



Building loyalty through reward programs: The influence of perceptions of fairness and brand attachment

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ABSTRACT

Grounded in the Theory of Justice, perception of fairness is evaluated as a key element to enhance the effectiveness of loyalty programs. Using a robust sample of casino reward program members, the research examines the mediating roles of brand attachment and loyalty intention between perceptions of fairness and loyalty outcomes. The study introduces share-of-wallet as a critical outcome of the loyalty process. The results indicate that communication-based and value-based fairness significantly influence brand attachment and loyalty intention. Moreover, brand attachment has a stronger impact on share-of-wallet than loyalty intention does. The research yields guidance for hospitality marketers to structure effective and competitive loyalty programs. The results add new insight into loyalty processes and extend the hospitality loyalty literature by suggesting brand attachment as a primary indicator for loyalty outcomes. The findings suggest that through perceived fairness, marketers can build brand attachment and increase share of wallet, thereby increasing profitability.

1. Introduction

To construct a positive relationship with customers, it is crucial for businesses to manage marketing strategies effectively as a means to satisfy customer needs and build customer loyalty. While customer retention is a fundamental element to enhance the firms' profitability, loyalty is highlighted with the aim of establishing a lifetime relationship between the firms and their customers. One of the foremost methods for cultivating loyalty is the reward program. Reward programs are especially important for casinos, where members are rewarded based on their gaming activity, which translates directly into casino profitability.

Previous research investigated members' loyalty in the context of casinos. The relevant literature explored various ways to measure loyalty, the characteristics of reward programs, and related factors that can enhance the predictive power of the loyalty process (Baloglu et al., 2017; Sui and Baloglu, 2003; Tanford, 2013). Many studies use behavioral intentions as loyalty indicators; however, intentions may not equate to behaviors (Tanford, 2016). Accordingly, casino studies have incorporated behavioral measures, including share of visit, frequency of visitation, and time spent on premises as outcomes of the loyalty process (Baloglu et al., 2017; Sui and Baloglu, 2003). However, such measures do not link directly to casino profitability. For instance, a significant behavioral outcome measure for companies is share of wallet, which has been neglected in previous research. Similarly, the

performance of reward programs was examined in casino loyalty models (Baloglu et al., 2017), but the perceived fairness of those programs was not assessed in the competitive environment. Casino marketers may expect that providing rewards and benefits to their members will result in high retention of existing members as well as improvements in profitability. However, it is common for businesses that operate in a highly competitive setting to provide equivalent or higher promotional values than their competitors (Klebanow, 2002). Therefore, perceptions of fairness are vital, because there may be equally attractive competitive offerings. Fairness encompasses more than the mere distribution of rewards and benefits; it includes interactions with employees and program procedures (Lacey and Sneath, 2006).

Emotional commitment is a strong loyalty antecedent for reward program members (Baloglu et al., 2017; Mattila, 2006a; Sui and Baloglu, 2003; Tanford et al., 2011). Emotional commitment is especially relevant for casinos, as emotional experiences (fun and excitement) are among the top reasons for gambling (Francis et al., 2016). A related concept, brand attachment, has not been investigated for reward programs. Brand attachment represents the bond between an individual and the brand (Park et al., 2010). Just as perceptions of fairness encompass more than the value of benefits, brand attachment extends beyond emotions or relationship quality (Park et al., 2010). Since the goal of reward programs is to develop long term customer relationships, brand attachment is critical. This research proposes that brand attachment links perceptions of fairness to loyalty outcomes.

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The current study addresses critical gaps in the literature and develops and tests a model of loyalty for reward program members. It contributes to knowledge of loyalty processes in several important ways. First, the research suggests that for reward programs to be successful, the reward program features must not only be competitive but more importantly should be perceived as fair along multiple dimensions. Second, by integrating the perception of fairness of the reward program, the study may elucidate its role in cultivating loyalty. Third, the research introduces brand attachment as a construct that extends beyond emotional commitment to encompass a lasting bond with the brand. As such, the study proposes brand attachment and loyalty intention as mediators between perceived fairness of the loyalty program and loyalty outcomes. Fourth, the research employs share of wallet and share of visit to represent the behavioral outcomes of loyalty, and evaluates how behavioral intentions lead to actual outcomes.

2. Literature review

2.1. Theory of justice

The Theory of Justice (TOJ) explores the role of justice in the context of social engagements (Rawls, 2009). The three most prominent dimensions of the TOJ are distributive, procedural and interactional justice (Clemmer and Schneider, 1996). Distributive justice addresses the gains customers obtain in comparison to their investment and to the gains of others (Oliver and Swan, 1989; Smith et al., 1999). Procedural justice involves the approaches, tools, and process implemented in attaining the outcome (Noone, 2012; Thibaut and Walker, 1975). Interactional justice examines the treatment that individuals receive during the social activity (Bies and Moag, 1986; Greenberg, 1990). Initially, social justice theories were originated by investigating the role of justice for social interactions in general rather than for organizations (Greenberg, 1990). Later on, organizational justice, which examines the relationship between firms and employees, evolved to examine the relationship between customers and service firms (Severt et al., 2006).

Justice perceptions are induced in social settings especially for members in lasting relationships (Aggarwal and Larrick, 2012). Justice is a basic element for human to desire when the behaviors of the firms are perceived to be unfair (Collie et al., 2000). Justice is conceptualized as fairness (Nagel, 1973), in that people who feel they are treated unfairly on any of the dimensions seek to establish a fair result. In other words, upon perceiving injustice for social encounters, people may respond unfavorably and terminate the relationship, which is the antithesis of loyalty. Although institutions that incorporate the sense of justice are not guaranteed to satisfy the desire of being fair (Rawls, 2009), a conceptual foundation based on the TOJ leads to the proposition that perceived fairness will positively influence customer loyalty.

Justice is a multi-faceted construct that can be divided into several scopes, and one dimension may have stronger influence than other dimensions depending on the context (Sert et al., 2014). While research on justice focused primarily on distributive justice as a major dimension (Kim and Tang, 2016), procedural and interactional justice were emphasized as essential elements for customers to develop fair perceptions of service (Blodgett et al., 1997; Clemmer and Schneider, 1996; Tax et al., 1998). It is crucial to reveal the underlying dimensions of justice in different contexts, as each dimension is distinctive (Seiders and Berry, 1998). Based on different contexts, some dimensions of justice may be revealed while others may not (Caza et al., 2015). In relation to lodging, fair outcomes (i.e., distributive justice) and treatment by staff (i.e., interactional justice) had stronger influence on customer loyalty than a fair process (i.e., procedural justice) (Kwortnik and Han, 2011). Likewise, research suggests that distributive and interactional dimensions are more important than procedural in perceptions of fairness for reward program members (Shulga and Tanford, 2018).

2.2. Perceptions of fairness and reward programs

The dimensions of TOJ are applicable to reward programs. A successful reward program should disperse the rewards fairly to customers in proportion to their visit frequency or total dollars spent, corresponding to distributive justice (Söderlund and Colliander, 2015). The program rules for reaching and redeeming benefits should be clear and complete, which reflects procedural justice (Lacey and Sneath, 2006). It is critical that such information should be communicated effectively with the aim of educating members and treating them with genuine care, which represents interactional justice (Choi and Kim, 2013). This denotes the link between interactional justice and communication-based fairness. In regards to a reward program, POF comprehensively looks at the customers' perception of the end-product of their investment (Oliver and Swan, 1989) and the way the program representatives communicate with their members (Berezan et al., 2015). Research shows that members frequently discuss fairness issues in online forums (Berezan et al., 2015). Members of a restaurant reward program who detected any discrepancy between their investment and consequent reward perceived the reward program to be unfair and were less willing to visit the business (Choi and Kim, 2013). In other words, they perceived distributive justice to be unfair.

Based on the core principles of TOJ, the perceptions of fairness (POF) scale for reward programs was developed (Shulga and Tanford, 2018). The scale includes two subdivisions: value-based fairness and communication-based fairness, which correspond to distributive and interactional justice respectively. Using rigorous scale development procedures, a dimension that represents procedural justice was not revealed (Shulga and Tanford, 2018). The current research uses this scale as an antecedent to brand attachment and loyalty for reward program members.

2.3. Loyalty antecedents

2.3.1. Emotional commitment and trust

Although there are numerous antecedents investigated in relation to loyalty, trust and emotional commitment were found to be key attitudinal constructs in a meta-analysis of the entire hospitality loyalty literature (Tanford, 2016). Trust and emotional commitment are considered essential components for cultivating truly loyal customers, and these two antecedents are closely related (Baloglu, 2002; Bowen and Shoemaker, 2003; Tanford and Baloglu, 2013). For instance, stronger trust towards a brand is associated with stronger commitment to the brand (Baloglu et al., 2017; Sui and Baloglu, 2003). Trust has been shown to influence behavioral loyalty outcomes directly and indirectly through emotional commitment (Baloglu et al., 2017; Bowen and Shoemaker, 2003; Sui and Baloglu, 2003) and brand attitude (Wilkins et al., 2010). Trust influences highly interdependent firms to be attached emotionally to their partners (Geyskens et al., 1996). Likewise, emotional commitment is an essential attitudinal antecedent in the loyalty process (Mattila, 2006a; Sui and Baloglu, 2003; Tanford, 2016; Tanford et al., 2013). As an antecedent of loyalty intention, emotional commitment is strongly predicted by trust (Grisaffe and Nguyen, 2011).

2.3.2. Reward program attributes

Models of customer loyalty demonstrate that reward program attributes operate along with attitudinal variables for casinos and other hospitality businesses. Research on local casino program members evaluated the effects of trust, switching costs and emotional commitment on loyalty intentions and outcomes (Baloglu et al., 2017; Sui and Baloglu, 2003). In both studies, trust and switching costs influenced loyalty outcomes (positive WOM, voluntary partnership, time spent, proportion and frequency of visit) directly and through emotional commitment. Evaluation of loyalty program benefits influenced behaviors (visit frequency and time spent) directly but did not affect emotional commitment or loyalty intentions (Baloglu et al., 2017). Benefit

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