 ranging from 0.703 to 0.877. The internal consistency is measured using Cronbach’s Alpha. The alpha values of all the constructs ranged from 0.863 to 0.880 which are over the required limit of 0.70. Overall, Cronbach’s alpha value of all items is calculated as 0.884 which is very good (DeVellis, 2017). An additional comprehensive measure of internal consistency and reliability which provides error variance for item-specific is composite reliability. It is assessed by dividing the total variance by the sum of the total variance and total item-specific error variance. The values of composite reliability of all the constructs ranged from 0.865 to 0.881 exceeding the recommended limit of 0.70 (Hair et al., 2010). Both the measures of reliability are above the suggested value indicating that the items of the factors are consistent and reliable. (Table 3)

The validity of the constructs and their items is assessed using convergent validity and discriminant validity measures. The convergent validity of the items is assessed using the Average Variance extracted (AVE). The AVE calculates the degree of the construct's items to measure the underlying construct. It is the average of the square of the correlation of each construct's items. The value of AVE for the three constructs is found above 0.50 (Fornell & Larcker, 1981) i.e., ranged between 0.598 to 0.617. Hence, the scale items confirm the reliability and convergent validity. (Table 3)

Items	Factor Loading	Cronbach's Alpha	Composite Reliability	AVE
Membership programme (MP)		0.880	0.881	0.598
MP1 <--- MP	0.768			
MP2 <--- MP	0.786			
MP3 <--- MP	0.848			
MP4 <--- MP	0.703			
MP5 <--- MP	0.754			
Reward-Point System (RPS)		0.863	0.865	0.617
RPS1 <--- RPS	0.731			
RPS2 <--- RPS	0.761			
RPS3 <--- RPS	0.766			
RPS4 <--- RPS	0.877			
Gift vouchers/Coupons (GVC)		0.864	0.865	0.615
GVC1 <--- GVC	0.818			
GVC2 <--- GVC	0.743			
GVC3 <--- GVC	0.803			
GVC4 <--- GVC	0.772			

Table 3: Factor Loadings; Reliability: Cronbach Alpha, Composite Reliability; and Convergent Validity

DISCRIMINANT VALIDITY

After assessing the convergent validity, the discriminant validity of the items is required to be assessed. There are two measures of assessing discriminant validity i.e., the Fornell-Larcker criterion and the HTMT (Heterotrait-Monotrait) ratio. When the square root of the AVE of each construct is higher than its correlation with other constructs (off-diagonal), the discriminant validity is established through the Fornell-Larcker Criterion. At the same time, the HTMT ratio (another robust measure to assess discriminant validity) provides the value that differentiates the constructs from one another. Generally, the HTMT value falls between 0 to 1. The value of HTMT should be less than the threshold value of 0.85 (Henseler et al., 2015). However, a value close to 1 or more than 1 indicates that the two factors are highly correlated and are not different from one another. Table 4 shows that the criteria for both the measures of discriminant validity for every factor are met well.

Discriminant Validity (Fronell-Larcker Criterion)				Discriminant Validity (Heterotrait-Monotrait Ratio)			
	MP	RPS	GVC		MP	RPS	GVC
MP	0.773			MP			
RPS	0.405	0.786		RPS	0.406		
GVC	0.421	0.583	0.785	GVC	0.422	0.584	

Table 4: Discriminant Validity: Fronell-Larcker Criterion; Heterotrait-Monotrait Ratio

Thus, the latent variables and items in the study hold adequate value for all the measures of reliability (through Cronbach alpha and composite reliability) and validity (convergent validity through AVE and discriminant validity through Fornell-Larcker criterion and HTMT ratio).

In confirmatory factor analysis, assessing a good model fit is also required. It reflects the consistency and discrepancy of the dataset. It is essential to report a range of indices since each one represents a distinct feature of model fit (Crowley & Fan, 1997). Therefore, for verifying a good model-fit, measures of three model-fit indices i.e., absolute measures (*goodness of fit*: GFI, AGFI; the *badness of fit*: CMIN/df, RMSEA, RMR, SRMR), incremental measures (IFI, NFI, NNFI/TLI and CFI) and parsimonious measures (PNFI, PCFI and PRATIO) are used. The value of goodness of fit should be close to 1 whereas the values of badness of fit should be as low as possible. In Table 5, the values of each model fit measure are held good to adequate according to the generally accepted criteria stated by (Hooper et al., 2008; Sahoo, 2020; Steyn et al., 2010).

CMIN (Chi-square statistic) is the measure of discrepancy between the observed and expected covariance matrices. The smaller the value of CMIN and the larger the value of the degree of freedom (df), the better the model fit. The ratio CMIN and df is used to assess the model fit. The value of CMIN/df is 1.606 which is less than the recommended value of 3. Also, the p-value is 0.002 found significant as it is less than 0.05. **RMSEA** (Root Mean Square Error of Approximation) measures the discrepancy of the covariance matrix of the implied model with the observed covariance matrix. It indicates how well the model would fit the population's covariance matrix if the parameter estimates are unknown but ideally selected. The RMSEA value is 0.05 which is below the threshold of 0.08. **RMR** (Root Mean Square Residual) is the square root of the difference between the residuals of the sample covariance matrix and the covariance model. The RMR value is 0.038 which is below the limit of 0.05. **SRMR** (Standardized Root Mean Residual) is a standardized form of RMR concedes for comparison among various models or samples. The SRMR value is 0.05 which is below the limit of 0.08.

GFI (Goodness-of-fit Index) determines how much of the variation can be explained by the anticipated population covariance. It is influenced by the size of the sample. The GFI value is 0.928 which is above the cut-off of 0.9. **AGFI** (Adjusted Goodness-of-Fit Index) is an adjusted GFI that considers the degree of freedom. The AGFI value is 0.894 which is very close to the threshold of 0.9.

IFI (Incremental Fit Index) also known as relative fit index is used to compare the model-fit with a baseline model. The baseline model is the worst possible model also known as null or independent model where all the latent variables are assumed to be non-related. The IFI value is 0.972 which is above the threshold of 0.95. **NFI** (Normed Fit Index) compares the chi-square value of the estimated model to the chi-square value of the baseline model. NFI is adjusted GFI which accounts for the number of parameters in a model. The NFI value is 0.929 which is above the suggested value of 0.9. As NFI is sensitive to sample size, the **NNFI/TLI** (Non-Normed Fit Index/ Tucker Lewis Index) value accounts for the complexity of the model. It uses the ratio of the chi-square value to the degree of freedom. The NNFI/TLI value is 0.964 which is above the limit of 0.95. **CFI** (Comparative Fit Index) is a non-centrality measure that compares the difference between the chi-square and degree of freedom of the implied model with the baseline model. The CFI value is 0.972 which is above the threshold of 0.95.

The parsimonious fit indices account for the loss of degree of freedom in the incremental fit indices. The larger the value of parsimonious fit indices, the better the model fit. **PNFI** (Parsimonious Normed Fit Index) is a parsimoniously modified NFI value that accounts for the loss of degree of freedom. Similarly, **PCFI** (Parsimonious Comparative Fit Index) is a parsimoniously modified CFI value that accounts for the loss of degree of freedom. **PRATIO** is the ratio of an implied model's chi-square value to a more rigorous model's chi-square value. The PNFI, PCFI and PRATIO values are 0.738, 0.772 and 0.795 respectively which are adequate for a model to be fit.

Model fit indices	Value	Criterion	Model fit
Absolute Fit Indices			
CMIN (χ^2)	99.584	Smaller	
Df (Degree of freedom)	62	More	Good
CMIN/df	1.606	≤ 3	Good
P-value	0.002	< 0.05	Good
RMSEA (Root Mean Square Error of Approximation)	0.050	< 0.07	Good
RMR (Root Mean Square Residual)	0.038	< 0.05	Good
SRMR (Standardized Root Mean Residual)	0.050	$< 0.05/0.08$	Adequate /Good
GFI (Goodness-of-fit Index)	0.928	> 0.90 or 0.95	Good/Adequate
AGFI (Adjusted Goodness-of-Fit Index)	0.894	> 0.90 or 0.95	Adequate (near to 0.9)
Incremental Fit Indices			

IFI (Incremental Fit Index)	0.972	> 0.90 or 0.95	Good
NFI (Normed Fit Index)	0.929	> 0.90 or 0.95	Good/Adequate
NNFI/TLI (Tucker Lewis Index)	0.964	> 0.90 or 0.95	Good
CFI (Comparative Fit Index)	0.972	> 0.90 or 0.95	Good
Parsimony Fit Indices			
PNFI (Parsimonious Normed Fit Index)	0.738	Larger better	Acceptable
PCFI (Parsimonious Comparative Fit Index)	0.772	Larger better	Acceptable
PRATIO	0.795	Larger better	Acceptable

Table 5: Model-fit Indices

FUTURE RESEARCH

Studies on customer loyalty programmes were primarily focused on programme benefits and consumer behaviour. The study of (Ghaleb Magatef & Tomalieh, 2015) found a significant influence of various types of customer loyalty programmes (including point system) on customer retention (probability of word-of-mouth, re-purchase and loyalty) except the non-monetary programmes. Khairawati (2019) investigated that the membership card directly influences customer satisfaction and loyalty; whereas the discount price programme influences customer loyalty only. Sharma & Bhardwaj (2015) found a significant impact of diverse loyalty programmes benefits on purchase intentions. Offering different types of loyalty programmes to customers in the retail sector could significantly influence customer loyalty (Zakaria et al., 2014). The present study explored the attributes of membership programmes, reward-point system and gift vouchers. This scale may be comprehensively utilized to test the following proposed research model. An investigation that considers the impact of the selected loyalty programmes on consumer behaviour i.e., buying intention, customer satisfaction, customer loyalty and word-of-mouth would be helpful for further insights into the existing knowledge.

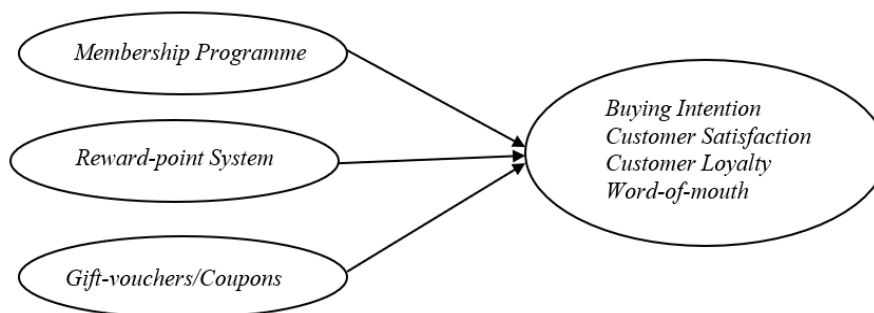


Figure 2: Model for further testing

This study is limited to only 13 attributes of loyalty programmes for scale development. Future studies can consider more attributes for better insights. Also, other types of loyalty programmes may be considered for further investigation.

Due to financial and time constraints, data was collected from Uttar Pradesh. Later, more geographical compositions can be considered for a better representation of India. Additionally, the study is concentrated in India, hence it is advised to execute the present study in other countries for generalization. Moreover, a comparison between developing and developed can pave the way for a better understanding of the role of the growth and development status of an economy on customers’ buying behaviour.

Further, the probability sampling technique can be used for data collection. A larger sample size belonging to different customer segments can be used to conduct future studies. Alternative conclusions might have been drawn from exploratory and confirmatory factor analyses with a larger sample size from different geographical locations. Analyzing the association between perceived attributes of loyalty programmes and specific elements of consumer behaviour remains a challenge and direction for future research.

CONCLUSION

The current study aims at developing the scale items for selected loyalty programmes i.e., membership programmes; reward-point system; and gift vouchers/coupons. It explored and confirmed the attributes of a membership programme, reward-point system and gift vouchers/ coupons taken from relevant literature. Based on the data collected from the targeted population and its subsequent analysis, the study revealed that all the attributes (scale items) were explored well, into their respective loyalty programme.

From a scholarly perspective, this study expands the existing body of knowledge about relationship marketing by outlining different attributes of the loyalty programmes that customers may perceive. It may offer the potential for future research avenues for upcoming researchers to investigate how customers respond to these loyalty programmes. The suggested scale ought to spur further investigation into the efficacy of loyalty programme characteristics, one of the most popular relationship tools among managers and a usually challenged tool among academics.

Further, it would assist marketers in segmenting the customers according to their preference for particular loyalty programmes. Additionally, market segmentation can be carried out while keeping one of the loyalty programmes constant, i.e., what features and benefits influence people to select a specific programme over others? The scale would assist marketers in evaluating their loyalty programmes' performance with customers' expectations and needs, and identify the potential intensity and defects of the programmes. It would be helpful for them to enhance the effectiveness of customer relationships and their respective performance in the market by creating a standard against rival firms.

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