

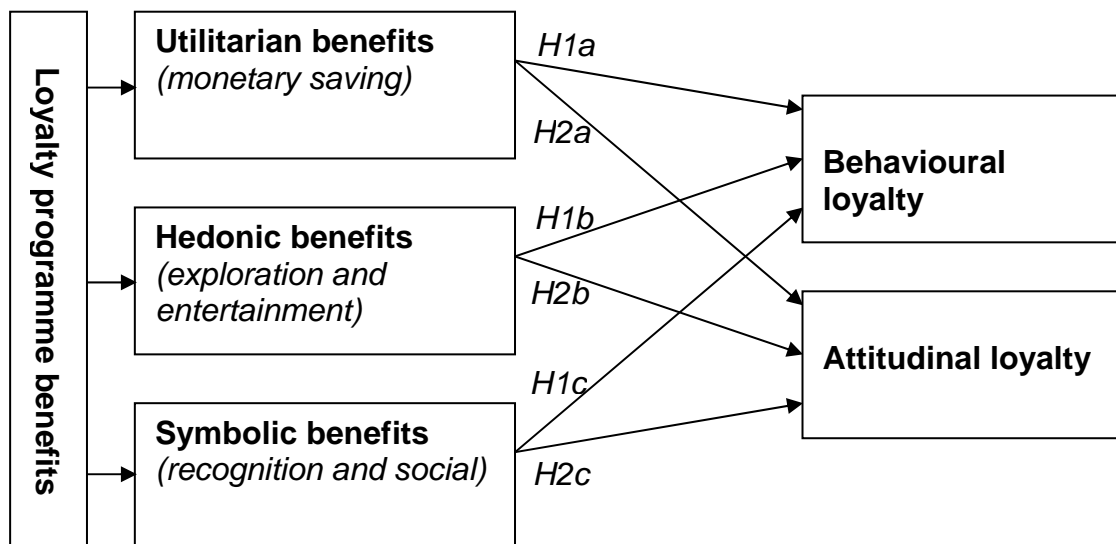
CHAPTER 3: RESEARCH METHODOLOGY

This chapter consists of five sections – research framework, hypotheses, research design, selecting measurement instruments and data analysis techniques.

3.1 Research Framework

This research investigates consumers' perceptions of loyalty programmes and their impact on consumers' behavioural loyalty and attitudinal loyalty. Hence, based on the research objectives and the review of the pertinent literature in the previous chapter, the following research framework is developed:

Figure 3.1: Research Framework



To understand the general perceptions of loyalty programmes and the attributes that determine the attractiveness of loyalty programmes in the eye

of consumers, the utilitarian benefits (monetary savings), hedonic benefits (exploration and entertainment), and symbolic benefits (recognition and social benefits) listed by Mimouni-Chaabane and Volle (2009) are examined in this research. In addition, this research also investigates the impact of these loyalty programme benefits on behavioural loyalty and attitudinal loyalty in consumer behaviour.

3.2 Hypotheses

The hypotheses developed are to investigate the relationship between loyalty programme benefits (i.e. utilitarian benefits, hedonic benefits and symbolic benefits) and customer loyalty (i.e. behavioural loyalty and attitudinal loyalty). In the previous chapter, the hypotheses were developed based on the suggestions arising from the literature review. Hence, in this section, only a brief discussion of these hypotheses is presented.

Loyalty programmes encourage consumer behavioural loyalty as they enable consumers to enjoy various benefits including monetary savings, enjoyment of collecting points, and the opportunity to redeem “rewards” from the points collected (Mimouni-Chaabane and Volle, 2009). In other words, the behavioural loyalty of the consumers is developed through the benefits offered by the loyalty programme “rewards” to consumers who invest “heavily” in their relationship. Hence, the following hypothesis was developed:

Hypothesis 1: Loyalty programme benefits have a significant impact on behavioural loyalty

As discussed in the literature review section 2.3, loyalty programme benefits can be categorized into utilitarian benefits, hedonic benefits and symbolic benefits, hence, the following hypotheses based on the loyalty programme benefits were developed,

H1a: Utilitarian benefits of loyalty programmes have a significant impact on behavioural loyalty

H1b: Hedonic benefits of loyalty programmes have a significant impact on behavioural loyalty

H1c: Symbolic benefits of loyalty programmes have a significant impact on behavioural loyalty

However, the benefits of loyalty programmes also encourage consumers' attitudinal loyalty, this is because the benefits enable consumers to develop their preference towards a brand through the brand's database management, information updates or by organizing some exclusive members event (Meyer-Waarden, 2006). Thus, the following hypothesis was developed:

Hypothesis 2: Loyalty programme benefits have a significant impact on attitudinal loyalty

Similar to hypothesis 1, loyalty programmes benefits can be sub-categorized into utilitarian benefits, hedonic benefits and symbolic benefits, hence, the following hypotheses were developed:

H2a: Utilitarian benefits of loyalty programmes have a significant impact on attitudinal loyalty

H2b: Hedonic benefits of loyalty programmes have a significant impact on attitudinal loyalty

H2c: Symbolic benefits of loyalty programmes have a significant impact on attitudinal loyalty

3.3 Research Design

As mentioned in chapter 1, section 1.4, this research was conducted in the Klang Valley area (Selangor, Kuala Lumpur, Cyberjaya and Putrajaya) in Malaysia. This is because, according to the report of *Existing Stock of Residential, Purpose Built Office, Shopping Complex, Shop, Hotel and Industry in Malaysia as at Q4 2006* (Valuation and Property Services Department, Ministry of Finance Malaysia, 2006), both Kuala Lumpur and Selangor (which is within the Klang Valley area) recorded the highest amount of retail spaces in shopping complexes at 1,908,117 square metres and 1,872,937 square metres, respectively (refer to appendix 2).

3.3.1 Focus Group

Before the questionnaire was constructed, two (2) focus groups were conducted with the objective of gaining an understanding of consumer perception of loyalty programmes. The first focus group consisted of five (5) females, whose age ranged between twenty four (24) and fifty six (56) years old, with an average age of 36.2 years old. The second focus group consisted of five (5) males, with ages ranging from twenty-five (25) to fifty-seven (57) years old, with the average age being 36.8 years old.

A research protocol was prepared for the focus groups (refer to appendix 5). During the focus group discussions, the participants were asked to answer and explain the following statements describing their perception of loyalty programmes among fashion retailers:

1. The first impression towards fashion retailers member cards (loyalty programme)
2. To discuss the reasons or objectives behind that encourage fashion retailers to offer member cards (loyalty programme)
3. To discuss the reasons why participants participate in fashion card loyalty programmes
4. To request the participants to list down three (3) “MUST HAVE” benefits for a member card (loyalty programme).
5. To further discuss the reasons why these three (3) benefits are listed.
6. To discuss how fashion brand loyalty members will affect the participants following attitudes and behaviour:
 - Shopping (purchase) behaviour
 - Purchase amount/quantity
 - Repeat purchase /frequency?
 - Feelings towards the fashion brand
 - Reaction towards other competitors advertisements and promotional activities
 - Reaction to fashion brand’s advertisements and promotional activities

The participants of the focus groups actively voiced their opinions on fashion retailers' loyalty programmes and the findings indicate that participants perceive that loyalty programmes are mostly related to the benefits offered, e.g. enjoy membership discounts, invitations to sales preview, etc.

3.3.2 Questionnaire

Based on the findings from the focus groups and the reference from journals of Mimouni-Chaabane and Volle, (2009) and Chaudhuri and Holbrook (2001); self-administered questionnaires were constructed. The questionnaires were then distributed for a pilot study. The pilot study was conducted based on convenience sampling of colleagues working within the fashion industry. Ten (10) persons with at least one loyalty card from a fashion retailer were selected for the pilot study. Short interviews of the participants to gauge their understanding of the questionnaire were conducted. The ten (10) participants of the pilot study found no difficulties in answering the questionnaire, which was easy to understand and quite straightforward.

A self-administered questionnaire with three (3) pages was used to conduct this research (refer to appendix 4). A total sample size of 300 was targeted for this research. As the purpose of this research is essentially to identify the perception of loyalty programmes and their impact on consumer loyalty, the qualifying question "do you own at least ONE loyalty card of any fashion retailer that operates in Malaysia?" helped to eliminate those who did not have a fashion loyalty card. Convenience and non-probability sampling was used in this research. The questionnaires were distributed in Mid Valley Megamall in

Kuala Lumpur on 17 and 18 of October 2009 (Saturday and Sunday). All 300 respondents were successfully collected within these 2 days.

3.4 Measurement Instrument

A self-administered questionnaire was used in this research. The questionnaire consisted of three (3) pages, with four (4) sections in total (refer to appendix 4). Part one (1) measured the respondents' participation in Malaysian fashion retailers' loyalty programmes; part two (2) measured the consumers' perceptions of the loyalty programmes; part three (3) measured how loyalty programmes cultivate consumer loyalty (which includes behavioural loyalty and attitudinal loyalty) and finally, part four (4) was designed to collect the demographic information of the respondents.

In section One (1), the respondent was required to answer two (2) questions, which were related to the fashion loyalty programmes to identify the number of fashion loyalty cards that they owned, and the name of the fashion brands whose loyalty programmes they participated in.

In the second section, the questionnaire was designed to measure the consumers' perceptions of the fashion retailers' loyalty programmes. The findings from the focus groups indicate that consumers perceive loyalty programmes based on the benefits offered by the respective programmes. Consequently, consumers' perceptions of the loyalty programme were then assessed in relation to three (3) benefits: utilitarian benefits, hedonic benefits and symbolic benefits. Sixteen (16) statements referenced from Mimouni-

Chaabane and Volle, (2009) were selected to examine consumers' perceptions of loyalty programmes. All sixteen (16) statements tested the three (3) benefits of loyalty programmes offered according to Minouni-Chaanbane and Volle (2009) (please refer to the literature review, section 2.3).

For instance, to measure the utilitarian benefits of the loyalty programme, the following statements were used:

- *"I receive member discount."*
- *"I save money."*
- *"I spend less"*

Whereas, the perception of the hedonic benefits of the loyalty programme were measured based on the following statements:

- *"I discover new products."*
- *"I discover products I wouldn't have discovered otherwise."*
- *"I try new products."*
- *"Collecting points is entertaining."*
- *"Redeeming points is enjoyable."*
- *"I feel glad when I redeem my points."*

Finally, the symbolic benefits of the loyalty programmes were measured based on the following statements:

- *"The fashion shop takes better care of me."*
- *"I'm treated better than other customers."*
- *"I'm treated with more respect."*
- *"I feel I am more distinguished than other customers."*
- *"I belong to a community of people who share the same values."*

- *“I feel close to the brand.”*
- *“I feel I share the same image as the brand.”*

All of the statements above were measured on a seven-point Likert-type scale, ranging from “Very strongly disagree” (1), “Strongly disagree” (2), “disagree” (3), “Neutral” (4), “Agree” (5), “Very Agree” (6) and “Very strongly agree”(7). In addition, the participants were asked to choose the three (3) most important benefits according to their preference based on nine (9) statements, which were gathered and consolidated from the list of benefits offered by Malaysian fashion retailers (refer to appendix 1):

- *“Discounts/monetary savings”*
- *“Collecting redemption points”*
- *“Redemption/rebate vouchers”*
- *“Free gifts”*
- *“Birthday treats”*
- *“The priority or exclusivity of attending sales preview”*
- *“The priority or exclusivity of attending corporate events”*
- *“News updates”*
- *“The priority or exclusive service”*

Section three (3) of the questionnaire was designed to measure the impact of loyalty programmes on consumer loyalty regarding behavioural loyalty and attitudinal loyalty. The ten (10) statements in this section, which originated from Chaudhuri and Holbrook (2001), were selected to measure the behavioural loyalty and attitudinal loyalty of the consumers:

- *“I trust this fashion brand. “*

- “I rely on this fashion brand.”
- “This fashion brand is safe.”
- “I feel good when I use this fashion brand.”
- “This fashion brand makes me happy.”
- “I am committed to this fashion brand.”
- “I would be willing to pay a higher price for this fashion brand over other competitor’s brands.”
- “This brand is my first choice when I want to buy fashion products.”
- “I will buy this brand the next time I buy fashion products.”
- “I intend to keep purchasing this fashion brand.”

Similar to section 2, a seven-point Likert-type scale was also used in this section, ranging from from “Very strongly disagree” (1), “Strongly disagree” (2), “disagree” (3), “Neutral” (4), “Agree” (5), “Very Agree” (6) and “Very strongly agree”(7).

The last section of the questionnaire was designed to collect the demographic information of the respondents. Information such as gender, marital status, age, ethnic group, occupation, education level, household income and household size were measured using a closed-ended multiple-choice format.

3.5 Data Analysis Techniques

The questionnaires collected were screened through manually to exclude any incomplete responses. The data was entered into the statistical package for Social Sciences Program (SPSS) version 15.0 to perform data analysis.

First, the normality test was performed to ensure that the variables were normally distributed.

Second, Factor analysis and Cronbach's Alpha was conducted to ensure that all the variables were valid and reliable.

Third, frequency analysis was performed with the aim of providing insights into the respondents' demographic information, and their perception of the loyalty programmes.

Finally, regression analysis and Pearson correlation were performed to evaluate the relationship of the variables.

3.6 Conclusion

This chapter provides an overview of the research methodology. The research framework, hypothesis development, research design, measurement instrument and the data analysis technique are discussed in this chapter. In addition, an overview of the questionnaire is also briefly discussed in this section.

The research results, based on the samples collected were analysed by the software of SPSS version 15.0, will be presented in the following chapter.