The effects of loyalty programs on customer satisfaction, trust, and loyalty toward high- and low-end fashion retailers

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Abstract

This study examines the differential effects of the benefits customers receive from a loyalty program (LP) on satisfaction with the LP, trust in the LP, and store loyalty for high- and low-end fashion retailers. With survey data from U.S. LP subscribers, the study tests the relationships using multiple regressions and analysis of covariance. The results show that symbolic benefits are more important for high-end fashion store consumers' satisfaction with the LP; conversely, utilitarian benefits increase consumers' satisfaction with the LP more in low-end fashion retailing, whereas hedonic benefits increase consumers' satisfaction with the LP in both types of retailers. All benefits in both types of retailers affect trust in the LP. Finally, satisfaction with and trust in the LP are important drivers of loyalty to the retailer. The findings have important implications on how managers of high- and low-end fashion retailing can effectively design their LP rewards to maximize loyalty.

Keywords: loyalty program benefits; satisfaction; trust; store loyalty; high-end fashion retailers

1. Introduction

The use of loyalty programs (LPs) is quite popular in a variety of industries, from drug stores, supermarkets, and clothing and department stores to airline and banks. They are among the most popular marketing tools that companies use to collect information, increase customer retention, and enhance customer relationships and loyalty (e.g., Kang, Alejandro, & Groza, 2015; Meyer-Waarden & Benavent, 2009). The number of companies adopting LPs has rapidly increased and reached approximately 40% growth between 2011 and 2014 (Colloquy, 2013, 2015). The outcome of that proliferation is consumers' enrollment in a larger number of LPs. For example, in 2014, one U.S. household participated on average in 29 loyalty schemes. The largest share of LP memberships (39%) is concentrated in the retailing sector. Within this sector, fashion department stores, the focus of this article, experienced a 101% increase in their LP memberships between 2010 and 2014, with 229.6 million memberships (Colloquy, 2013, 2015). This growth is continuing to increase, with a Mintel (2015) report forecasting that department stores' LP memberships will increase to 419 million in 2020, showing the continuous importance of LPs. One of the main reasons for this growth is the benefits fashion retailers offer to their customers (Colloquy, 2013).

Previous research (e.g., Leenheer, Heerde, Bijmolt & Smidts, 2007) highlights the importance of the type and nature of the benefits such schemes offer to generate customer loyalty. Surprisingly, these studies indicate that higher rewards and monetary incentives by themselves cannot guarantee customer loyalty. Thus, recent studies investigate comprehensive sets of benefits LPs offer and their potential to increase customer retention and profitability (Evanschitzky, Ramaseshan, Woisetschläger, Richelsen, Blut, & Backhaus, 2012; Mimouni-Chaabane & Volle, 2010). This approach departs from prior research that focuses on the magnitude, grading, and timing of loyalty rewards (e.g., Keh & Lee, 2006; Liu, 2007; Yi & Jeon, 2003).

Despite research evidence showing a positive effect of LP benefits on customer satisfaction and retention (e.g., Mimouni-Chaabane & Volle, 2010), many high-end fashion retailers do not have LPs. Only recently have some high-end fashion department stores begun launching LPs (Colloquy, 2013, 2015). However, many luxury retailers questions whether LPs can be effective or appropriate in luxury retailing (Jones, 2016; Thompson, 2014). One argument is that these stores perceive LPs as a sales promotion tool that reflects a “down-market” strategy and thus is inconsistent with high-end clientele desires (Thompson, 2014). Luxury fashion retailers commonly build loyalty through top-end and differentiated customer experiences (e.g., superior service, intimate relationships, special offers and exclusivity with customer-only events), which tend to be incompatible with the benefits of traditional point-collection LPs. If LPs are to succeed in this sector, they must be attuned to the needs of high-end fashion retailers’ clients and adjust their rewards to deliver more flexibility, more recognition, special treatment, and more experiential components (Dilger, 2011). For example, many LP ranking lists place high-end fashion department stores, such as Bloomingdale’s, Neiman Marcus, and Nordstrom, at the top, though they are newcomers in the LP arena (e.g., *Consumer Reports*, 2013).

A wealth of research exists on luxury consumers and luxury fashion retailing (e.g., Hennigs et al., 2012; Kastanakis & Balabanis, 2012; Kim, Ko, Xu, & Han, 2012), but research that examines the effectiveness of LPs in the luxury fashion retailing is scant. Thus the purpose of the current study is to bridge this gap, given the growing interest in LPs. More specifically, this study aims to examine the different types of benefits derived from LPs, such as utilitarian (e.g., discounts, coupons), hedonic (e.g., entertainment), and symbolic (e.g., special treatment) benefits, and to assess their effects on relational outcomes such as satisfaction with the LP, trust in the LP, and store loyalty. The study also includes low-end fashion retailers, to compare and better understand how LPs operate at the high end of fashion retailing. The results explain how high-end fashion retailers can structure their rewards bundle differently from low-end fashion retailers. The findings also provide guidance to store managers on how to better allocate their resources in configuring more effective LP rewards and incentives.

2. Literature review and hypotheses development

The American Marketing Association (2016) defines LPs, as "continuity incentive programs offered by a retailer to reward customers and encourage repeat business" (Dorotic, Bijmolt & Verhoef, 2012, p. 218). Recent research (e.g., Dorotic, at al., 2012) also emphasizes the importance of an integrated and structured reward system, which is continuously customizable to members' needs and the development of customer loyalty. LP rewards can provide short- or long-term benefits to customers who have reached a certain status through the frequency or volume of their buying patterns (Fullerton, 2003). Companies tend to offer rewards for many reasons, such as to increase retention and profitability, to develop closer bonds between the customer and the brand, to create resilience to alternative options for the customer and to simply reward customers for their loyalty with additional benefits (De Wulf, Odekerken-Schroder, & Iacobucci, 2001; Fullerton, 2003). According to the literature, customers can gain three categories of benefits from LPs: utilitarian, hedonic, and symbolic benefits (Dorotic et al., 2012). *Utilitarian benefits* refer to the monetary savings that an LP offers to consumers, such as discounts, points, and vouchers. *Hedonic benefits* represent the entertainment and exploration benefits that an LP provides to consumers through the pleasure of redeeming and collecting points. Such rewards include trial of new products, information of new trends, events participation or promotional offers, and unique experiences (Mimouni-Chaabane & Volle, 2010). Finally, *symbolic benefits* are recognition and social benefits that an LP provides to consumers, such as social status, sense of belongingness, special treatment, social approval, and recognition by the firm (Dorotic et al., 2012; Mimouni-Chaabane & Volle, 2010).

Utilitarian benefits are primarily cognitive and represent “hard” dimensions of rewards (e.g., coupons and discounts) because they are economic in nature (Dorotic et al., 2012). Previous research suggests that consumers perceive these benefits as the most important (Dorotic et al., 2012; Mimouni-Chaabane & Volle, 2010). The underlying reason for such perceptions is these benefits’ tangible nature, which consumers can more easily evaluate than hedonic or symbolic benefits (Dorotic et al., 2012). This argument seems relevant to low-end retailers, whose monetary savings is one of the major drivers for customers to patronize their stores. However, reliance on utilitarian benefits makes customers vulnerable targets by competing LPs that can afford to offer better monetary rewards. Indeed, previous research (e.g., Leenheer et al., 2007; Meyer-Waarden & Benavent, 2009) shows that consumers are motivated to purchase from a store because of the point-system pressure, but such pressure works only in the short run and usually in the beginning of enrollment (approximately six months). If LPs do not contain any other types of benefits, monetary-based LPs fail to maintain long-term relationships with customers, and customers can easily switch to competitive offerings (Brashear-Alejandro, Kang & Groza, 2016; Henderson, Beck & Palmatier, 2011). Thus, reliance on such rewards alone does not guarantee the establishment of long-term relationships (Dorotic et al., 2012). Hedonic and symbolic benefits represent psychological benefits and reflect the “soft” dimensions of rewards (e.g., special events, privileged treatment, entertainment and upgrades) because of their non-monetary nature (Dorotic et al., 2012). These types of benefits are important in building long-term relationships with customers (Mimouni-Chaabane & Volle, 2010). Such rewards can make customers feel appreciated and valued. Thus, companies that aim to develop long-term relationships and lasting customer loyalty need to carefully consider the provision of hedonic and symbolic benefits in the design of their LPs.

2.1 The impact of LP benefits on relational outcomes

One of the key reasons to develop LPs is their instrumental role in maintaining customer relationships; thus, companies often judge their success by their relational outcomes. The general term "relational outcomes" refers to the company's goals and its relational performance based on a specific marketing action (Briggs & Grisaffe, 2010; Mimouni-Chaabane & Volle, 2010). Loyalty is the ultimate goal of companies when designing LPs, and the most established drivers of loyalty in the marketing literature are consumer satisfaction and trust (e.g., Chiou & Droge, 2006; Singh & Sirdeshmukh, 2000). Thus, for the purposes of this study, relational outcomes refer to three variables: satisfaction with the LP, trust in the LP, and store loyalty. Satisfaction with the LP captures the customer's affective state resulting from an overall evaluation of the benefits received from the LP (Oliver, 1997). Research (e.g., Mimouni-Chaabane & Volle, 2010; Yi & Jeon, 2003) suggests that customers are more satisfied with their LP when they perceive the LP benefits as valuable.

Consumers usually become members of LPs because of their expectations that LPs will meet their goals. Typically, satisfaction results from a perceived discrepancy between the expected performance of LPs on important benefit dimension and their actual performance on that dimension (Oliver, 1997). Based on expectancy–disconfirmation theory (Oliver, 1997), different processes underlie the effects of three types of benefits to satisfaction. Utilitarian benefits, which possess more tangible attributes, are cognitively processed and generate satisfaction by evoking feelings of confidence and security (Chitturi, Raghunathan, & Mahajan, 2008; Jones, Reynolds, & Arnold 2006). Conversely, hedonic and symbolic benefits possess experiential and emotional attributes and thus are linked to emotional responses that lead to satisfaction by evoking feelings of cheerfulness and excitement (Aurier & Guintcheva, 2014; Chitturi et al., 2008; Klaaren, Hodges, & Wilson, 1994).

In the context of LPs, monetary savings are easily evaluated and reflect the tangible attributes of the rewards received (Dorotic et al., 2012); thus, they can influence consumers' cognitive evaluations of the LPs, resulting in satisfaction or dissatisfaction. Hedonic benefits derived from the LP, such as entertainment and joy from collecting/redeeming points or exploring new products, can create positive emotional responses, such as pleasure and arousal, which can result in satisfaction (Aurier & Guintcheva, 2014). Finally, symbolic benefits, such as preferential treatment and belonging to a "special" group of customers, can enhance feelings of status and recognition of the member's position in the hierarchical structure of the LP, which can lead to a higher affective state (Brashear-Alejandro et al., 2016). In line with the expectancy–confirmation (disconfirmation) paradigm (Oliver, 1997), satisfaction with the LP should depend on consumers' evaluations of the benefits of the LP in relation to their expectations (Dorotic et al., 2012). The more consumers positively perceive the utilitarian, hedonic, or symbolic benefits of an LP, the greater is their satisfaction with the LP.

H1: The utilitarian benefits of an LP have a positive impact on satisfaction with the program. H2: The hedonic benefits of an LP have a positive impact on satisfaction with the program. H3: The symbolic benefits of an LP have a positive impact on satisfaction with the program.

Customers' trust in the program is another important variable in the setting of LPs. Retailers that invest in the relationship with customers by incorporating valuable benefits in their LPs tend to form psychological bonds with customers, create expectations of reciprocation, and increase trustworthiness (De Wulf et al., 2001; Smith & Barclay, 1997). Consumers perceive LP benefits as relationship investments made by the retailer; thus, these benefits have a salutary effect on trust (Mimouni-Chaabane & Volle, 2010). Trust is a consumer's confidence in a firm's reliability and integrity (De Wulf et al., 2001; Smith & Barclay, 1997) and is related to the willingness to engage with that firm despite the risks involved. In the current case of fashion retailing, such risks are evident. Most existing LPs require that members provide personal information to subscribe and be able to take advantage of the benefits. Thus, trusting that the company will handle personal information reliably, as well as the data acquired during the use of the LP, is crucial for the development of the relationship between the customer and the company.

In this context, trust in the LP reflects customers' beliefs that the LP is dependable in protecting their personal information (Malhotra, Kim, & Agarwal, 2004). One of the reasons that many consumers are not willing to enroll in or decide to drop out of an LP is their increased concerns that the LP is mishandling their personal information. A recent report finds that 91% of consumers are concerned that they have lost control of how firms collect and use their personal information (Madden, 2014). Dorotic et al. (2012, p. 220) state that "privacy concerns are a strong impediment to LP enrolment." Thus, firms' main priority is to increase trust to decrease customers' likelihood of unsubscribing from the LP.

To date, no known research examines this aspect of LPs and, a link between LP benefits and trust in the LP is missing in the literature. However, previous research referring to the "privacy paradox" indicates that potential perceived benefits (especially when they are apparent to the consumer) can outweigh the perceived risk of privacy, resulting in higher levels of trust (e.g., Awad & Krishnan, 2006). Thus, in exchange for their personal information, consumers expect more personalized service (or, in this case, reward/s), which, if offered consistently, can justify the necessity of providing personal information and reassure the safe use of such information (Awad & Krishnan, 2006; Lee & Cranage, 2011). Using relationship investment theory, Mimouni-Chaabane and Volle (2010) indicate that consumers perceive utilitarian, hedonic, and symbolic benefits as an indication of retailers' dedication of resources, effort, and attention to maintain or enhance the relationship. The effect of these perceptions can increase trust. Thus, in line with relationship investment theory premises (De Wulf et al., 2001), LP benefits should positively influence consumers' trust in the LP, as all three types of LP benefits are relevant to them.

H4: The utilitarian benefits of an LP have a positive impact on trust in the program. H5: The hedonic benefits of an LP have a positive impact on trust in the program. H6: The symbolic benefits of an LP have a positive impact on trust in the program.

Satisfaction with the program and trust in the LP should, in turn, result in higher customer loyalty to the store, as shown in the conceptual model (figure 1). Research indicates that the main purpose of LPs is to foster loyalty, but many often fail to do so (e.g., Leenheer et al., 2007). Holding a loyalty card does not automatically translate into higher levels of loyalty. However, Demoulin and Zidda (2008) find that the more satisfied customers are with the rewards received from loyalty cards, the more loyal they are. Although these links are not well researched in the context of LPs, the links between customer loyalty and customer satisfaction and trust in general (e.g., Anderson & Sullivan 1993; Harris & Goode, 2004) are well established in the literature. Both satisfaction and trust are important drivers of customer loyalty (Evanschitzky et al., 2012).

H7: Store loyalty associates positively with satisfaction with the LP. H8: Store loyalty associates positively with trust in the LP.

Figure 1 here.

2.2 High- and low-end fashion retailers

One of the main distinctions between luxury and non-luxury consumption is the importance of the psychological benefits consumers derive from luxury products (Hagtvedt & Patrick, 2009; Hennigs et al., 2012). In luxury consumption, status symbolism and hedonic value are important determinants of consumers' experiences (Kastanakis & Balabanis, 2012; Kivetz & Simonson, 2002). Apart from the functional utility (e.g., uniqueness, quality, usability), luxury consumers want preferential treatment, unique experiences, and more social recognition components in consumption (Dilger, 2011; Hennigs et al., 2012). Thus, luxury brands tend to focus their marketing efforts on enhancing customer experiences and avoid using tactics such as discounts and price promotions. These tactics seem more appropriate for non-luxury brands, whose price incentives can lure customers to re-purchase. As LPs mainly originated from low-end retailing and are commonly associated with utilitarian benefits such as monetary savings (e.g., Evanschitzky et al., 2012), many luxury brands resist adopting such programs. However, the evolution of LPs and their rewards structure now allow luxury retailers to employ such programs. Considering the different nature of luxury consumption, hedonic and symbolic benefits are likely to be more important for luxury consumers than utilitarian benefits. Clientele of high-end fashion retailers is likely to appreciate hedonic and symbolic benefits more because social and experiential values are more important in the luxury setting (Wiedmann, Hennigs, & Siebels, 2009). In contrast, in a low-end retailing setting, in which customer are driven more by price and discounts (Leenheer et al., 2007; Meyer-Waarden & Benavent, 2009), utilitarian benefits are likely more important

The strength of the relationships between the three LP benefits and consumers' satisfaction with the LP also likely varies between high- and low-end retailing settings. According to the expectancy–confirmation (disconfirmation) paradigm of satisfaction (Oliver, 1997), satisfaction ensues when the LP benefits match or exceed the varying expectations of high- and low-end fashion retailer customers. As the goals of consumption vary in these two settings, so, too, do consumers' expectations. In the luxury setting, Wiedmann et al. (2009) show that when the value derived from luxury consumption (e.g., social, prestige and hedonic value) matches consumers' expectations, positive affective states and arousal feelings result. Conversely, the goals of consumption in a lower-end retailing setting are price driven, and thus utilitarian benefits can more effectively match consumers' expectations in this setting.

Applying the same logic, and based on relationship investment theory (De Wulf et al., 2001), if the benefits the retailer offers match the needs of the consumer, the consumer will recognize that the personalization of the LP benefits represents higher relationship investments by the retailer. If so, higher trust in the LP, according to the benefits provided in each setting, will result. Consumers of high-end fashion retailers will be more appreciative of the symbolic and hedonic LP benefits, while consumers in the low-end setting will be more appreciative of the utilitarian benefits. As such, customers in each setting will recognize the efforts and investments the LP made to personalize the rewards, and thus be more trustful of the LP, according to their varying needs and goals of consumption in each setting. On this basis, the type of retailer (high- and low-end) moderates the satisfaction with and trust in the LP derived from the three types of benefits.

H9a: Consumers' perceptions of utilitarian benefits are greater in low- rather than high-end fashion retailers. H9b: Utilitarian benefits' effects on satisfaction with the LP are greater in low- rather than high-end fashion retailers. H9c: Utilitarian benefits' effects on trust in the LP are greater in low- rather than high-end fashion retailers. H10a: Consumers' perceptions of hedonic benefits are greater in high- rather than low-end fashion retailers. H10b: Hedonic benefits' effects on satisfaction with in the LP are greater in high- rather than low-end fashion retailers. H10c: Hedonic benefits' effects on trust in the LP are greater in high- rather than low-end fashion retailers. H11a: Consumers' perceptions of symbolic benefits are greater in high- rather than low-end fashion retailers. H11b: Symbolic benefits' effects on satisfaction with in the LP are greater in high- rather than low-end fashion retailers.

H11c: Symbolic benefits' effects on trust in the LP are greater in high- rather than low-end fashion retailers.

3. Method

3.1. Sample and procedure

Survey data collected from a sample of 984 U.S. consumers drawn from a large online panel held by Qualtrics was used to test the hypotheses. With the help of screening questions, all participants were members of the LP used in this study. As the study aims to compare high- and low-end fashion retailers, identifying comparable fashion retailers that have launched an LP and have a strong distribution network across the United States was important (to increase incidence rate). In luxury retailing, only department stores have launched LPs, which made their choice inevitable. For comparability purposes, both high- and low-end fashion department stores that offer a wide range of products were selected. Thus, a range of different fashion department stores that offer LPs were pre-selected to test the hypotheses. The type of fashion department store (high- or low-end) was randomly assigned to respondents, who were screened on the following criteria: they needed to be customers of the fashion department store they were assigned to, and they needed to be enrolled to the LP of this fashion department store. In total, 984 (28.1%) of the 3,500 consumers reached through the online panel (Qualtrics) were qualified respondents.

To ensure data quality of the online panel and increase the validity of responses, certain measures were taken in the questionnaire design stage. According to Smith, Roster, Golden, and Albaum (2016), two main types of respondents can threaten the data quality: "speeders" and "cheaters." A speeder does not read the questions thoroughly and a cheater does not pay attention to the questions which might lead to dishonest answers (Smith et al., 2016). To avoid these two types of respondents, a speed limit was imposed and "attention filter" questions were included in the questionnaire. To identify the speed limit and the number of attention filter questions needed, a pilot test was launched first, with 100 qualified respondents. As a result of the pre-test, the final questionnaire included four attention filter questions, and a speed limit was imposed in the final sample. Of the 3,500 respondents, 1,332 did not purchase from the assigned fashion department store, 458 were not enrolled in the LP, and 726 were identified as cheaters or speeders.

The majority of respondents in the final sample were women (71%), which reflects loyalty card ownership trends in the United States in which women are significantly more likely to be enrolled in a store LP than men (LoyalMark, 2016; Loyalty Leaders, 2016). In addition, most of respondents were between the ages of 24 and 54 years.

3.2. Measures

All constructs were measured on the basis of multi-item scales established in previous research and assessed on 7-point Likert scales. *LP benefits* were measured on the basis of Mimouni-Chaabane and Volle's (2010) scale; *satisfaction* with the LP came from De Wulf et al. (2001); t*rust* in the LP measure used the scale from Malhotra et al. (2004); and finally, *store loyalty* was measured on the basis of Zeithaml, Berry, and Parasuraman's (1996) scale. The items of measures and their loadings are presented in table 1

3.3. Choice of stimuli (department stores)

Initially an extensive list was compiled of all the national fashion department stores in the United States from various online business sources. In total 24 fashion department stores with nationwide operations where identified. Of these, only eight fashion department stores offered an LP (excluding store credit or debit card programs, as they are not typical LPs). Then, the remaining stores based on Mintel's report (2010) classification were grouped on the basis of the quality and price of their offering in three groups; luxury or high-end, mid-range, and discount fashion department stores. Finally, after interviews with two industry experts, one fashion department store was selected from each group. The selected fashion department stores were Bloomingdale's (N = 464, high-end), JCPenney (N = 258, mid-range), and Kmart (N = 262, discount). According to the experts, both mid-range and discount department stores reflect low-end fashion department stores, and thus to corroborate this view a manipulation check was deemed important as part of the questionnaire design. The pre-test phase also confirmed this classification, as no significant differences existed between JCPenney and Kmart. Respondents were asked to rate how they perceived each of the fashion department stores on a three-point scale, where 1 presented a definition of the discount department store, 2 the definition of the mid-range department store, and 3 the definition of the high-end department store.

Respondents in the final sample also reported no significant differences between JCPenney (M = 2.0) and Kmart (M = 1.5), and thus the two fashion department stores were grouped to represent low-end fashion department stores; Bloomingdale's (M = 2.7) represents the high-end fashion department store. An analysis of variance (ANOVA) test on the two types of fashion department stores found significant differences (F = 714.530, $p < .000$) in terms of LP benefits, satisfaction with the LP, trust in the LP, and store loyalty. The test showed significant differences, with higher mean values for all constructs (apart from utilitarian benefits) in the high-end fashion department store (see Table 2). In terms of segmentation, demographics were significantly different in the two types of fashion department stores in terms of age, educational level, and income, but not gender. The average age group of customers of the high-end fashion department store was lower (34–44 years) than that of customers of the low-end fashion department store (45–54 years). In addition, customers of the high-end fashion department store had higher educational and income levels.

Table 2 here.

4. Results

4.1. Measurement model

Confirmatory factor analysis (CFA) on the LP benefits constructs verified convergent factor validity and unidimensionality. After two items were dropped because of significant overlap in their residual variance (Byrne, 2001), the CFA provided a good fit, with the ratio of chi-square to degrees of freedom (χ^2/df) being 4.50 (χ^2 = 310.873, df = 69, p = .000; comparative fit index [CFI] = .97; normed fit index [NFI] = .97; goodness-of-fit index [GFI] = .96; Tucker–Lewis index [TLI] = .97; standardized root mean square residual [SRMR] = .048; root mean square error of approximation [RMSEA] = .06 Hair, Black, Babin, & Anderson, 2009; Kline, 2005). To ensure internal consistency and unidimensionality in the model, a CFA was performed on all constructs. The measurement model provided a good fit (χ^2/df = 3.88, χ^2 = 1257.14, df = 324, p = .000; CFI = .96; NFI = .95; TLI = .96; GFI = .91; SRMR = .050; RMSEA = .05). As Table 1 shows, the reliability of the constructs is established, with Cronbach's alpha and composite reliability being more than .07 and average variance extracted (AVE) exceeding the recommended .05 threshold (Bagozzi & Yi, 1988; Fornell & Larcker, 1981; Hair et al., 2009).

Table 1 here.

Harman's one-factor test (see Podsakoff, MacKenzie, Lee, & Podsakoff, 2003) examined the extent of common method bias in the study. The test showed that one factor explained 34.78% of the variance, which is much lower than the 50% cutoff point for common method variance (CMV) (Podsakoff et al., 2003). In addition to Harman's test, the "marker variable" technique was employed to verify that CMV is not a problem (Lindell & Whitney, 2001). As the guidelines for this technique specify, a theoretically unrelated variable was included in the questionnaire ("I often think about the harm we are doing to the environment"). Partialling out the uncorrected correlation the second lowest positive correlation ($r = .16$) revealed that the marker variable did not influence any of the significant relationships ($p < .05$), thus providing strong evidence that CMV is not a problem in the study (Lindell & Whitney, 2001; Malhotra, Kim, & Patil, 2006).

4.2. Hypotheses testing

Multiple regression analyses were performed to test H1–H8. A repeated measures analysis of covariance (ANCOVA) tested and compared the relative strength of utilitarian, hedonic, and symbolic benefits in the two settings (H9a, H10a, and H11a). Finally, another ANCOVA compared the two fashion department store types to test the link between LP benefits and satisfaction with the LP and trust in the LP (H9b/c, H10b/c and H11b/c). For all tests, the study controlled for individual differences (age, income, and time in the LP) as covariates.

As Table 3 shows, across the different fashion department stores, H1 to H8 are supported. LP benefits explain 50.1% of the variance in satisfaction with the LP, with hedonic benefits ($\beta = .480$, $p < .001$) having the strongest significant effect, followed by utilitarian benefits ($\beta = .242$, $p < .001$) and then symbolic benefits ($\beta = .081$, $p < .001$). LP benefits explain 51.1% of the trust in the LP, with hedonic benefits having the strongest effect ($\beta = .356$, $p < .001$), followed by symbolic benefits ($\beta = .282$, $p < .001$) and then utilitarian benefits ($\beta = .156$, $p < .001$). Combined, both satisfaction with and trust in the LP explain 47.6% of the store loyalty variance, with trust in the LP having a slightly stronger effect ($\beta = .391$, $p < .001$) than satisfaction with the LP ($\beta = .352$, $p < .001$).

Table 3 here.

Repeated measures ANCOVA performed to identify the differences in LP benefits for each type of store and to test H9a, H10a, and H11a. In general (for both types of stores), the most important benefits were hedonic, followed by utilitarian and then symbolic. As the sphericity assumption was not met (Mauchly's W = 0.79, $\chi^2 = 226.184$, *df* = 2, $p < .001$), the Greenhouse–Geisser correction was applied to identify the differences. The within-subject effect of LP benefits was significant ($F(1.67, 9.72) = 17.52$, $p < .001$, $\eta^2 = .018$), confirming the differences among the three types of benefits. Furthermore, the between-subject effects (differences between the two types of fashion department stores) were statistically significant ($F(1.65, 44.30) = 77.44$, $p < .001$, $\eta^2 = .074$), indicating that benefits varied significantly across the two types of stores. Post hoc comparisons using Bonferroni adjustment found significant differences among the three benefits across the two fashion department stores. In total, benefits were significantly more important in the high-end (M = 5.1) than in low-end (M = 4.9) fashion department stores. As Fig. 2 shows, hedonic (M = 5.3) and then symbolic (M = 5.0) benefits are more significant in the high- than low-end fashion department store type (M = 4.9 and M = 4.5, respectively), in support of H10a and H11a. In contrast, utilitarian benefits are more significant in the low-end (M = 5.2) than high-end (M = 4.9) fashion department store type, which confirms H9a.

Figure 2 here.

Table 4 provides the results of the ANCOVA for each fashion department store and highlights the significant differences between the two store types. First, the results show that utilitarian benefits have a more significant influence ($F = 5.397$, $p < .01$) on customers' satisfaction with the LP in the low-end ($\beta = .286$, $p < .001$) than high-end ($\beta = .186$, $p < .001$) fashion department store. The second significant difference was found in the relationship between the symbolic benefits and satisfaction with the LP (F = 3.725, $p < .05$). Although symbolic benefits can positively influence customers' satisfaction with the LP for the high-end fashion department store ($\beta = .167$, $p < .01$), this relationship is not significant in the low-end fashion department store. Hedonic benefits were significantly important in both types of fashion department stores in relation to customer satisfaction with the LP (high-end: $\beta = .462$, $p < .001$; low-end: $\beta = .474$, $p < .001$). These findings provide support for H9b and H11b but not H10b, as no significant differences were found for the effect of hedonic benefits on satisfaction with the LPs between high- and low-end fashion department stores.

All benefits in both types of fashion department stores enhanced trust in the LP, without significant differences between the two types of fashion department stores, as Table 4 shows. These findings reject H9c to H11c. A *post hoc* analysis examined the effects of satisfaction with and trust in the LP on store loyalty in both settings. The results show that both can significantly influence store loyalty, and no significant differences were found between the two fashion department store types.

Table 4 here.

5. Discussion

The study findings lend support to the notion that the effectiveness of LPs is equally important in both standard and luxury fashion retailing settings. In particular, as hypothesized, consumers perceive hedonic and symbolic benefits of LPs as more important in high-end than low-end fashion retailers. In contrast, they perceive utilitarian benefits as more important in low-end than high-end fashion department stores. These findings correspond to previous work in luxury products that highlights the importance of psychological benefits in luxury consumption (Hennigs et al., 2012; Wiedmann et al., 2009). LP benefits should be aligned with the main benefits consumers expect from luxury products or services. That is, to increase satisfaction and trust, LP benefits should be congruent with the main services and product offerings of high-end fashion retailers. However, while hedonic benefits fostered customers' satisfaction with LPs in both high- and low-end fashion retailers, the effects of utilitarian and symbolic benefits on satisfaction varied. Symbolic benefits increased satisfaction with the LP of patrons of the high-end fashion retailer, while utilitarian benefits appealed more to patrons of the low-end fashion retailer. This study confirms prior research findings that for luxury consumers, the monetary value of an offering is less important than the hedonic and symbolic value (e.g., Hennigs et al., 2012; Shukla & Purani, 2012). This finding indicates that LP benefits should be compatible to the consumption goals and needs of customers.

Finally, this study addresses the important issue of consumers' trust in LPs, especially in light of recent consumer concerns with LPs after highly publicized privacy data leaks. Building on relationship investment theory, the study shows that the right benefits may make LPs more trustworthy, which in turn may alleviate consumer anxieties about privacy protection of the data stored in LP platforms. Increasing consumers' trust that their personal information is being properly used only to provide benefits and enhance the relationships is critical for the viability and effectiveness of the LP. This research shows that consumers' positive appraisal of all three LP benefits (hedonic, symbolic, and utilitarian) increases trust in the LP for both types of fashion department stores. Of note, hedonic benefits enhanced trust in the LP more than the other two benefits. The LP member's trust in the program increases when the retailer uses the customer's personal information to personalize hedonic benefits of LPs. For example, LPs that capture date of birth as a requirement to enroll could send a surprise gift or a personal message on customers' birthdays.

5.1. Theoretical implications

From a theoretical perspective, this study contributes to relationship marketing literature and also extends research on LP benefits (Evanschitzky et al., 2012; Mimouni-Chaabane & Volle, 2010). The current study provides a new integrated framework with high explanatory power that can be replicated in different settings and enhances current knowledge in two ways. First, this study examines the effects of LPs in a sector in which LPs were taboo and dismissed outright as irrelevant—high-end fashion retailing. The study provides evidence that customers appreciate elements of LPs in this sector, which in turn enhances their satisfaction and trust. Second, the study shows that the effects of benefits on satisfaction and, indirectly, store loyalty are not invariant; they are moderated by the luxuriousness of the fashion retailer. By contrasting the relational effects of LPs in high- and low-end fashion retailer, this study offers useful insights by showing the prominence of hedonic and symbolic benefits in high-end fashion retailing. Beyond these insights, the study also finds that utilitarian benefits of LPs can also contribute to building loyalty in the luxury retail setting.

5.2. Practical implications

The study findings can also help retailing managers appropriately design and use LPs in different settings when targeting different types of shoppers. First, this study confirms that luxury fashion retailers should no longer resist implementing LPs. On the contrary, they can effectively use strategically designed LPs as marketing tools to create closer relationships with their customers and to benefit from long-term relational outcomes such as high profitability and retention rates. Second, the findings provide clear guidelines for managers in both high- and low-end fashion retailing on how to design their LP rewards effectively—that is, by strategically allocating their resources to the benefits that are most important in their settings. For example, managers in the luxury fashion retailing setting should design LPs that provide primarily hedonic rewards, such as a photoshoot with a famous photographer, a personal stylist service in the next purchase, a free visit in a spa, hair salon or beautician services, or a free golf course. They could also link these rewards to symbolic benefits, such as VIP events, previews of new products, exclusive sales previews, or a tier reward system that provides benefits based on members' status (e.g., silver, gold, platinum). Furthermore, they could offer monetary rewards adjusted to each luxury setting—for example, complimentary samples and points that can be redeemed in a form of vouchers. In contrast, low-end retailers should focus on both utilitarian rewards (e.g., an efficient point system in which consumers can redeem points in both vouchers and products) and hedonic rewards (e.g., stylists, photo shoots, recreational activities).

5.3. Limitations and further research

This study did not control for or measure the behavioral outcomes of customer loyalty, and thus future studies could examine the behavioral outcomes of this framework in a longitudinal research design. Such research could include measuring participants' repeated use of LPs and their lifetime value for the retailer. In addition, replicating this framework in different settings and additional industries would increase the generalizability of the results. Cross-cultural data could also help uncover any differences in customers' perceptions beyond the United States. People from different countries espousing different types of cultural values may prefer different types of benefits, and thus a cultural variation hypothesis needs to be specified. For example, Hofstede (2015) classifies the United States as an indulgent country, which means that U.S. consumers likely put more emphasis on hedonic benefits than consumers in non-indulgent cultures.

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Table 1
Measures and reliability

Variable/Items	(Cronbach's α) / Loadings	CR	AVE
Utilitarian Benefits:	(.77)	.77	.53
I shop at a lower financial cost.	.78		
I spend less.	.69		
I save money.	.69		
Hedonic Benefits:	(.89)	.92	.68
I discover new products.	.99		
I discover products I wouldn't have discovered otherwise.	.84		
I try new products.	.84		
Collecting points is entertaining.	.82		
When I redeem my points, I'm good at myself.	.76		
Symbolic Benefits:	(.91)	.94	.73
They take better care of me.	.87		
I'm treated with more respect.	.85		
I feel I am more distinguished than other customers.	.78		
I belong to a community of people who share the same values.	.79		
I feel close to the brand.	.86		
I feel I share the same values as the brand.	.86		
Satisfaction with LP:	(.94)	.94	.79
I made a good choice when I decided to participate in this program.	.83		
My overall evaluation of this program is good.	.89		
The advantages I receive, being a member of this program, meet my expectations.	.91		
All in all, I'm satisfied with this program.	.92		
Trust in LP:	(.95)	.95	.80
This loyalty program would be trustworthy in handling my personal information.	.90		
This loyalty program would tell the truth and fulfil promises related to the personal information provided by me.	.92		
I trust that this loyalty program would keep my best interests in mind when dealing with my personal information.	.91		
This loyalty program is in general predictable and consistent regarding the usage of personal information.	.84		
This loyalty program is always honest with customers when it comes to using personal information that they would provide.	.91		
Store loyalty:	(.92)	.93	.72
I am likely to say positive things about [the store] to other people.	.89		
I would recommend [the store] to someone who seeks my advice.	.94		
I would encourage friends and relatives to purchase from [the store].	.91		
I consider [the store] my first choice to buy the appropriate products.	.75		
I am likely to continue purchasing from [the store] in the next few years.	.75		

Table 2
ANOVA for differences between fashion department store types

	Utilitarian Benefits	Hedonic Benefits	Symbolic Benefits	Satisfaction with the LP	Trust in the LP	Store Loyalty	N
High-end	M = 4.9	M = 5.3	M = 5.0	M = 5.8	M = 5.6	M = 5.7	464
Low-end	M = 5.1	M = 4.9	M = 4.4	M = 5.6	M = 5.2	M = 5.4	520
F	10.38***	24.65***	57.96***	6.71**	20.61***	20.20***	

*** $p < 0.001$; ** $p < 0.01$; $p < 0.05$.

Table 3
Multiple regression analysis

	Satisfaction with LP	**Trust in LP**	**Store Loyalty**
Utilitarian benefits	.242*** (H1)	.156*** (H4)	-
Hedonic benefits	.480*** (H2)	.356*** (H5)	-
Symbolic benefits	.081* (H3)	.282*** (H6)	-
Satisfaction with LP	-	-	.352*** (H7)
Trust in LP	-	-	.391*** (H8)
Control Variables			
Age	*.065***	*.005*	*.037*
Income	*.035*	*.000*	*.024*
Time in LP	*-.007*	*-.026*	*.029*
R^2/Adj. R^2	.501*** / .498***	.511***/ .508***	.476***/ .473***

*** $p < 0.001$; ** $p < 0.01$; $p < 0.05$.

Table 4
Results of ANCOVA

	High-End Satisfaction with LP	Low-End Satisfaction with LP	F
Utilitarian benefits	**.186*** **	**.286*** **	**5.397** **
Hedonic benefits	.462***	.474***	.049
Symbolic benefits	**.167** **	**.015**	**3.725***
Control Variables			
Age	*.080**	*.049*	
Income	*.009*	*.048*	
Time in LP	*.015*	*-.033*	
R^2/Adj. R^2	.535***/.528***	.475***/.469***	.506***/.501***
	High-End Trust in LP	Low-End Trust in LP	F
Utilitarian benefits	.158***	.182***	1.075
Hedonic benefits	.404***	.310***	.411
Symbolic benefits	.268***	.259***	.035
Control Variables			
Age	*.048*	*-.027*	
Income	*-.010*	*-.021*	

Time in LP	*.001*	*-.050*	
R^2/Adj. R^2	.565***/.559***	.455***/.449***	.530***/.525***
	High-End Store Loyalty	Low-End Store Loyalty	F
Satisfaction with LP	.375***	.355***	.012
Trust in LP	.354***	.393***	.977
Control Variables			
Age	*.062*	*.027*	
Income	*.023*	*-.024*	
Time in LP	*.056*	*.013*	
R^2/Adj. R^2	.474***/.468***	.470***/.465***	.481***/.476***

*** $p < 0.001$; ** $p < 0.01$; $p < 0.05$.

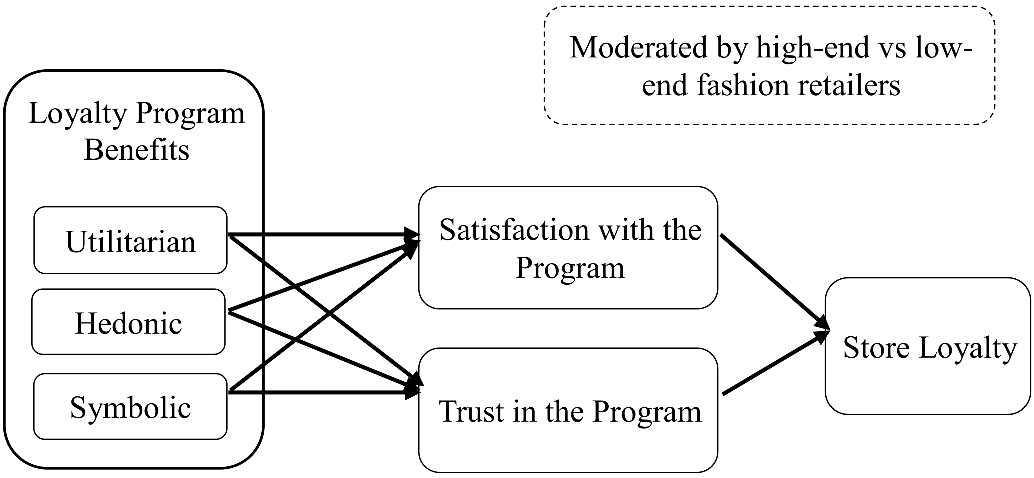

Fig. 1. Conceptual model.

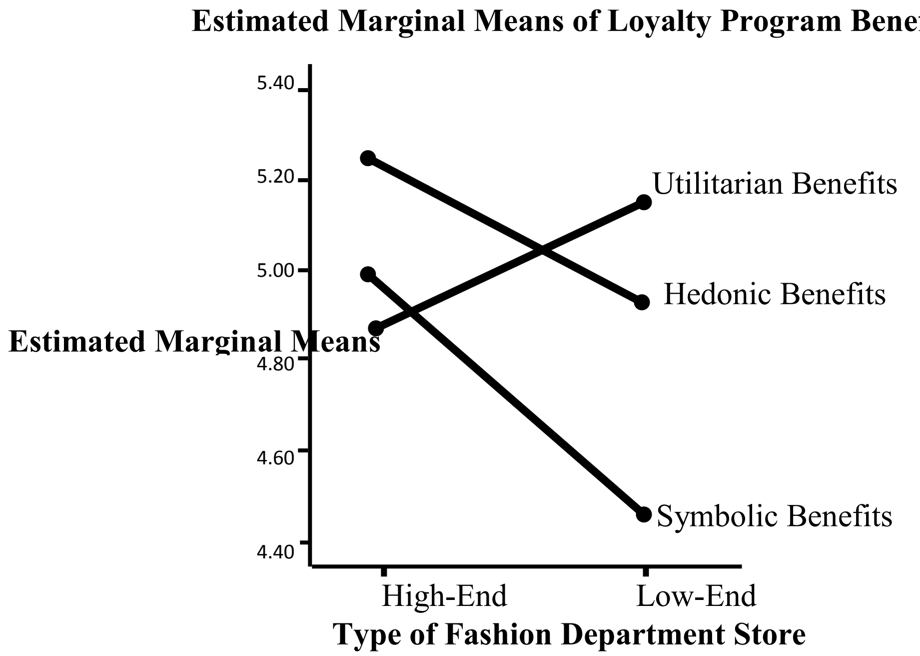

Fig. 2. Profile plots for the reseated measure ANCOVA analysis.