ECONOMICS & Sociology

Kwiatek, P., Morgan, Z., & Baltezarevic, R. (2018). Actions Speak Louder than Words: Understanding the Meaning of Loyalty Program Building Blocks. *Economics and Sociology*, *11*(2), 305-319. doi:10.14254/2071-789X.2018/11-2/21

ACTIONS SPEAK LOUDER THAN WORDS: UNDERSTANDING THE MEANING OF LOYALTY PROGRAM BUILDING BLOCKS

Piotr Kwiatek,
American University of the Middle East,
Egaila, Kuwait,
E-mail: Piotr.Kwaitek@aum.edu.kw

Zoe Morgan,
American University of the Middle East,
Egaila, Kuwait,
E-mail: Zoe.Morgan@gmail.com

Radoslav Baltezarevic,
University College of Bahrain,
Saar, Bahrain,
E-mail: rbaltezarevic@gmail.com

Received: February, 2018
1st Revision: March, 2018
Accepted: May, 2018

DOI: 10.14254/2071-789X.2018/11-2/21

ABSTRACT. Although the concept of a loyalty program has been widely adopted in business practice and researched by academics for decades, its efficacy is still disputable. Some researchers argue that studies on loyalty programs do not account for cross-customer effects and the simultaneous interplay of multiple psychological mechanisms with program delivery.
Thus, the main aim of the study is to examine the meaning of marketing actions which form a "loyalty program" in an intercultural context. The authors argue that customers' understanding of the meaning of marketing actions plays a crucial role in the effective planning of marketing activities. The study draws from Wittgenstein's linguistic theory and investigates which marketing actions customers perceive as building their loyalty towards a company. The data was collected from over 300 customers in Poland, Serbia and Kuwait and analysed in a conjoint design.
The study finds that intercultural differences do bring varying understanding of the same marketing activities which needs to be taken into account both in future studies and in business practice. This study provides guidelines for adaptation of marketing loyalty programs to specifics of culture which may go beyond country borders.

JEL Classification: D02, O17, P31

Keywords: loyalty programs; international marketing; cultural adaptation

Introduction

Loyalty programs have long become part of marketing landscape since first introduced at the beginning of the 1980s. A recent census published by Colloquy found that 80% of the adult US population participate in marketing programs of various types (Colloquy, 2015). Yet, despite the fact of loyalty programs being so widespread, there is an ongoing debate on how and to what extent they can influence relationships with customers. Literature on loyalty programs' effects presents mixed results, both positive and negative (e.g., Lacey, 2009; Leenheer *et al.*, 2007; Liu and Yang, 2009).

Intercultural differences in perceptions of loyalty program components provide an important implication for international marketing. Of note, intercultural context was found to

impact the perception of various marketing techniques used within a loyalty program framework (Noordhoff *et al.*, 2004). A recent study carried out by Nielsen on 30,000 customers in 63 countries underlines country-based differences for loyalty programs in the retail setting (Nielsen, 2016).

This study adds to the discussion by analysing consumers' understanding of the underlying term. In other words, the focus of the study involves investigating the culturally-bounded differences in meaning of marketing activities for the transaction-loyalty continuum.

The present study argues that deeper understanding of the meaning of marketing elements as they are perceived by customers is needed. In particular, it aims to uncover customers' understanding of marketing techniques aimed at building long-lasting relationships. Specifically, investigation is carried out here into what mixture of ingredients are treated by customers as a loyalty-building program. This study also answers the call of other researchers to shed more light through analyzing a broader scope of variables affecting loyalty programs' effectiveness, such as type of loyalty program, set of rewards offered etc. (Meyer-Waarden, 2015; Kang *et al.*, 2015; Breugelmans *et al.*, 2015; Beck *et al.*, 2015).

1. Literature review

A loyalty program can be defined as a set of activities sponsored by a company that are directed to build customer loyalty through supporting program members (Rosenbaum *et al.*, 2005). It is a structural effort by a company to build up both attitudinal and behavioral bonds between a customer and a supplier (Sharp & Sharp, 1997). Some authors have developed a loyalty program definition by underling differences in potential effects (i.e. attitudinal and behavioral) that exist due to different types of programs. Rosenbaum *et al.* (2005) proposed to distinguish between communal and non-communal programs, whereby the former should drive mainly affective loyalty (i.e. strengthen psychological and/or sociological bonds) and the latter modify buying behavior. Point-based, non-communal programs are most prevalent in industries characterized by frequent transactions made by the same entity (Meyer-Waarden & Benavent, 2006).

Some authors draw important conclusions about loyalty program effectiveness, yet they do not provide a specific definition or a delimitation of the term "loyalty program". Instead, they use certain characteristics (e.g. membership card, discounted prices and points) to describe, for example, a 'store membership program' (Bagchi & Li, 2011, p. 188). It must be mentioned here, that different behavior-reward mechanisms produce different outcomes under differing conditions (Ha & Stoel, 2013; Xie & Chen, 2013). Thus, simply putting a "loyalty program" tag to any set of marketing activities may lead to inefficient use of marketing resources or even repulse customers.

Summarizing, authors are following three different directions in research on loyalty programs. The first is given in the seminal paper by Sharp & Sharp (1997) and refers to the outcomes of loyalty programs, namely – attitudinal and behavioral loyalty. The second direction is represented by streamlining a loyalty program to a frequent flyer/shopper program and by putting emphasis on behavioral loyalty as a main outcome (Liu, 2007; Liu & Yang, 2009). The third direction, emerging from the definitions provided, is a bridge between the previous two. As proposed by Ha & Stoel (2014), it is an "identity marketing tool" (p. 495) but its main concept is based on providing rewards.

This ambiguity in defining loyalty programs stems from an arbitrary approach used by researchers thus far. In other words, existing definitions portray researchers' and marketing managers' perspectives on loyalty programs, while customer perceptions are not brought to light. The authors propose a different approach, which is rooted in the family resemblance (Ger. Familienähnlichkeit) theory as proposed by Wittgenstein (1953). Drawing from this

theory it is claimed that the meaning of words is defined by the use made of them. The concept is well established in so-called language game and demonstrates that words have meaning depending on the uses made of them in the various and multiform activities of human life. The rules of language are similar to rules of games meaning that putting thoughts into words is like making a move in a game. This analogy between a language and a game shows that words have meaning depending on the uses made of them in the various situations (i.e. the meaning of a word can be defined by the situation in which the word is used). To develop and test this approach in marketing, authors use different combinations of loyalty program components to derive their relative importance to the notion of loyalty.

Several components of a loyalty program have been covered in research so far, though as noted by Berry (1995), the hierarchy of loyalty program attributes in consumer's mind is not known. Also, recent research agenda by Breugelmans *et al.* (2015) points out to remaining blind spots in this area. For the purposes of the present study, loyalty program attributes are represented by (1) joining/identification, (2) mechanism, and (3) benefits.

From the perspective of motivation, the starting point for conscious participation in a loyalty program seems to be important. This can be explained through cognitive-motivation-relational (CMR) theory (Lazarus, 1991), which links cognitive evaluation (i.e. becoming a member) with emotional motivation (i.e. participation). Loyalty programs are based on customers' individual behaviour and first customers must enter into a formal agreement with a company in order to obtain benefits. Therefore, loyalty program membership begins with a customers' registration with a company. Historically, loyalty programs were issuing an identification emblem – a card, upon customer's registration. The technological boom of the last decade has brought new solutions capable of replacing customer cards with smartphone applications (Ziliani and Bellini, 2004).

Be it a plastic card or a piece of software on a mobile device, both serve the same purpose from a company's perspective, i.e. registering customer behaviour. It is argued, however, that out of these two (application versus card), only a card can be attributed as a visible status cue.

The underlying mechanism of a loyalty program can be built on two motivational foundations: intrinsic motivation to obtain a reward through collecting certain currency or motivation steered by a need of affiliation, thus belonging, to a group of people alike. A reflection of this can be seen in the preceding review of loyalty programs definitions but also in the names given to programs by sponsoring companies (e.g. frequent flyer vs. brand X club). Furthermore, there is a distinction between a loyalty program mechanism and loyalty program design, with the latter being understood as a tiered variation of a frequency program (Breugelmans *et al.*, 2015).

In loyalty programs consumers can be exposed to hard (i.e. tangible) as well as soft benefits (Barlow, 1992; Harris, 2000). Moreover, consumers can be exposed to different kinds of soft benefits such as providing product-related or additional information (Howard-Brown, 1998; Peelen *et al.*, 1989; Uncles, 1994). While communication with loyalty program members has been found to be essential in the contemporary digital age (Xie and Chen, 2013), the act of personalizing communication is crucial to fostering loyalty bonds (Meyer-Waarden, 2007; Bove and Mitzifiris, 2007). Loyalty programs offer customers free products, percentage/price reductions, savings, credit facilities, a feeling of belonging, extra information, or any other special treatment (Roehm *et al.*, 2002). Recognition has been found to positively influence the relational bonds customers may have with a company (Melancon *et al.*, 2010).

Building on above discussion, different attributes with varying number of levels were included in the study in order to reflect commonly used elements of loyalty programs (*Table 1*).

Table 1. Loyalty program attributes and their levels

Attributes	Joining/identification (A1)	Mechanism (A2)	Benefit (A3)
Levels	○ Registration (L1) ○ Card (L2)	○ Collecting (L1) ○ Belonging (L2)	○ Recognition (L1) ○ Material reward (L2) ○ Lower (discounted) price (L3) ○ Personalized communication (L4)

The propensity of customers to be allured by different awards would differ according to cultural differences. Loyalty is culture-bound and marketing techniques used within a loyalty program framework may evoke distinctive perceptions for customers with different cultural backgrounds in different market settings (Patterson and Smith, 2003). As found by Noordhoff *et al.* (2004), for customers from varying cultural backgrounds antecedents of loyalty are different. A large-scale study by Nielsen points out to inter- and intra-country differences which include the tangible benefits customers are looking for in loyalty programs (Nielsen, 2016).

Cultures with high power distance accept inequalities between members of society. Thus, status cues and recognition are important in these societies (Pornpitakpan and Francis, 2001). Cultures considered to be collectivist emphasise relationships and commitment to a group (whether that be society, family, an organization etc.). Relationship marketing has been found to be more effective in collectivist societies (e.g. Samaha *et al.*, 2014). Finally, feminine cultures focus on caring for others and quality of life. Relationships take on more importance in feminine cultures, in comparison to masculine cultures which focus more on competition and achievement, often at the expense of relationships (Hofstede *et al.*, 2010).

Three different countries were selected to empirically verify the theoretical discussion, namely Poland, Serbia and Kuwait (*Table 2*). These countries are characterised by different cultural backgrounds (European vs Arab), main religions (Catholic, Orthodox, and Islam), and differing roles of women in society. Furthermore, the two European countries in question are separated by geographical and historical background and have significantly distant languages[1].

Table 2. Scores for dimensions of culture in studied countries

Country\Dimension	Power distance	Individualism	Masculinity	Uncertainty Avoidance
Poland	68	60	64	93
Serbia	86	25	43	92
Kuwait	90	25	40	80

Source: own compilation (data derived from https://www.hofstede-insights.com).

According to Hofstede, Kuwait and Serbia scores more highly than Poland on the following dimensions: power distance, collectivism and masculinity (*Table 2*). Interestingly though, Serbia and Kuwait have similar scores on power distance and masculinity, while a similar score is shared by Serbia and Poland on uncertainty avoidance.

In line with the above review, it is hypothesized that:

H_{1a}: Belonging mechanism will constitute a loyalty program more for Kuwaiti customers than for Polish customers.

[1] Though Polish and Serbian are both Slavic languages, they are separated by considerable internal distance.

H_{1b}: Belonging mechanism will constitute a loyalty program equally for Kuwaiti and Serbian customers.

H_{2a}: Recognition benefit will constitute a loyalty program more for Kuwaiti customers than for Polish customers.

H_{2b}: Recognition benefit will constitute a loyalty program equally for Kuwaiti and Serbian customers.

H_{3a}: Personalized communication benefit will constitute a loyalty program more for Kuwaiti customers than for Polish customers.

H_{3b}: Personalized communication benefit will constitute a loyalty program equally for Kuwaiti and Serbian customers.

A higher score on the masculinity dimension should reflect on the perception of material rewards, which could serve as an emblem of status. Likewise, a higher individualism score which purports to societal behaviour in which individuals strive to achieve, would suggest greater importance attached to material rewards (attainment).

H_{4a}: Material reward will constitute a loyalty program more for Polish customers than for Kuwaiti and Serbian customers.

H_{4b}: Kuwaiti and Serbians will hold equal views on the perception of material reward building loyalty.

For countries with high uncertainty avoidance (UA) scores security is an important element in individual motivation. It is postulated that in countries with high UA scores, customers would prefer immediate rewards (such as discount) which are available on the spot as opposed to material rewards which are only available after some time, once enough points have been accrued. In this way, a discount is a reward which lacks the uncertainty element and therefore it is hypothesized that:

H_5: Serbian (H_{5a}) and Polish (H_{5b}) customers associate the use of immediate rewards with a loyalty program more than Kuwaitis.

Importantly, some authors underlined the lack of research addressing the influence of gender on relationship development and customer loyalty (Ndubisi, 2006). Traditionally, women are more caring and outward looking. For example, in Carlson (1972) women are found to be more concerned about personal affiliation, meaning harmonious relationships with others. This concern for both the self and others is also reflected in a study by Watts *et al.* (1982) which confirmes the finding that aspects of the female character, such as concern for others, prevails more in seasonal shopping, which is about gifting to others (Fischer and Arnold, 1990). In service setting Ndubisi (2006) found a significant difference between genders when investigating the relationship between trust (antecedent) and loyalty (consequence).

Thus, it is expected that recognition and personalized communication should be more loyalty program-related to women than to men in countries with higher collectivism and higher power distance. In line, it is hypothesized that:

H_{6a}: Recognition benefit will constitute a loyalty program more for women in Kuwait than for women in Poland.

H_{6b}: Recognition benefit will constitute a loyalty program equally for women in Kuwait and Serbia.

H_{7a}: Personalized communication benefit will constitute a loyalty program more for women in Kuwait than for women in Poland.

$H_{7b:}$ Personalized communication benefit will constitute a loyalty program equally for women in Kuwait and Serbia.

The above hypotheses are tested empirically in an intercultural setting.

2. Methodological approach

A fractional factorial design using Addelman's basic plans (Addelman, 1962) for designing an orthogonal main effects plan was chosen. This resulted in 8 combinations of the attributes and their levels which form the focus of the study. The combinations were used to develop distinctive scenarios for marketing activities of a fictitious coffee shop to be evaluated on a five-point Likert scale. The coffee shop idea was selected because a pre-test study showed its neutral meaning in the focal countries. Developing a proper measurement tool is essential when intercultural meaning is being researched (Craig and Douglas, 2005, p. 43).

Scenarios in a questionnaire were written primarily in Polish and then translated into English. The wording and language structure of the English version was tweaked by a native English-speaking person and, subsequently, back-translated into Polish. There were no differences.

The English version was then used for preparing the Serbian questionnaire. Same back-translation procedure was used for comparing Serbian and English questionnaires. Finally, all questionnaires were compared to an English surrogate serving as a *lingua franca* in this international study.

Conjoint analysis was carried out using a part-worth functional model. Part-worth utilities were estimated using ordinary least squares (OLS) regression. The utility range was used as a measure of importance for the attributes of descriptions included in the conjoint analysis. The utility range is calculated by subtracting the part-worth utilities of the least preferred level of each attribute from the part-worth utilities of the most preferred level of each attribute. Relative importance is expressed as a percentage of the total range.

3. Conducting research and results

Data was collected through personal interviews of casual shoppers in capital cities in the period of November 2017 to January 2018. The total usable sample consists of 364 respondents, of which 148 are Polish, 113 Kuwaiti and 103 Serbian (*Table 3*).

Table 3. Samples characteristics

Country	N	Gender	Age
Poland	148	Male: 53.4% Female: 46.6%	Less than 19: 0.0% 19-25: 57.2% 26-35: 39.2% More than 35: 3.6%
Serbia	103	Male: 35.0% Female: 65.0%	Less than 19: 0.0% 19-25: 78.4% 26-35: 14.7% More than 35: 6.9%
Kuwait	113	Male: 43.4% Female: 56.6%	Less than 19: 5.2% 19-25: 48.7% 26-35: 33.0% More than 35: 13.0%
Total	364	Male: 45.1% Female: 54.9%	Less than 19: 1.6% 19-25: 59.6% 26-35: 31.3% More than 35: 7.4%

Source: own compilation.

The data for this study were processed in SPSS 23 software using conjoint analysis to produce relative importance of attributes and their respective levels. First the importance of attributes was calculated on an individual level for each country dataset. Subsequently, all data was merged into one dataset. The structure of attributes is similar in the studied countries, with the Benefit attribute being the most important reflection of a loyalty program (*Table 4*). This depicts that what is actually performed by a company (i.e. Benefit attribute in our study) is more meaningful than the mechanism used to deliver additional value to customers (i.e. Mechanism attribute).

Table 4. Average importance of attributes per country

Attributes	Country		
	Poland	Kuwait	Serbia
Joining	13.838	18.813	21.720
Mechanism	18.549	22.494	23.841
Benefit	67.613	58.693	54.439

Source: own compilation.

To test the hypothesized relationships, analysis of variance (ANOVA) was applied. Unequal sample sizes pose considerable difficulties in analysis of variance. Out of the post hoc tests available for homogenous variance, two pairwise comparisons tests are considered useful in cases of unequal sample sizes, namely Hochberg's (1974) and Gabriel's test. Gabriel's method is more powerful than Hochberg's but becomes more liberal with high discrepancies in cell sizes. A fixed threshold for cell size discrepancies is not readily available. For the purposes of this study, the authors decided to use Gabriel's test for difference lying between 5% and 10% and to use Hochberg's test if the difference in cell sizes is more than 10%. For this reason, the application of Hochberg's GT2 which uses harmonic mean for sample sizes, was used consecutively. Hochberg's test (which is similar to Tukey's HSD) uses uncorrelated *t* inequality (Sidak, 1967) in the way that any two means are significantly different, if:

$$|t_{ij}| \geq m\ (\alpha;\ c,\ v)$$

Where: $m\ (\alpha;\ c,\ v)$
is α – level critical value of Studentized maximum modulus[2] distribution of c independent normal random variables with v degrees of freedom, and:

$$c = k(k-1)/2,$$

where: k – number of means.

Levene's test indicated equal variances across countries in the dataset (*Table 5*) and normality postulate is verified through Kolmogorov-Smirnov test ($p > 0.05$). We use OneWay ANOVA to verify differences in importance of attributes controlling for the country.

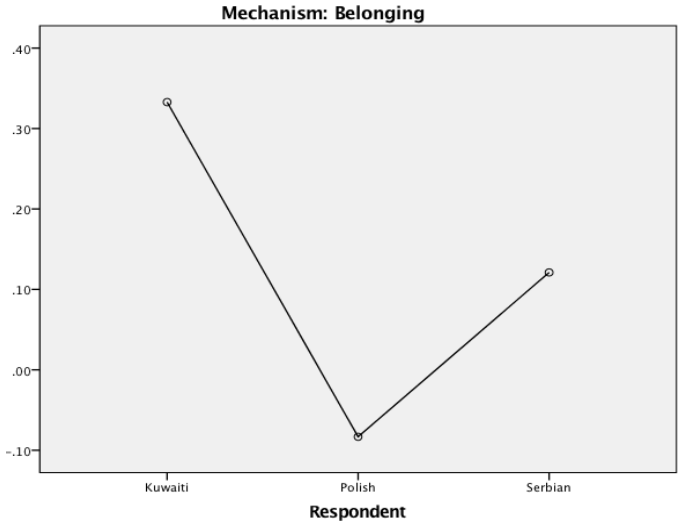
[2] The Studentized maximum modulus is the maximum absolute value of a set of independent unit normal variates which is then Studentized by the standard deviation.

Table 5. Test of homogeneity of variances

Attribute	*F*	df_1	df_2	*p*-value
Joining	1.551	5	358	.173
Mechanism	0.659	5	358	.655
Benefit	1.338	5	358	.247

Source: own compilation.

As noted previously, the Mechanism attribute distinguishes between two levels: collecting (e.g. collecting points on purchase in order to redeem them later) and belonging (e.g. being a member of a club). There is a significant effect of country on belonging score ($F(5,358) = 9.372$, $p < 0.01$, $\eta^2=0.108$), illustrated in *Graph 1*.



Graph 1. Estimated marginal means for belonging
Source: own compilation.

Belonging is perceived as a loyalty mechanism more by Kuwaitis than Poles (ΔM = .406, p<0.01) and Serbs (ΔM = .187, p = 0.02). It can be concluded that H_{1a} is supported whereas there is no support for H_{1b} stating that Kuwaitis and Serbs are equal with regards to the perception that belonging is a loyalty-related mechanism.

The post-hoc test analysis shows also that unlike respondents from other countries, Poles associate the collecting mechanism rather than belonging with a loyalty programs (*Table 6*).

Table 6. Homogenous subsets for belonging

Country	N	Subset		
		1	2	3
Polish	148	-.0853		
Serbian	103		.1335	
Kuwaiti	113			.3208
Significance	-	1.000	1.000	1.000

Note: α = 0.05, Hochberg test, based on harmonic mean sample size (n_h=118.507)
Source: own compilation.

The effect of country on Benefit is significant, $F(5,358) = 13.564$, $p < 0.01$, $\eta^2=0.071$. Also, Benefit is more important to Poles than to Kuwaitis ($p = 0.002$) and Serbs ($p < 0.01$), but Serbs and Kuwaitis do not differ in their evaluation of the importance of Benefit ($p = 0.379$).

In order to test our hypotheses levels of Benefit attribute are analyzed in more detail.

3.1. Application of multiple linear regression analysis

The postulate of normal distribution of levels for the Benefit attribute was verified using Kolmogorov-Smirnov test ($p > 0.05$). Levene's test indicated equal variances in the sample for all levels of the Benefit attribute (*Table 7*).

Table 7. Test of homogeneity of variances

Benefit level	*F*	df_1	df_2	*p*-value
Recognition	0.181	2	361	.834
Reward	2.334	2	361	.098
Discount	2.522	2	361	.082
Personalized communication	2.754	2	361	.065

Source: own compilation.

Consequently, we proceed with ANOVA applying Hochberg's post-hoc test to assess the impact of a country on attribute level evaluations (*Graph 2*).

Recognition

Recognition is important in building the meaning of a loyalty program more for Kuwaitis than for Poles (ΔM =.453, $p < 0.01$) but even more so comparing to Serbs (ΔM =.608, $p < 0.01$). It can be concluded that H_{2a} is supported but H_{2b} is not.

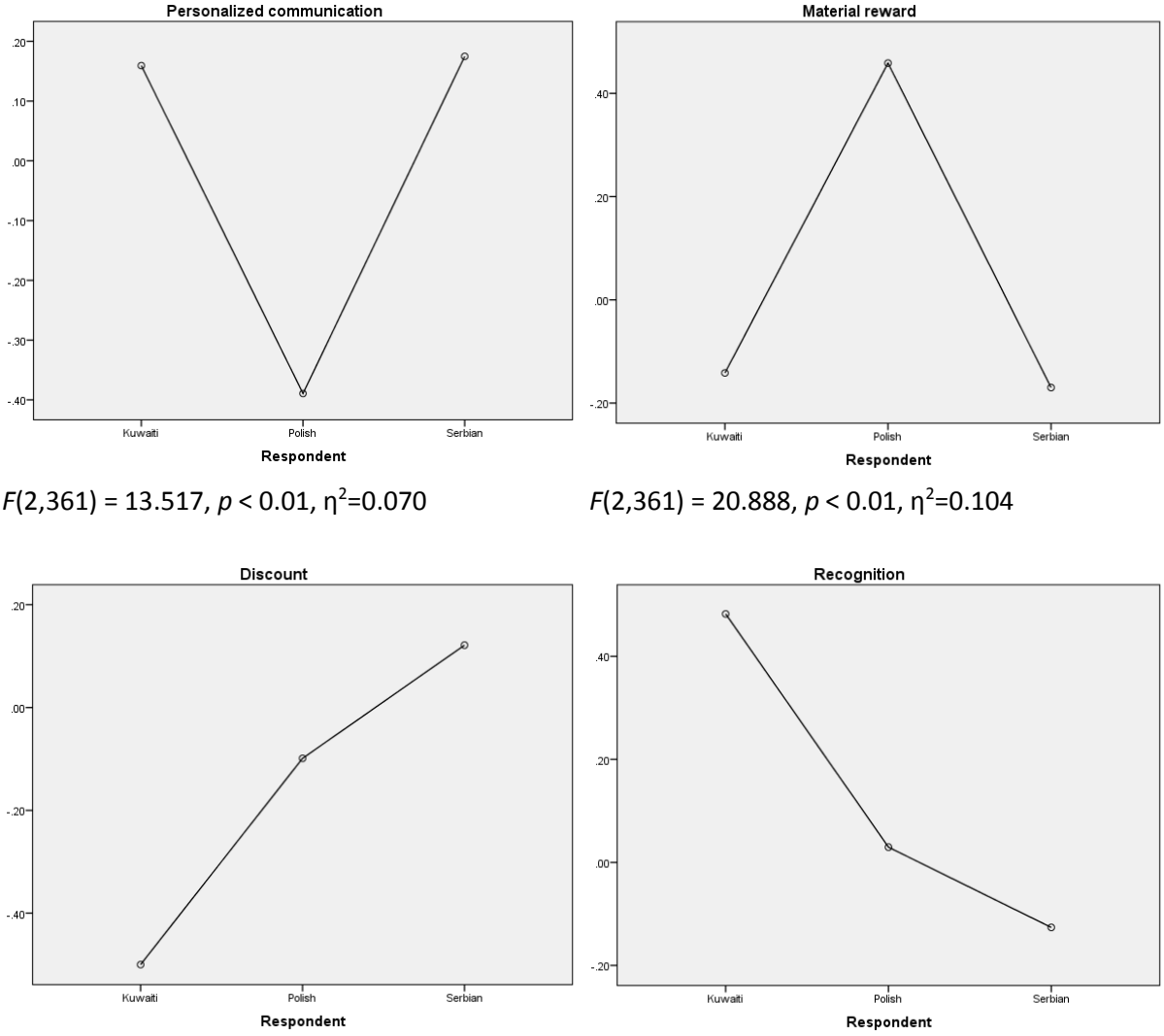
Personalized communication

Post-hoc analyses using Hochberg's GT2 indicated that Personalized Communication is more important for Serbs (ΔM=.564, $p < 0.01$) and Kuwaitis (ΔM=.549, $p < 0.01$) than to Poles in forming the notion of a loyalty program. However, Kuwaitis and Serbs do not differ ($p = .994$).

It can be concluded that H_{3a} and H_{3b} are supported.

Material Reward

The presence of a material reward constitutes a loyalty program more for Poles than for Serbs (ΔM=.629, $p<0.01$), and Kuwaitis (ΔM=.600, $p < 0.01$). However, Kuwaitis and Serbs do not differ ($p = 0.973$). It can be concluded that H_{4a} and H_{4b} are supported.



$F(2,361) = 13.517$, $p < 0.01$, $\eta^2=0.070$ $F(2,361) = 20.888$, $p < 0.01$, $\eta^2=0.104$

$F(2,361) = 12.646$, $p < 0.01$, $\eta^2=0.065$ $F(5,358) = 14.099$, $p < 0.01$, $\eta^2=0.072$

Graph 2. Estimated marginal means for levels of Benefit attribute
Source: own compilation.

Discount

Offering a discount (an immediate reward) constitutes a loyalty program for Serbs more than for Kuwaitis (ΔM =.585, p < 0.01). Similarly, the comparison of Poles and Kuwaitis yields slightly smaller but significant difference (ΔM =.374, p = 0.004). It can be concluded that H_{5a} and H_{5b} are supported.

3.2. Analysis of gender-based differences

Consequently, we proceed with MANOVA (n=358) applying Hochberg's post-hoc test to assess the impact of country and gender on the evaluation of each attributes' level. The postulate of normal distribution of levels for the Benefit attribute with split on gender was verified using Kolmogorov-Smirnov test (p > 0.05) and Levene's test indicated equal variances in the sample (*Table 8*).

Table 8. Test of homogeneity of variances (country & gender)

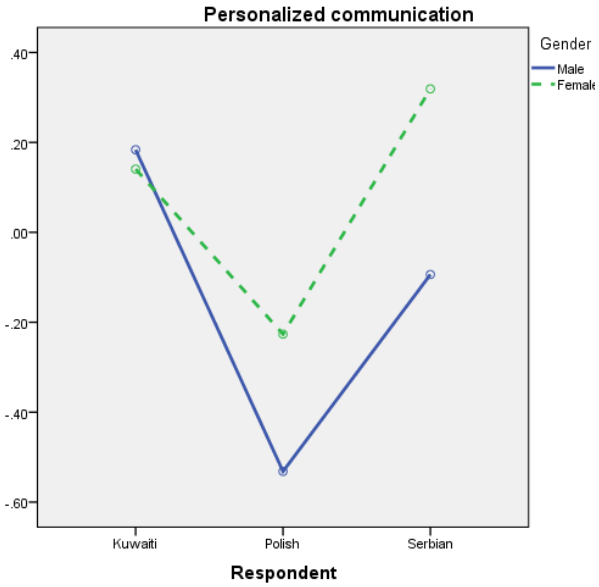
Benefit level	*F*	df_1	df_2	*p*-value
Recognition	0.576	5	358	.719
Reward	2.231	5	358	.510
Discount	2.127	5	358	.053
Personalized communication	1.762	5	358	.120

Source: own compilation.

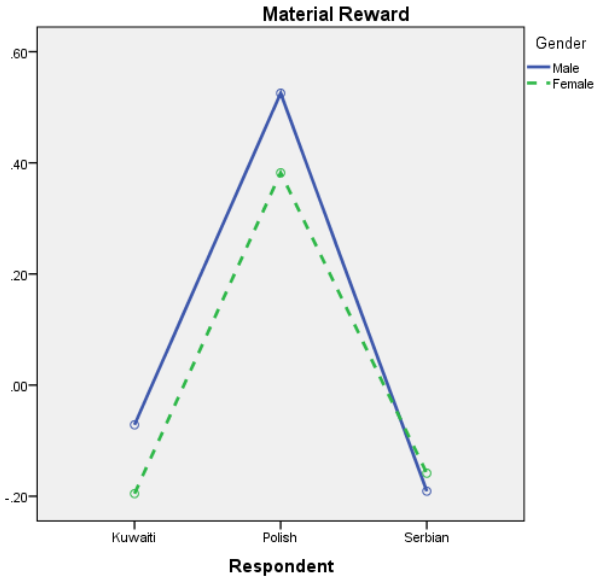
Recognition

For the recognition benefit (see Graph 3), both the effect of country ($F(2,358)=10.551$, $p<0.01$, $\eta^2=0.056$) and the interaction of country and gender ($F(2,358)=13.090$, $p=<0.01$, $\eta^2=0.68$) were significant while gender alone was not significant ($F(1,358)=0.903$, $p=0.640$, $\eta^2=0.001$).

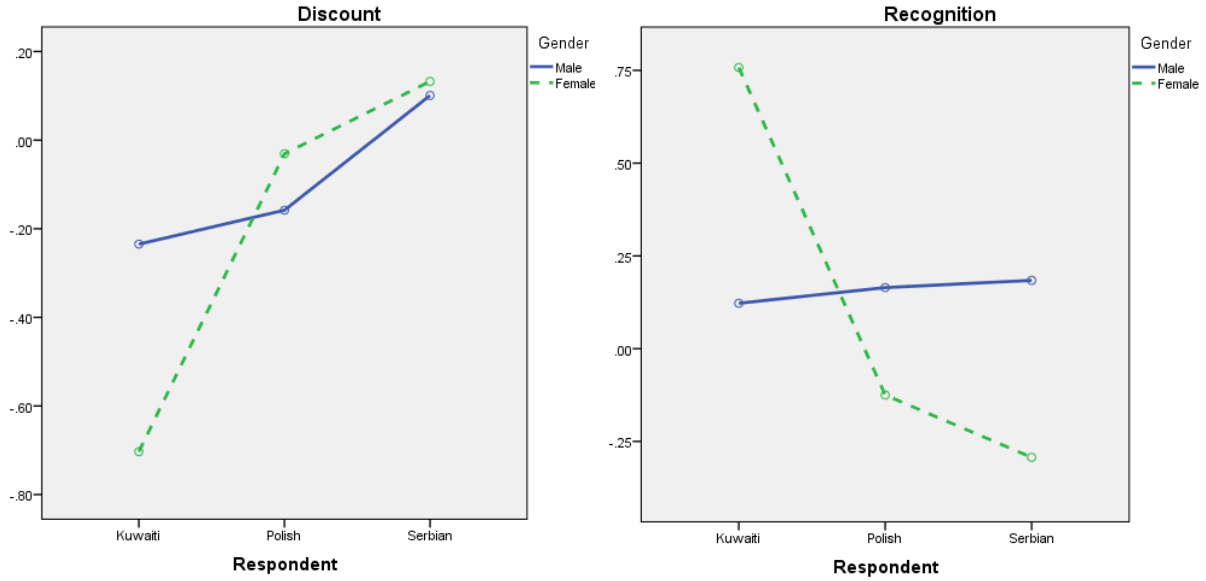
Accordingly, in order to test hypotheses H_{6a} and H_{6b} a separate analysis was performed on gender-split sample. Recognition is important in building the meaning of a loyalty program more for women in Kuwait than for women in Poland (ΔM =.883, $p < 0.01$), which supports hypothesis H_{6a}. However, the difference between women in Kuwait and women in Serbia is even more pronounced (ΔM =1.051, $p < 0.01$), which contradicts hypothesis H_{6b} of their evaluations being equal.



$F(5,358) = 6.980$, $p < 0.01$, $\eta^2=0.089$



$F(5,358) = 8.623$, $p < 0.01$, $\eta^2=0.107$



$F(5,358) = 6.707$, $p < 0.01$, $\eta^2=0.086$ $F(5,358) = 11.296$, $p < 0.01$, $\eta^2=0.136$

Note: Bonferonni adjustment for confidence intervals was applied throughout all tests.
Graph 3. Estimated marginal means for levels Benefit attribute with reference to gender
Source: own compilation.

Personalized communication

For the personalized communication benefit (see *Graph 3*), both the effect of country ($F(2,358)=11.668$, $p<0.01$, $\eta^2=0.061$) and the gender ($F(1,358)=4.335$, $p=0.038$, $\eta^2=0.012$) were significant. A separate gender-split one-way ANOVA was performed. Kuwaiti women do not associate personalized communication as a reflection of loyalty building activity more than women in Poland (ΔM =0.367, p = 0.108). Additionally, the meaning of personalized communication as a loyalty-related component is not different for women in Kuwait and Serbia (ΔM =-0.178, p = 0.675). It can be concluded that H_{7a} is not supported, whereas H_{7b} is supported.

To summarize, primarily the effect of country is more important than gender differences for the Benefit attribute. There is a significant difference in the evaluation of personalized communication as a loyalty-related activity, with women attributing to it more than men (β = .225, SE = .108, p = .038). It should be noted however that the effect of gender is 5 times smaller than the effect of country (1.2% of explained variance versus 6.1%). Significant gender-based differences were not found for material reward, discount and recognition. However, country-specific differences in responses from males and females exist for recognition and discount. The role of recognition as a loyalty-building activity is significantly more important for Kuwaiti women (β_{women} = .758, SE = .108) than for men (β_{men} = .122, SE = .123). Taking a closer look at discount it can be concluded that Kuwaitis do not associate the presence of a discount with loyalty, though it is more pronounced for women (β_{women} = - .703, SE = .115) than for men (β_{men} = - .235, SE = .132).

Conclusion

The study had two main purposes; to understand which marketing activities are perceived (by customers) as meaning loyalty-building techniques, as well as to understand whether intercultural and cross-gender differences affect those perceptions.

It is apparent from the results that the building blocks of a loyalty program (joining, mechanism, and benefits) do not necessarily result in loyalty building activity from the customers' perspective. It doesn't appear to matter, for instance, what the mechanism is for the loyalty program, or even how they join. Rather, it is the benefit they derive from the program which builds loyalty in the mind of the customer. In other words, company actions towards the customer (i.e. recognition and personalized communication) are more important than the name given to the loyalty program, or the means in which the customer joins.

Furthermore, it is interesting to see that the results of the study indicate that a "collecting mechanism" (which sees customers collect points to redeem at a later date) and the giving of a discount were not considered to be loyalty-building techniques. This has implications for companies who design and offer loyalty programs based on a collect-redeem mechanism. The indication from this study suggests this is not an effective way to build loyalty. Whilst such loyalty programs often result in the customer becoming "locked-in" (such as frequent flyer programs) which sees the customer become behaviourally loyal, the results from this study suggests that such programs do not result in an affective or emotional loyalty. Aside from managerial implications, this finding also has far-reaching research consequences as a number of studies define loyalty programs from the collect-redeem perspective (e.g. De Wulf *et al.*, 2003; Kumar & Reinartz, 2005; Liu & Yang, 2009)**.** Clearly, the underlying mechanism of a loyalty program does not imply the meaning customers derive from company-sponsored activities.

Secondly, it is apparent from the results of this study that intercultural differences do affect perceptions of loyalty program components as loyalty-related in a meaningful way. This supports prior research (e.g. Noordhoff *et al.*, 2004; Beck *et al.*, 2015). Differences were evident between the samples for all three loyalty program attributes; joining, mechanism and benefits.

Both Kuwaiti and Polish consumers regard a recognition benefit as constituting a loyalty program, however, the effect size was more pronounced in the Kuwaiti sample. This may be explained by a greater power distance score in Kuwait culture which suggests a desire for recognition and social status. Interestingly, Kuwaiti consumers also perceived personalized communication to be a loyalty-building activity whilst Polish consumers did not. The greater collectivism within Kuwaiti culture, and the associated desire to belong, may explain the differences between these two perceptions. It is curious to note the similarity between Kuwaiti and Serbian customers in terms of their perceptions of loyalty program components. Despite Serbia and Poland being both geographically closer, and European, customers' perceptions of loyalty programs within these countries are not similar. This finding supports previous research into the notion of psychic distance paradox (i.e. O'Grady and Lane, 1996). This study reinforces the message to marketing managers to pay close attention to cultural differences when designing marketing related activities.

References

Addelman, S. (1962). Orthogonal main-effect plans for asymmetrical factorial experiments. *Technometrics*, *4*(1), 21-46.

Bagchi, R., & Li, X. (2011). Illusionary progress in loyalty programs: Magnitudes, reward distances, and step-size ambiguity. *Journal of Consumer Research*, *37*(5), 888-901.

Barlow, R. G. (1992). Relationship marketing: the ultimate in customer services. *Retail Control*, *60*(3), 29-37.

Beck, J. T., Chapman, K., & Palmatier, R. W. (2015). Understanding relationship marketing and loyalty program effectiveness in global markets. *Journal of International Marketing*, *23*(3), 1-21.

Berry, J. (2015). The 2015 Colloquy loyalty census: Big numbers, big hurdles. *Colloquy Loyalty Talks*. Retrieved from https://www.colloquy.com/resources/pdf/reports/2015-loyalty-census.pdf

Berry, L. L. (1995). Relationship marketing of services – Growing interests, emerging perspectives. *Journal of the Academy of Marketing Science*, *23*(4), 236-245.

Bove, L. & Mitzifiris, B. (2007). Personality traits and the process of store loyalty in a transactional prone context. *Journal of Services Marketing*, *21*(7), 507-19.

Breugelmans, E., Bijmolt, T. H. A., Zhang, J., Basso, L. J., Dorotic, M., Kopalle, P., & Wunderlich, N. V. (2015). Advancing research on loyalty programs: A future research agenda. *Marketing Letters*, *26*(2), 127-139.

Carlson, R. (1972). Understanding women: Implications for personality theory and research. *Journal of Social Issues*, *28*(2), 17-32.

Craig, S. C, & Douglas, S. P. (2009). *International Marketing Research* (3rd ed). Chichester: Wiley.

de Wulf, K., Odekerken-Schröder, G., de Canniere, M. H., & van Oppen, C. (2003). What drives consumer participation to loyalty programs? A conjoint analytical approach. *Journal of Relationship Marketing*, *2*(1/2), 69-83.

Fischer, E. & Arnold, S. J. (1990). More than a labor of love: Gender roles and Christmas gift shopping. *Journal of Consumer Research*, *17*(3), 333-45.

Gupta, S. S. & Panchapakesan, S. (1979). *Multiple Decision Procedures: Theory and Methodology of Selecting and Ranking Populations*. New York: Wiley.

Ha, S., & Stoel, L. (2014). Designing loyalty programs that matter to customers. *The Service Industries Journal*, *34*(6), 495-514.

Harris, E. (2000). Recognize, reward, reap the benefits. *Sales and Marketing Management*, *152*(9), 109.

Hochberg, Y. (1974). Some generalizations of the T-method in simultaneous inference. *Journal of Multivariate Analysis*, *4*(2), 224-234.

Hofstede, G., Hofstede, G. J., & Minkov, M. (2010). *Cultures and Organizations: Software of the Mind: Intercultural Cooperation and its Importance for Survival* (3rd ed). New York: McGraw-Hill.

Howard-Brown, J. (1998). The impact of direct mail on consumer loyalty. *Journal of Targeting, Measurement and Analysis for Marketing*, *6*(3), 247-257.

Kang, J., Alejandro, T. B., & Groza, M. D. (2015). Customer–company identification and the effectiveness of loyalty programs. *Journal of Business Research*, *68*(2), 464-471.

Kumar, V., & Reinartz, W. J. (2005). *Customer Relationship Management: A Databased Approach* (1st ed). Wiley.

Lacey, R. & Morgan, R. M. (2008). Customer advocacy and the impact of B2B loyalty programs. *Journal of Business & Industrial Marketing*, *24*(1), 3-13.

Lazarus, R. S. (1991). Progress on a cognitive-motivational-relational theory of emotion. *American Psychologist*, *46*(8), 819-834.

Leenheer, J., van Heerde, H. J., Bijmolt, T. H. A., & Smidts, A. (2007). Do loyalty programs really enhance behavioral loyalty? An empirical analysis accounting for self-selecting members. *International Journal of Research in Marketing*, *24*(1), 31-47.

Liu, Y. (2007). The long-term impact of loyalty programs on consumer purchase behavior and loyalty. *Journal of Marketing*, *71*(4), 19-35.

Liu, Y., & Yang, R. (2009). Competing loyalty programs: Impact of market saturation, market share, and category expandability. *Journal of Marketing*, *73*(1), 93-108.

Melancon, J. P., Noble, S. M., & Noble, C. H. (2010). Managing rewards to enhance relational worth. *Journal of the Academy of Marketing Science*, *39*(3), 341-362.

Meyer-Waarden, L. & Benavent, Ch. (2006). The impact of loyalty programmes on repeat purchase behavior. *Journal of Marketing Management*, *22*(1-2), 61-88.

Meyer-Waarden, L. (2007). The effects of loyalty programs on customer lifetime duration and share of wallet. *Journal of Retailing*, *83*(2), 223-236.

Meyer-Waarden, L. (2015). Effects of loyalty program rewards on store loyalty. *Journal of Retailing and Consumer Services*, *24*(C), 22-32.

Ndubisi, N. O. (2006). Effect of gender on customer loyalty: A relationship marketing approach. *Marketing Intelligence & Planning*, *24*(1), 48-61.

Nielson (2016). *Nielsen Global Loyalty-Sentiment Survey*, retrieved from: www.nielsen.com

Noordhoff, C., Pauwels, P., & Odekerken-Schröder, G. (2004). The effect of customer card programs: A comparative study in Singapore and The Netherlands, *International Journal of Service Industry Management*, *15*(4), 351-364.

O'Grady, S. & Lane, H. W. (1996). The psychic distance paradox. *Journal of International Business Studies*, *27*(2), 309-333.

Patterson, P. G. & Smith, T. (2003). A cross-cultural study of switching barriers and propensity to stay with service providers. *Journal of Retailing*, *79*(2), 107-120.

Peelen, E., Ekelmans, C., & Vijn, P. (1989). Direct marketing for establishing the relationships between buyers and sellers. *Journal of Direct Marketing*, *3*(1), 8-14.

Pornpitakpan, C. & Francis, J. N. P. (2000). The effect of cultural differences, source expertise, and argument strength on persuasion: An experiment with Canadians and Thais. *Journal of International Consumer Marketing*, *13*(1), 77-101.

Roehm, M. L., Pullins, E. B., & Roehm, H. A. Jr. (2002). Designing loyalty-building programs for packaged goods brands. *Journal of Marketing Research*, *39*(2), 202-213.

Rosenbaum, M. S., Ostrom, A. & Kuntze, R. (2005). Loyalty programs and a sense of community. *Journal of Services Marketing*, *19*(4), 222-233.

Samaha, S. A., Beck, J. T., & Palmatier, R. W. (2014). The role of culture in international relationship marketing. *Journal of Marketing*, *78*(5), 78-98.

Sidak, Z. (1967). Rectangular confidence regions for the means of multivariate normal distributions. *Journal of the American Statistical Association*, *62*(318), 626-633.

Stauss, B., Schmidt, M., & Schoeler, A. (2005). Customer frustration in loyalty programs. *International Journal of Service Industry Management*, *16*(3), 229-252.

Steinhoff, L. & Palmatier, R. W. (2016). Understanding loyalty program effectiveness: Managing target and bystander effects. *Journal of the Academy of Marketing Science*, *44*(1), 88-107.

Uncles, M. (1994). Do you or your customers need a loyalty program? *Journal of Targeting Measurement and Analysis for Marketing*, *2*(4), 335-350.

Watts, B. L., Messe, L. A. & Vallacher, R. R. (1982). Toward understanding sex differences in pay allocation: Agency, communion and reward distribution behavior. *Sex Roles*, *8*(12), 1175-1187.

Wittgenstein, L. (2001) [1953]. *Philosophical Investigations*. Blackwell Publishing. ISBN 0-631-23127-7.

Xie, K. L., & Chen, C. (2013). Progress in loyalty program research: Facts, debates, and future research. *Journal of Hospitality Marketing & Management*, *22*(5), 463-489.

Ziliani, C. & Bellini, S. (2004). From loyalty cards to micro-marketing strategies: Where is Europe's retail industry heading? *Journal of Targeting, Measurement and Analysis for Marketing*, *12*(3), 281-289.