

# **ARE WE LOYAL TO THE CARD OR TO THE MERCHANTS? FACTORS INFLUENCING CUSTOMER LOYALTY IN MULTI- MERCHANT LOYALTY CARD PROGRAMS IN MALAYSIA**

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## **ABSTRACT**

Loyalty program is a new generation of Customer Relationship Management (CRM) strategy and CRM is one of the vital aspects of the Integrated Marketing Communication (IMC). This study aims to understand the usage pattern of loyalty program among the cardholders and seek to examine factors influencing the customer loyalty in the multi-merchant loyalty card program in Klang Valley in terms of its perceived benefit, trust, commitment and satisfaction based on the main constructs of the Social Exchange Theory. Two levels of customers loyalty were examined namely the loyalty towards the program and the loyalty towards the merchants involved in the program. Data were collected from 230 cardholders of Bonuslink and BCard in Klang Valley, Malaysia via the online survey technique and data was analysed using descriptive analysis, Pearson Correlation and Multiple Regression analyses. Results of the Multiple Regression analysis showed that customer benefit, customer commitment and customer satisfaction are the best predictor variables of the customer loyalty towards the loyalty program. However, none of the independent variables were found to significantly predict the customers loyalty towards the merchants involved in the program, which further indicate greater customer loyalty towards the loyalty program not to the merchants.

**Keyword:** Single-merchant loyalty program, multi-merchants loyalty program, customer loyalty, customer benefit, customer trust, customer commitment, customer satisfaction.

## **INTRODUCTION**

The exponential growth of Customer Relationship Marketing (henceforth, CRM) in the current competitive business environment in Malaysia has led to the introduction of a new generation of CRM strategy called loyalty program (Bhattacharya, 1998). The loyalty program has now become an important strategy to increase revenue growth especially for

retailers and served a vital role in developing relationships with customers, stimulating product and service usage and retaining existing customers (Mauri, 2003; Leenheer & Bijmolt, 2008).

Loyalty program relies on database generated and managed by CRM technologies. The databases provide valuable information such as demographic, lifestyles, family lifecycle and purchasing behaviors of the customers which help the marketer in the planning, execution and evaluation of their marketing campaign strategies. For example, the marketers can use these databases to identify the specific strategies to attract their specific customers through various insights derived from the databases. Based on the insights derived, specific sales discounts and promotion can be targeted and tailored the customers in order to increase their consumption and/or to build stronger relationships with them (Belch & Belch, 2012).

Loyalty program is known for its benefits in building strong customer loyalty which is now lacking. According to the Centre of Retail Management at Northwestern University, only 12% – 15% of customers are loyal to a single retailer. Furthermore, 55% – 70% of company sales are generated by these small groups of shoppers, who are loyal to the retailers. Even some food retailers found that 65% – 95% of their sales come from the members of loyalty programs. Data derived from the same source also showed that 53% of food retailers offer a specific promotion for the members of the loyalty programs at least in weekly. Furthermore, 88% of the customers using their loyalty cards at least once a month (CRM Trends, 2012).

The benefits of loyalty program can be seen from two perspectives: perspectives of the issuer and that of the customers. From the retailer's perspective, the loyalty card enables direct information about their customers so that they sales turnover can be improved on. From the perspective of the customer, the loyalty card as a tool that generates extra rewards when they purchase items (Noordhoff, Pauwels, & Odekerken-Schroder, 2004).

## **LOYALTY PROGRAMS IN MALAYSIA**

The growth of the retail industry in Malaysia which can be seen from the number of hypermarkets, supermarkets and superstores that is proliferating all over Malaysia has generated a stiff competition in among the retailers which demands a more strategic marketing program that could help the retailers to build a stronger relationship with their consumers. This eventually led to the introduction and utilization of loyalty program which are now mushrooming in Malaysia.

In year 2006, the loyalty program business in Malaysia is worth RM2.4 billion and it was projected to grow to RM3.5 billion by 2010 (Ganesan, 2006). According to Steyn, Pitt, Strasheim, Boshoff, and Abratt (2010), the Asian Pacific countries including Malaysia are just experiencing a new wave of loyalty programs whereas the loyalty programs in the U.S. and Europe have reached the maturity level (Asiah, Norzalita, & Azrin, 2011).

In Malaysia, there are normally two types of loyalty cards namely Single-merchant loyalty card and Multi-merchant loyalty card. The single merchant loyalty card is the in-house program through which the cardholders get the benefit of the bonus points and only redeem points from the same merchant's outlet and its branches (Rese, Hyndertmark, Schimmelpfennig, & Schons, 2003; Asiah, Che Aniza, Rosidah, & Azrin, 2010).

On the other hand, the multi-merchant loyalty card is a program that gives the opportunity to the customers to collect points from various merchants. The advantage of this loyalty program is that the customers receive faster point collection and more redemption options. The merchants, attached to the program also are benefited from the program by increasing the companies' profits, ensuring greater associations with a reputable loyalty program (Kopalle & Neslin, 2003; Liu & Yang, 2009) and enhancing their promotional campaigns. In Malaysia, the single merchant loyalty card program is more popular than the

multi-merchant loyalty card program. The single merchant loyalty card program is often used by retailers such as Tesco, Aeon, Sogo, IKEA and others. The multi-merchant loyalty programs are quite few which amongst others include Bonuslink and BCard.

In both types of the programs, loyalty cards are often used. Loyalty cards serve several purposes. The first type only performs as an identification function and as customer recognisers to the sellers. It does not have any database which supports the loyalty programme. These cards do not have magnetic strips, barcodes or chips (Noordhoff, Pauwels, & Odekerken-Schroder, 2004). The second type allows retailers to track consumer buying behaviour over a certain period of time. This type of cards serve as a memory function linking (e.g. demographical information) whereby the said information will be stored inside the retailer's database (Noordhoff, Pauwels, & Odekerken-Schroder, 2004). The third type is used to reward customers whereby customers benefit from their participation and usage of loyalty cards in several ways e.g. extra points, higher discounts, special entry passes to events and others (Noordhoff, Pauwels, & Odekerken-Schroder, 2004).

With various types and levels of loyalty programs are introduced and used in Malaysia, issues related to its effectiveness and factors influencing it are often raised by the research scholars and industrial players. However, most of the past studies on loyalty card programs were conducted within the U.S. and the U.K. market. In Malaysia, several studies were conducted to examine factors influencing customers' loyalty to the loyalty card program (See Asiah, Che Aniza, Rosidah, & Azrin, 2010). Most local researchers also examined the effectiveness of the loyalty program within the context of single merchant loyalty program not the multi-merchant loyalty program. This study is therefore important to understand the effectiveness of multi-merchants loyalty program and to determine whether the customers are loyal to the program or to the merchants. Additionally, the present study aims to examine factors influencing customers' loyalty in the loyalty programs and its merchants from the

perspective of two multi-merchant loyalty programs in Malaysian namely BCard and Bonuslink. The following research questions are posited:

**RQ1:** What is the pattern of usage of the loyalty card among customers in Klang Valley?

**RQ2:** What are the effects of perceived benefit, trust, commitment and satisfaction on the customers' loyalty towards the loyalty program and the merchants involved?

## **UNDERSTANDING FACTORS INFLUENCING CUSTOMER LOYALTY IN THE LOYALTY PROGRAM**

### **A) Customer Loyalty**

Bloemer & Kasper (1995) suggested six definitions of brand loyalty. They are: 1) the biased (i.e. non-random); 2) behavioural response (i.e. purchase); 3) expressed over time; 4) by some decision-making unit; 5) with respect to one or more alternative brands out of a set of such brands; and 6) a function of psychological processes. Brand loyalty is often operationalized as customer purchase behaviour based on a brand's relative frequency in either independent or dependent time situation (Sheth & Parvatiyar, 1995). According to Reynolds, Darden, & Martin (1974) they stated that brand loyalty is seen as the similar attitude and behaviour of customers expressed continually over time.

Literatures posited two dimensions of brand loyalty namely behavioural and attitudinal loyalty. Behavioural dimension is the customer's behaviour based on repeat purchases which indicates the importance of a brand or service provided by retailers consistently over time (Oliver, 1996). While the attitudinal dimension is determined as repeat purchases from customers and their recommendations of the brand to others, the attitudinal dimension functions as a good measurement for assessing the level of loyalty among the customers toward the brands they support (Dick & Basu, 1994).

The affective loyalty is 'what I feel' and the behavioural loyalty is 'what I do' are conceptualisations of loyalty that interprets the term 'loyal' in different ways (Morgan, 1999). This conceptualisation of loyalty is mostly used in loyalty research (Dick & Basu, 1994). There is a close correlation between behavioural loyalty and attitudinal loyalty. Attitudinal loyalty can be observed (Rundle-Thiele & Bennett, 2001). Behavioural loyalty is the outcome based on repeat purchases of products from the same supplier.

In the loyalty programme subscription, not all customers are loyal to the card programme based on recent empirical evidence (Noordhoff, Pauwels, & Odekerken-Schroder, 2004). Sharp and Sharp (1997) claim that some of the loyalty card members subscribe to more than one loyalty programme while others are registered with the programmes but do not use the card and most customers seem unaware of the mechanics of the reward schemes of loyalty programmes.

## **B) Customer Benefit**

There are several factors that contribute to customer loyalty to the loyalty programs and one of the most frequently mentioned variables is customer benefits. In general, the understanding of value can be referred to as customer benefit. Customers are able to relate their experiences with the programme in terms of what the programme can provide or do for them (Holbrook, 1996). Fundamentally, the benefits in terms of monetary or non-monetary incentives like rebates, bonuses or services will make the loyalty programmes more beneficial to customers and this leads to a higher sales volume.

The optimal way to improve retail card revenue and reduce customer attrition is by using the combination approach of hard and soft benefits defined in monetary and non-monetary forms (Nunes & Dreze, 2006). Monetary forms can be seen as tangible rewards like special discounts, coupons or rebates which are hard benefits. Establishing a relationship

between customers and retailers by incorporating special communications and treatment are soft benefits that are non-monetary in nature (Mulhern & Duffy, 2004). Exclusive sales invitations, special conveniences or special insurance coverage for members is the financial component that provides additional benefits to exclusive members (Bridson, Evans, & Hickman, 2008).

Customers active participation in loyalty programmes can largely be explained by the perceived benefits received (Bolton, Kannan, & Bramlett, 2000). The strategy of loyalty management can be planned and implemented within a larger plan with rewarding strategies contributing to sustainable competitive advantage such as promotional give-aways (O'Brien & Jones, 1995). Other than that, the positive influences of customer satisfaction and loyal support can be derived from the management of loyalty programmes (Yi & Jeon, 2003).

There are three types of benefits enjoyed by customers when they join loyalty programmes. Utilitarian benefits are monetary savings or convenience. Utilitarian benefits provide consumers value by offering benefits for customers who purchase products/services for certain reasons. Such benefits form the main instrumental, functional and cognitive customer benefits (Babin, Darden, & Griffin, 1994). Utilitarian benefits usually correspond to a product's tangible attributes and relate to basic motivations of consumers when they purchase products or services. From customers' standpoint, emotional and experiential aspects of loyalty programmes fall within the dimension of hedonic benefits whereby customers trying out new products feel satisfied and/or are treated to entertainment shows. Symbolic benefit is derived when customers feel a sense of belonging with the other cardholders based on prestige, status (recognition dimension) or have similar values and attitudes (social dimension) (Mimouni-Chaabane & Volle, 2010).

### **C) Customer Trust**

Another factor that would influence customer loyalty in the program is the level of trust towards the program. Deutsch (1958) defined trust as *'an action that increase one's vulnerability to another'* while Coleman (1990, p. 100) defined trust as *'voluntarily placing resources at the disposal of another or transferring control over resources to another'*. Meanwhile, Shaw (1997) defined trust as belief in those who are conforming to our expectations of them. In the realm of business, it is suggested that the important element for long-term relationships is trust between buyers and sellers (Dwyer, Paul, & Oh, 1987).

Trust and commitment are two important variables influencing customer loyalty towards loyalty programmes where the commitment is enhanced when trust increases. Therefore, marketers must first establish trust towards the loyalty programme among the consumers so that they would be committed to the programmes (Farrell & Rusbult, 1981). The effect of trust upon commitment is critical and highly valued whereby exchange partners must develop and maintain this precious attribute in their relationships (Morgan & Hunt, 1994).

To ensure the long term commitment of customers to any service provider, the companies must consider other factors beyond customer satisfaction, such as customer trust, in their continuous efforts to retain customers (Hart & Johnson, 1999). Morgan & Hunt (1994) further reiterated that in order to retain customers, retailers should develop customer trust beyond customer satisfaction. In other words, customer retention can be strongly driven by customer trust (Ranaweera & Prabhu, 2003).

### **D) Customer Commitment**

Customer commitment also is strongly related to customer loyalty (Bloemer, Oderkerken-Schroder, & Kestens, 2003). The concept of commitment can be defined as *'the belief that an*

*on-going relationship is so important that the partners are willing to work at maintaining the relationship and are willing to make short-term sacrifices to realise long-term benefits'* (Bowen and Shoemaker (2003, p. 15). A committed customer would be willing to sacrifice their monetary benefits such as paying premium price for the product or forgo their non-monetary benefits such as taking an effort to convey positive word of mouth of the brand through the product review.

Customer repeat purchase would be one indicator of commitment to programmes the. It can also be seen when customers exhibit a greater willingness to become advocates for the companies or brand. Therefore, when customers have higher levels of commitment, they are more willing to recommend the programme to others.

### **E) Customer Satisfaction**

Zeithmal, Berry & Parasuraman (1996) define satisfaction is *'an attitude, which is formed by the customers' comparison of their pre-purchase expectations and quality of performance with their subjective perceptions of actual performance'*. The importance of customers' evaluation originates from the effect that satisfaction has on loyalty. In a study undertaken by Reichheld & Sasser (1990), the direct outcome of customer satisfaction is behavioural loyalty, so much so that it mediates the influence of quality on customer loyalty.

Garbarino & Johnson (1999) found that customer satisfaction and customer perceptions of service quality to be important determinants of attitudinal loyalty where the relationship between satisfaction and loyalty tend to be significantly stronger. This has a direct impact on the trust and commitment among customers, two key determinants of customer loyalty (Morgan & Hunt, 1994).

Sodurland (1998) stated that a positive association exists between customer

satisfaction and customer loyalty. It was also noted that increasing satisfaction did not necessarily result in a proportional increase in loyalty in all cases. Fornell (1992) however, argued that high customer satisfaction would result in increased loyalty towards the firm and that customers would be less prone to overtures from business rivals. Hallowell (1996) illustrated that customer satisfaction may be responsible for as much as 37 per cent of the difference in customer loyalty levels. Finally, in a study undertaken by Mittal and Lasser (1998), satisfaction ratings were found to be positively correlated to loyalty.

Historically, satisfaction has been used to explain loyalty as behavioural intentions (e.g., the likelihood of repurchasing and recommending). However, Verhoef (2003) argues that longitudinal data which combines survey measures with subsequent behaviour should be used to establish a causal relationship between perceptions and behaviour.

Results from a number of customer satisfaction and customer loyalty studies indicate that the level of customer satisfaction has a direct positive effect on loyalty (Caruana, 2002). However, a number of authors argued that mere satisfaction is insufficient for retaining customer loyalty (Reichheld, 1996). Other mechanisms also need to be considered (Oliver, 1999). One such mechanism is commitment whereby the future of buyer–seller relationships depend on the commitment made by partners towards the relationship (Morgan & Hunt, 1994).

Based on review of literature the hypotheses of the study are proposed:

**H1a:** Customer benefit is positively related to customer loyalty towards the loyalty card programme.

**H1b:** Customer benefit is positively related to customer loyalty towards merchants.

- H2a:** Customer trust is positively related to customer loyalty towards the loyalty card programme.
- H2b:** Customer trust is positively related to customer loyalty towards merchants.
- H3a:** Customer commitment is positively related to customer loyalty towards the loyalty card programme.
- H3b:** Customer commitment is positively related to customer loyalty towards merchants.
- H4a:** Customer satisfaction is positively related to customer loyalty towards the loyalty card programme.
- H4b:** Customer satisfaction is positively related to customer loyalty towards merchants.

## ***METHODOLOGY***

The present study used online survey to achieve the objectives of the study. The advancement of Internet has changed and shaped the ways research is conducted. The introduction of online survey is now gaining popularity due to its ease of use and easy management. Thus in this study, the online survey was used to reach the respondents.

Quota sampling technique was further utilised to set a specific proportion based on certain important characteristics of the population. In the present study, the researchers set 50-50 or equal allocation for members of BCard and Bonuslink. In other word, 50% of the total sample will include only BCard members, while another 50% will be for Bonuslink.

The sample size of the research is set at 230 samples with the margin of error of +/- 5% and 95 % confidence level. Since the study uses quota sampling technique, the total

sample size is divided equally into the Bonuslink and BCard member, which lead to the allocation of 115 customers/respondents from Bonuslink and 115 customers/respondents from Bonuslink.

The survey form has 3 sections that are:

- Section A: Socio-demographic of respondents
- Section B: Usage Pattern of respondents
- Section C: The factors that influence the loyalty card program

Section A consisted of questions measuring the socio-demographic respondents such as age, marital status, race, monthly income and occupation. Respondents also were asked to name the loyalty card programs that they had been a member of for at least a year. The reason why the researcher specifically asked for at least a year's membership, since one year was considered sufficient for the members to quit from the program in case of disappointment or regret.

Section B comprised questions to measure the usage pattern of the selected loyalty card among the respondents. In this section, the researcher examined the respondents' knowledge about the loyalty card that they subscribe to, their frequency of using the loyalty card, the current points accumulated in their loyalty card and also the frequency of redeeming their points. Other than that, the researcher also measured the number of times the respondents go and purchase at the merchants listed under the selected loyalty card and the question was measured along the five-point Likert scale from (1) "never" to (5) "always".

The final section is Section C which contained questions to measure the main variables of the study namely the respondents' benefits, trust, commitment, satisfaction,

customer loyalty to the loyalty program and customer loyalty to the merchants involved. All of the items in Section C of the questionnaire were measured along the five-point Likert scale from (1) "strongly disagree" to (5) "strongly agree". The instruments used to measure the variable are replicated from the research of Asiah et al. (2010). Therefore below are the list of the statements that used to measure the independent variables and the dependent variables:

1. Customer benefit towards loyalty card program

- \_\_\_ Being a member of this loyalty card program allows me to save money.
- \_\_\_ Collecting points from the loyalty card program is enjoyable.

2. Customer trust towards loyalty card program

- \_\_\_ I trust that I can get the benefits as promised by the loyalty card program.
- \_\_\_ I trust that I can redeem my point as promised by the loyalty card program.

3. Customer commitment towards loyalty card program

- \_\_\_ My relationship with this loyalty card program is one that I am very committed to.
- \_\_\_ I am willing 'to go the extra mile' to remain a member of this loyalty card program.

4. Customer satisfaction towards loyalty card program

- \_\_\_ Satisfied
- \_\_\_ Pleasant

5. Customer loyalty towards loyalty card program

- \_\_\_ I have strong preference for this loyalty card program.
- \_\_\_ I would recommend my friends to be members of this loyalty card program.

## ***FINDINGS***

Findings of the study revealed that majority of the respondents are Chinese (43.9%), female (54.8%) and single (57.4%). The mean age of the respondents is 29 years old and the age ranges from 20 to 56 years old. The average monthly income of the respondents is RM5 463.71 which is ranges from RM 500 to RM 15 000. Most of the respondents are professionals (29.6%), while others said that they are holding managerial position (29.1%), student (19.6%), businessman (5.7%), administration (4.8%), housewife (4.8%), clerical (4.3%) and others (2.2%).

Generally, results also showed that the average membership duration is 2.9 years. Specifically, the mean year of the membership for Bonuslink and BCard respondents is 3.9 years and 1.8 years respectively. The difference in the membership duration was expected since the Bonuslink launched their card in 1998 while BCard was only introduced in 2010.

Based on Table 2, results showed Pearson Correlation analyses between the independent variables namely customer benefit, trust, commitment, satisfaction with the customer loyalty towards the program. Overall result exhibited significant relationships between the independent variables with customer loyalty. Strong and positive relationship with customer loyalty can be observed for the customer benefit ( $r=0.717$ ), customer commitment ( $r=0.854$ ) and customer satisfaction ( $r=0.723$ ). However, the  $r$  value for correlation analysis for trust is ( $r=0.639$ ) the lowest which indicate moderate relationship with customer loyalty towards the programme.

**Table 2: Pearson Correlation results for both Bonuslink and BCard**

|                  |                     | Customer Loyalty |           |         |
|------------------|---------------------|------------------|-----------|---------|
|                  |                     | Overall          | Bonuslink | BCard   |
| Customer Benefit | Pearson Correlation | 0.717**          | 0.690**   | 0.757** |

|                       |                     |         |         |         |
|-----------------------|---------------------|---------|---------|---------|
|                       | Sig. (2-tailed)     | 0.000   | 0.000   | 0.000   |
|                       | N                   | 230     | 115     | 115     |
| Customer Trust        | Pearson Correlation | 0.639** | 0.775** | 0.463** |
|                       | Sig. (2-tailed)     | 0.000   | 0.000   | 0.000   |
|                       | N                   | 230     | 115     | 115     |
| Customer Commitment   | Pearson Correlation | 0.854** | 0.881** | 0.822** |
|                       | Sig. (2-tailed)     | 0.000   | 0.000   | 0.000   |
|                       | N                   | 230     | 115     | 115     |
| Customer Satisfaction | Pearson Correlation | 0.723** | 0.822** | 0.601** |
|                       | Sig. (2-tailed)     | 0.000   | 0.000   | 0.000   |
|                       | N                   | 230     | 115     | 115     |

The analyses were also conducted separately for Bonuslink and BCard. Table 2 above exhibited the result of the Pearson Correlation which showed positive relationship between all independent variables with customer loyalty to the Bonuslink. As for the BCard members, all the independent variables recorded positive correlation with customer loyalty to the BCard.

To understand the best predictor variables to the customer loyalty to the loyalty programs, analysis of Multiple Regression was conducted. Table 3 below indicates the result of the analysis between the independent variables with customer loyalty for Bonuslink and BCard.

**Table 3: Multiple Regression Analysis towards loyalty cards**

|                     | Customer loyalty towards the loyalty card program |         |
|---------------------|---|---------|
|                     | Beta  | p value |
| Customer Benefit    | 0.149   | 0.001   |
| Customer Trust      | 0.720   | 0.123   |
| Customer Commitment | 0.549   | 0.000   |

|                            |         |       |
|----------------------------|---------|-------|
| Customer Satisfaction      | 0.235   | 0.000 |
| R                          | 0.890   |       |
| R <sup>2</sup>             | 0.792   |       |
| Adjusted R <sup>2</sup>    | 0.788   |       |
| Std. Error of the Estimate | 0.32015 |       |

The first hypothesis of the study, posed that customer perceived benefit is positively related to the loyalty of the program. The first hypothesis was supported ( $\beta = 0.149$ ,  $p = 0.001$ ). The second hypothesis of the study, posed that trust is positively related to the loyalty of the program. The second hypothesis was rejected ( $\beta = 0.72$ ,  $p = 0.123$ ). The third hypothesis of the study, posited that customer commitment is positively related to the loyalty of the program. The third hypothesis was supported ( $\beta = 0.549$ ,  $p = 0.000$ ). Finally, the last hypothesis of the study, posed that customer satisfaction is positively related to the loyalty of the program. The hypothesis was supported ( $\beta = 0.235$ ,  $p = 0.000$ ) which further indicated that greater customer satisfaction is positively associated with greater loyalty to the programmes. Customer commitment and satisfaction were the best predictor variables on customer loyalty to the program based on the interpretation of the beta value. Finally, based on the R<sup>2</sup> value (0.792), the model is considered as a very good model because the model explained 79.2% of variance of the dependent variable.

Table 4 below shows the result of the multiple regression analysis between the independent variables with the customer loyalty towards the merchants involved in loyalty programme (Bonuslink and BCard).

**Table 4: Multiple Regression analysis towards merchants**

|                  | Customer loyalty towards merchants |         |
|------------------|------------------------------------|---------|
|                  | Beta                               | p value |
| Customer Benefit | 0.052                              | 0.597   |

|                            |       |         |
|----------------------------|-------|---------|
| Customer Trust             | 0.106 | 0.288   |
| Customer Commitment        | 0.105 | 0.344   |
| Customer Satisfaction      | 0.011 | 0.915   |
| R                          |       | 0.236   |
| R <sup>2</sup>             |       | 0.055   |
| Adjusted R <sup>2</sup>    |       | 0.039   |
| Std. Error of the Estimate |       | 0.83878 |

The first hypothesis of the study, posed that customer perceived benefit is positively related to the merchants. The first hypothesis was rejected ( $\beta = 0.052$ ,  $p = 0.597$ ). The second hypothesis of the study, posed that trust is positively related to the merchants. The second hypothesis was also rejected ( $\beta = 0.106$ ,  $p = 0.288$ ). The third hypothesis on the relationship between customer commitment and loyalty towards the merchants was also rejected,  $\beta = 0.105$ ,  $p = 0.344$ ). Finally, the last hypothesis of the study was also rejected ( $\beta = 0.011$ ,  $p = 0.915$ ) which further denoted insignificant relationships between customer satisfaction and customer loyalty towards the merchants.

All independent variables are not significantly towards customer loyalty to the merchants based on the interpretation of the beta value. Finally, based on the R<sup>2</sup> value (0.055), the model is considered as a weak model because the model explained 5.5% of the dependent variable.

## ***DISCUSSION AND CONCLUSION***

The findings of the study showed frequented visitation and consumption for the established merchants of the two loyalty programs. Altogether there are 23 merchants under Bonuslink and 69 merchants under BCard. In the study, customers would prefer to purchase products from merchants who have strong brand names in both loyalty programs.

Results of the study also exhibited that the customer perceived benefit, commitment, trust and satisfaction are positively related to the customer loyalty towards the loyalty card

programs in this study. In other words, customers who trust, satisfied, committed and believe that they are benefited from the program, would continue to be loyal to the programs. However, none of the independent variables were found to significantly predict the customers loyalty towards the merchants involved in the program. This is an interesting finding which further indicate greater customer loyalty towards the loyalty program not to the merchants. Based on the findings, the researchers conclude that customers tended to have greater level of trust, commitment, satisfaction and perceived benefits to the loyalty program but not to the merchants involved in the programs. In other words, multi-merchants loyalty program is not effective in inculcating trust, commitment, satisfaction and perceived benefits among the customers.

### **Limitation and recommendations of Study**

There are several limitations in this study. The first limitation can be seen from the sample drawn in the study which confined to members of only two loyalty programs in Malaysia. While it is well-aware that there are many loyalty programmes used by retailers in Malaysia, the present study only opted for multi-merchants loyalty programme due to its wide usage among the consumers. The findings derived from the study must be interpreted in the context of multi-merchant loyalty programme.

The use of the online survey method to reach the members of the two loyalty programme may pose additional limitation. Despite its ease of use, online survey method is limited in term of its reach as not all the members of the two loyalty programmes are connected to the Internet during the period of data collection. Thus, the finding of the survey may be skewed to those members who had an access to the Internet, which further limit the generalizability of the findings.

Lastly, the study seeks to understand the effects of only four independent variables namely perceived benefit, trust, commitment and satisfaction on customer loyalty. Past literature especially in branding and marketing highlighted other factors that may influence customer loyalty such as brand image of the loyalty programme and service quality, which can be explored in future research.

For future research, it would be useful to replicate the current study for other types of loyalty programmes such as single merchant loyalty programme as used by IKEA, Sogo and many others. Future studies may also conduct comparative analysis between single and multi merchants loyalty programmes and test the effects of other independent variables such as brand image on the level of customer loyalty between the two types of loyalty programmes.

Other than that, further studies are recommended to evaluate on the effectiveness of various models of loyalty programmes used in Malaysia. Some loyalty programmes such as Sogo rewards their loyal members with gift/product redemption, while others such as TESCO reward their loyal customers with cash vouchers. Some loyalty programmes practice non-expiry deadline for point redemption while most others the opposite. With several models of loyalty programmes available in Malaysia, future research need to study on the effectiveness of the various models of loyalty programmes in Malaysia.

## **Conclusion**

The results of the study provide empirical evidences on the significant influence of perceived benefit, trust and satisfaction on customer loyalty towards the multi-merchant loyalty programmes. Customers who perceived that they are benefited from the programme, have certain level of trust and are satisfied with the programmes will continue to use the membership card. While most members showed to be loyal to the loyalty programmes, they were found as not being loyal to all the merchants involved. This poses a serious implication

especially to the small merchants involved in the multi-merchants loyalty programmes as most members recorded low purchasing trend for the small merchants involved. Furthermore, none of the independent variables in the study showed significant relationships with the customers loyalty towards the merchants listed in Bonuslink and BCard.

The findings of the study are limited and confined to the context of two multi-merchants loyalty programmes in Malaysia and the samples that it derived. However the current study is important to help the retailers in developing more concrete strategies for their loyalty programme and to identify ways and means to make the cardholders loyal to the programmes as well as to the merchants.

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