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**Muniba Rauf**

# **Understanding Customer Behaviour across Diverse Digital Loyalty Programs**

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JYVÄSKYLÄ UNIVERSITY  
SCHOOL OF BUSINESS AND ECONOMICS

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## ABSTRACT

Rauf, Muniba

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The integration of technology in customer relationship management (CRM) has significantly broadened the reach and efficiency of customer loyalty and engagement strategies. Retailers now employ a variety of cutting-edge tools to boost customer engagement and relationships, encompassing loyalty programs (LPs), social media, and virtual platforms like the metaverse. However, the specific impacts of these emerging platforms on customer behavior remain largely unexplored. This dissertation explores the evolving domain of CRM, focusing specifically on the influence of digital LPs and customer engagement in enhancing loyalty. It contributes to managerial practices by utilizing technology across these digital platforms through four research articles. Article I presents a conceptual exploration of technology integration within LPs. Articles II and III investigate the role of social media-based rewarded customer engagement (RCE) in the context of LPs. Article IV assesses the impact of RCE within both LPs and the metaverse environment. The findings suggest that the effectiveness of marketing tools like rewards for engagement varies significantly across platforms such as social media and the metaverse, highlighting a context-dependent nature. Previous research emphasizes the importance of seamlessly integrating platforms and channels, suggesting that retailers should consider how marketing initiatives aimed at engagement and loyalty can influence the overall effectiveness of LPs. From a managerial perspective, it is crucial to understand that rewards may affect each dimensions of engagement differently across various platforms, necessitating a greater emphasis on personalization and a deeper understanding of customer preferences specific to each platform. The research indicates that technology is vital at every stage of an LP's lifecycle, and that emerging digital platforms positively enhance LP member loyalty. LP members also tend to prefer hedonic and non-monetary rewards over utilitarian and monetary ones on metaverse. In terms of loyalty and engagement, RCE has a more substantial effect on loyalty in traditional LPs than on the metaverse platform. Additionally, the RCE in LPs does not necessarily lead to increased member engagement within the metaverse, as it is influenced by other factors such as prior gaming experience, platform usability, trust, and the perceived effort needed to earn rewards.

**Keywords:** loyalty program, customer loyalty, rewarded customer engagement, social media, metaverse

## TIIVISTELMÄ (ABSTRACT IN FINNISH)

Rauf, Muniba

Asiakkaiden käyttäytymisen ymmärtäminen moninaisissa digitaalisissa kanta-asiakasohjelmissa

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Teknologian integrointi asiakassuhteiden hallintaan on laajentanut asiakasuskollisuuden ja sitoutumisen strategioiden ulottuvuutta ja tehokkuutta. Vähittäiskauppiat hyödyntävät nykyaikaisia työkaluja, kuten kanta-asiakasohjelmia, sosiaalista mediaa ja virtuaalisia alustoja kuten metaversumia, asiakassuhteiden vahvistamiseen. Nämä uudet alustat vaikuttavat asiakaskäyttäytymiseen, mutta niiden tarkat vaikutukset ovat vielä suurelta osin tutkimatta. Tässä väitöskirjassa tutkitaan asiakassuhteiden hallinnan kehittyvää aluetta keskittyen digitaalisten kanta-asiakasohjelmien ja asiakasengagementin rooliin uskollisuuden lisäämisessä. Tutkimus koostuu neljästä artikkelista, joissa tarkastellaan teknologian hyödyntämistä digitaalisilla alustoilla. Ensimmäinen artikkeli käsittelee teknologian integraatiota kanta-asiakasohjelmiin. Toisessa ja kolmannessa artikkelissa tutkitaan sosiaalisen median kautta tapahtuvan palkitun asiakasengagementin roolia kanta-asiakasohjelmissa, ja neljäs artikkeli arvioi tämän engagementin vaikutuksia sekä kanta-asiakasohjelmissa että metaversumissa. Tulokset osoittavat, että markkinointityökalujen, kuten palkkioiden, tehokkuus vaihtelee alustojen välillä ja on kontekstiriippuvainen. On tärkeää integroida eri alustat ja kanavat saumattomasti, ja vähittäiskauppioiden tulisi huomioida, kuinka markkinointitoimet vaikuttavat kanta-asiakasohjelmien tehokkuuteen. Johtamisnäkökulmasta on keskeistä ymmärtää, että palkkiot voivat vaikuttaa eri tavoin sitoutumisen eri ulottuvuuksiin eri alustoilla, mikä korostaa personoinnin ja kunkin alustan asiakasmieltyymysten syvällisen ymmärtämisen tarvetta. Tutkimus korostaa teknologian merkitystä kanta-asiakasohjelman koko elinkaaren ajan, ja uudet digitaaliset alustat parantavat jäsenten uskollisuutta. Käyttäjät suosivat hedonistisia ja ei-rahallisia palkintoja utilitarististen ja rahallisten sijaan, erityisesti metaversumissa. Perinteisissä kanta-asiakasohjelmissa palkittu asiakasengagement vaikuttaa uskollisuuteen enemmän kuin metaversumissa, ja metaversumin jäsenten sitoutuminen on monimutkaisempi, mihin vaikuttavat esimerkiksi alustan käytettävyyden ja luottamus.

**Avainsanat:** kanta-asiakasohjelma, asiakasuskollisuus, palkittu asiakas sitoutuminen, sosiaalinen media, metaversumi

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ABSTRACT

TIIVISTELMÄ

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## ORIGINAL ARTICLES

TABLE 1 Author's contribution

<b>Manuscript</b>	<b>Author's contribution</b>
I. "The Development of Loyalty Programs in the Retail Sector"	Rauf: literature review, study design, data collection, data analysis built on the data gathered, conceptual analysis, writing the article. Karjaluoto: advice on study design and on data collection, focus, review and editing.
II. "Investigating the Impact of Rewarded Social Media Engagement, Trust, Perceived Switching Cost and Loyalty on Loyalty Members in the Sports Industry"	Rauf: literature review, study design, data collection, data analysis built on the original data gathered from 300 respondents, theory framework, writing the article. Karjaluoto: advice on study design and on data collection, focus, review and editing.
III. "The Impact of Rewarded Social Media Engagement on Customer Satisfaction, Commitment, Loyalty and Loyalty Programmes in the Sports Industry"	Rauf: literature review, study design, data collection, data analysis built on the original data gathered from 300 respondents, theory framework, writing the article. Karjaluoto: advice on study design and on data collection, focus, review and editing. Leppäniemi: advice on theory framework and review.
IV. "Rewarded Customer Engagement and Loyalty: A Cross-Platform Study of Traditional Loyalty Programs and the Metaverse"	Rauf: literature review, study design, data collection, data analysis built on the original data gathered from 17 respondents, writing the article. Li: advice on data collection, plan and interview guide, selection of the sample/respondents, focus, review and editing. Karjaluoto: advice on study design, data collection and interview guide, focus, review and editing.

# 1 INTRODUCTION

## 1.1 Study background

The rise of Customer Relationship Management (CRM) marks a crucial strategy designed to enhance customer loyalty through developing strong relationships between businesses and their customers (Guerola-Navarro et al., 2021). Relationship marketing operates on the fundamental idea that loyal customers tend to buy more frequently and in larger volumes, showing less concern or sensitivity to price fluctuations and competitive alternatives, thereby costing firms less compared to those less loyal customers (Palmatier et al., 2009; Yi and Jeon, 2003).

Loyal customers hold the power to determine the profitability and prosperity of a business (Hocky et al., 2020). In today's highly competitive market, where customers have a plethora of choices, it is evident that acquiring and retaining loyal customers is essential for success. Furthermore, customer loyalty has risen to prominence in the business sector due to its critical role in ensuring business success (Bahri-Ammari and Bilgihan, 2019; Pappas et al., 2019), and thus, continues to captivate scholars' attention due to its profound importance. Due to this, in 2021, the worldwide loyalty management market was valued at \$4.54 billion and is projected to reach \$24.44 billion by 2029, growing at a compound annual growth rate of 23.5% (Fortune Business Insights, 2022).

Recognizing the value of loyalty in driving profitability, many corporate firms have placed a strong emphasis on improving loyalty and have accordingly directed substantial resources towards human resources management (Chiang et al., 2018). However, cultivating customer loyalty is not an immediate or easy achievement; it requires a substantial commitment of effort, resources, and time from businesses (Izogo, 2017; Tseng et al., 2017). Thus, gaining insight into the antecedents of customer loyalty and comprehending the interrelations between them still remain an urgent objective in marketing research (Herhausen et al.,

2020). Additionally, as the adoption of information and communication technologies transforms purchasing behaviors, establishing and maintaining customer loyalty continues to be a persistent challenge for retailers (e.g., Evanschitzky et al., 2020).

Within this domain of literature, loyalty programs (LPs) are considered a key instrument for cultivating customer loyalty (Buhalis and Volchek, 2021; Chang and Chen, 2009). LPs play a vital role as a CRM tool, used to interact with, reward, and retain customers while also reinforcing their purchasing behaviors (Chaudhuri et al., 2019; Chen et al., 2021). Research on LPs has flourished following the advent of relationship marketing and significant of retaining customers while building long-term loyalty. Gartner forecasts that by the end of 2027, one-third of businesses will implement such programs to attain first-party data collection and maintain customer loyalty (Gartner, 2023).

Companies and retailers often implement such LPs with the anticipation that they will boost repeat buying behaviors through a rewards system (Başgöze et al., 2021; Yi and Jeon, 2003). The digital transformation further provides novel methods for interacting with customers and gathering detailed consumer data (Grewal et al., 2018; Tong et al., 2020), enabling the provision of highly tailored offerings such as incentives, rewards, products, and services. LPs stand out as highly effective and efficient methods for not only rewarding customers, but also gathering essential data to enhance personalization and customer experiences (Yang et al., 2019). Consequently, advancements in technology have opened up fresh possibilities in managing customer loyalty and digital LPs. Mobile applications like digital LPs represent an innovative and economical means to provide unique consumer services (Shankar et al., 2020) beyond purchases. This approach advises companies to uphold valuable relationships with customers who contribute positively to profitability.

After the advent of LPs and with the growth in information technology (IT) and increased internet accessibility, organizations are now increasingly leveraging technology to engage with consumers (Shankar and Datta, 2019) to further enhance their loyalty. The use of technology not only expands the reach to consumers but also boosts interactivity and engagement, thereby improving the overall consumer experience (Islam et al., 2021). In the context, customer engagement (CE) stands out as a crucial focus. Marketers aiming to establish lasting customer interactions, deepen relationships, and reinforce brand loyalty must actively prioritize and pursue this concept (Lim et al., 2022; Kumar, 2020). Reflecting its significance, global professional marketing organizations like the Marketing Science Institute have recognized CE as a top priority (Tier 1) in CRM and loyalty context. For both the 2018-2020 and 2020-2022 periods, CE has been emphasized in their priority lists (Tier 1). This inclusion aims to guide marketing professionals in identifying the most impactful strategies for fostering enduring engagement with customers and underscores the role of CE in cultivating brand loyalty (Marketing Science Institute, 2020).

CE is often regarded as a key indicator of customer loyalty (Hollebeek et al., 2014; Kaur et al., 2020). In other words, customers who are engaged tend to

exhibit a higher level of satisfaction, trust and thus, contributing to brand loyalty (Brodie et al., 2013; Khan et al. 2019). Enhancing CE through LP is a strategic goal for marketers (Islam et al., 2019; Bruneau et al., 2018), as it is a key measure for evaluating the success of LPs (Bruneau et al., 2018; Hollebeek et al., 2021). Hence, evaluating CE through LPs and its effects is crucial for comprehending its significance in developing marketing strategies (Kim and Baek, 2018).

Moreover, emphasizing the importance of CE in relation to customer loyalty and LPs and with the continuous advancements and forthcoming changes that presents a thrilling opportunity for both practitioners and researchers to reimagine and redefine the conventional roles within the marketing domain (Rangaswamy et al., 2020); global brands have recognized the value of investing in the digital arena and platforms, primarily encompassing diverse social media platforms (Hride et al., 2022, Husain et al., 2022). Reflecting this, their worldwide expenditure in the digital domain rose from \$380.75 billion in 2020 to \$491.70 billion in 2021, and it is projected to surge to approximately \$785.08 billion by 2025 (Bhattacharjee, 2020; Cramer-Flood, 2021).

The latest advancement of the internet and IT as well as virtual environments has further transformed the roles of both customers and firms in the engagement and loyalty process, shifting the focus of engagement studies to a transformational level (Barari et al., 2020). Emerging technologies like artificial intelligence (AI), augmented/virtual reality (AR/VR), smart displays, as well as relevant mobile devices, applications and platforms (Agarwal et al., 2020) offer significant opportunities to enhance customer experiences, engagement, loyalty and improve the efficiency of LPs. For instance, the profound degree of collaboration within the metaverse, which represents an enhanced form of virtual experiences, creating a fully immersive environment that blends physical and digital worlds seamlessly (Ball, 2022), offers unparalleled opportunities for organizations and retailers, enabling heightened CE compared to existing social media applications and traditional networking sites. As recorded in 2022, consumers allocate more time to 3D virtual shopping and other experiences than traditional 2D e-commerce websites. This shift has led to a remarkable 70% surge in conversion rates and a staggering 450% boost in return on investments for retailers (Dogadkina, 2022).

The above mentioned rapid development and continuous transformation in technology indicate that retailers are anticipated to require a reassessment of their consumer personas and customer journeys to more accurately depict the interaction opportunities within blended digital, virtual and physical environments (Olson et al., 2019; Sultan, 2018). The COVID-19 pandemic has further imparted crucial insights about digitization and technology to businesses and marketers. The impacts of the outbreak on the business sector have prompted numerous companies to vigorously revise their marketing approaches to improve their relationship with customers (Su et al., 2021). Nonetheless, these technological innovations are accompanied by new challenges, including issues related to technology acceptance, data privacy and the management of large datasets, which have not been extensively addressed yet.

## 1.2 Study objectives and research gaps

Loyalty is influenced by a multiple factors and cannot be attributed to a single element or construct (Foroudi et al., 2018; Russo et al., 2016). Arguably, the collective impact of the three principal antecedents – satisfaction, trust, and commitment – on brand loyalty still remain unclear in literature. Additionally, some researchers argue that LPs do not substantially contribute to enhancing customer loyalty (e.g., Liu, 2007; Bolton et al., 2000; Dowling and Uncles, 1997).

Empirical studies on the effectiveness of LPs in fostering loyalty present mixed results, leaving their impact somewhat uncertain (Belli et al., 2022; Dorotic et al., 2012). While certain studies suggest that these LPs can positively influence specific customer actions and business outcomes (Chaudhuri et al., 2019; Evanschitzky et al., 2012), doubts persist about their actual effectiveness in fostering company loyalty (Sharp and Sharp, 1997; Yi and Jeon, 2003). It is argued that these programs may not live up to their promises and expectations (Leenheer et al., 2007; Nunes and Drèze, 2006), or in more critical views, might even be considered a facade or sham of loyalty (Shugan, 2005).

Despite the widespread incorporation of LPs in the business strategies of various companies, their actual effectiveness has been a matter of debate and a topic extensively debated within academic circles (e.g., Chaudhuri et al., 2019; Danaher et al., 2016; Lemon and Wagenheim, 2009). Even with an extensive body of existing literature, there's limited knowledge concerning the type of influence that LPs exert on the relationship between consumers and brands (Gorlier and Michel, 2020). More research is imperative to comprehend the efficacy of LPs within the rapidly changing and evolving context of new digital business models.

Considering the uncertain outcomes of LPs and the fast-paced changes in technology, managers confront significant ambiguity in developing, implementing, and managing these programs (Keh and Lee, 2006; Meyer-Waarden, 2007; Meyer-Waarden and Benavent, 2009). Academics have further highlighted the importance of incorporating modern technology into current LPs and urged the scholarly community to investigate this further (Breugelmans et al., 2015). Although scholars display significant confidence and inclination toward integrating IT into LPs, research in this area seems to be limited and infrequent (Purohit and Thakar, 2019).

As in today's digital era, there is a noticeable trend of customers engaging more frequently with brands through mobile applications like LP, a phenomenon highlighted by McLean and Wilson (2019). While the significance of CE through mobile applications is recognized by both scholars and industry experts, there is a notable gap in research focusing on the role of mobile apps like LPs in engaging customers (Khan et al., 2022; Stocchi et al., 2021). Specifically, there is a lack of empirical research and validation regarding the outcomes of CE in the context of mobile apps marketing (Fritz et al., 2017; Hsieh et al., 2023). Chen et al. (2021) also added that there is a lack of empirical studies examining the relationships

among LP, CE behaviors with LPs, LP-induced loyalty, and overall CE. Researchers like Hughes et al. (2019), Roy et al. (2018a), and Hanson et al. (2019) have investigated CE by examining various marketing contexts, including blogs, virtual communities, and brand social media. However, studies focusing specifically on CE within LPs are predominantly at the stage of theoretical models and propositions (Hollebeek et al., 2021). Empirical research examining the underlying mechanisms that drive member CE behavior in these programs is still relatively scarce.

CE has garnered significant interest from scholars and professionals alike in various market domains, including business-to-consumer (B2C), customer-to-customer (C2C), and business-to-business (B2B) sectors (Bazi et al., 2020; Mora-Cortez and Dastidar, 2022; Santos et al., 2022). While the aforementioned research offers valuable perspectives on the behavioral facets of brand engagement (Mainolfi et al., 2022), only a limited number of these studies delve into the determinants of psychological engagement, encompassing cognitive and emotional aspects. Additionally, in this context, various research efforts have been undertaken to explore the connection between CE and social media usage (e.g. Barger et al., 2016; Hinson et al., 2019). However, academic research on CE related to social media is still scarce. Hence, examining the processes underlying CE in relation to social media platforms is of vital importance (Ajiboye et al., 2019).

The key distinctions between traditional offline and modern online CE, particularly in the context of social media, are best understood by examining the contrasts between CE driven by analog and digital communication methods (Eigenraam et al., 2018; Zook and Smith, 2016). The examination of CE on social media carries practical significance, especially considering how the rise of the internet and the widespread use of smart devices have been intricately linked to the growth of social media. This evolution presents substantial opportunities and potential for developing and expanding CE (Carlson et al., 2018, Santini et al., 2020a, Shawky et al., 2020). Despite the significance of content marketing (Gavilanes et al., 2018) and the increasing impact of social media on how consumers perceive brands (Chu et al., 2019), there is a lack of extensive research on how social media content strategies influence CE with brands (Bazi et al., 2020, Islam et al., 2019). An analysis of CE on social media platforms is vital, with further research continually being conducted (Lim and Rasul, 2022).

Furthermore, the recent literature suggests a transformative effect from the widespread adoption of the metaverse, where users might increasingly spend their leisure and work time interacting within metaverse environments (Dwivedi et al., 2022; Gartner, 2022). This shift underscores the expanding role of the metaverse in facilitating engagement. Yet, there is no unified agreement on the future development of the metaverse, leading scholars to propose various visions of its functionality and operation, and to discuss its potential impact on individuals, businesses, and society. Currently, organizations are evaluating their operations to understand the metaverse's potential and how it can be



utilized for enhancing interactions and engagement with brands and services (Dwivedi et al., 2023).

Thus, this dissertation seeks to bridge the gaps and differing views on LPs that exist in both scholarly and practical contexts. It does this by creating an extensive conceptual framework designed to investigate and explore the effectiveness of LPs, particularly in relation to social media engagement, RCE, and customer loyalty and latest digital platforms like metaverse. The study objectives and research gap for each article of this dissertation are discussed in what follows.

Despite the considerable interest and enthusiasm among scholars regarding the integration of IT in LP, academic research on this topic is relatively limited and infrequent. Purohit and Thakar (2019) noted that existing academic studies on the use of IT in LPs tend to offer broad recommendations or focus narrowly on a limited range of technologies. Prior studies reveal that although scholars strongly advocate for the integration of technology in LPs (Breugelmans et al., 2015; McCall et al., 2010), existing research on the use of IT in LPs tends to concentrate on a narrow range of technologies. This focus is predominantly on single digital channels like mobile and smartphones (Wang et al., 2016; Son et al., 2016) and/or web and social media platforms (Berezan et al., 2016). Additionally, these studies typically examine the application of technology in LPs that are already operational. The phases before and after the implementation of a LP, and the ways in which technology can be utilized during these stages, have not been thoroughly explored in current academic literature. Article I aims to bridge the existing knowledge gap by offering a comprehensive perspective on the use of IT in modern LPs. It encompasses the application of various contemporary technologies across all stages of a LP's lifecycle. Additionally, the effectiveness of these technologies in LPs is contextualized with relevant recommendations drawn from the literature (Purohit and Thakar, 2019).

It is crucial to guarantee the effectiveness of social media strategies in conjunction with a LP; both are powerful in strengthening customer relationships and enhancing retention (Stanko et al., 2019). Members of LPs are more inclined to share positive recommendations (Bond, 2019), making them prime candidates for engagement through social media. Recognizing this, some brands have taken the initiative to create separate social media accounts specifically for their LPs, aiming to leverage the enthusiasm of their LP members. Although there is considerable interest among managers in enhancing both social media and LPs, marketers face a gap in systematic knowledge regarding how social media boosts firm performance and how the response to this content varies among users, particularly between those who are and are not members of a firm's LP (Hernández-Ortega et al., 2022).

In the current digital age, with the saturation of social media platforms, sports organizations and brands are compelled to adopt advanced techniques and innovations to further engage customers (Buser et al., 2020) and enhance their loyalty. Previous research has consistently demonstrated the positive effects of social media in sports marketing (e.g., Agrawal et al., 2018; Williams and

Chinn, 2010). Interestingly, these earlier studies primarily concentrated on social media engagement that was not incentivized with tangible rewards. The concept of offering tangible rewards for social media-based CE was not widely practiced at the time of these studies. Nonetheless, customers who interact with an organization through social media and/or LPs typically anticipate some form of reward or compensation in return for their time and for sharing their personal data (Heller-Baird and Parasnis, 2011).

Therefore, Article II seeks to close this gap by exploring the impact of RCE, trust, perceived switching costs, and loyalty on members versus non-members of a LP. The article notes that members of LPs exhibit higher levels of social media engagement, trust, and perceived switching costs, leading to greater loyalty, compared to non-members. From a managerial perspective, Article II focuses on examining whether RCE beyond just purchases influences the effectiveness of LPs and their members, in the context of social media.

In the continuation of examining the role of RCE in the context of social media and LPs, a study indicates that the demand for sports brands' applications (LP apps) that promote activity and engagement is projected to grow by 21% from 2020 to 2027 (Cheng et al., 2021). Consequently, companies are adopting new strategies for LPs, restructuring them to reward CE for improved effectiveness (Brodie et al., 2013). Reflecting a shift in their approach, companies are increasing incorporating rewards into their LPs for enhanced CE on social media (Smith, 2014). Breugelmans et al. (2015) also recommended investigating the role of modern technologies, like social media, within the context of LPs. These studies highlight the need for further research to understand the dynamics of RCE, LPs, and customer loyalty. While research on social media and LPs is growing, the study of the interplay between social media-based RCE and LPs, particularly in the sports industry, is still emerging. Article III aims to fill this research void by examining the effect of RCE on satisfaction and commitment, which in turn influence customer loyalty to the LP and the associated brand or company, within the context of social media. It explores the relatively new approach of rewarding customers for their engagement, as opposed to solely rewarding transactional behavior in LPs.

Furthermore, the 21st century has seen an unparalleled rise in technology and shifts in consumer behavior, leading to a significant change in how businesses interact with their customers. This shift is largely driven by the emergence of the metaverse, a digital universe that integrates VR, AR, gamification, and other digital experiences (Zarantonello and Schmitt, 2022). As a result, businesses are striving to adapt to this evolving environment. The integration of advanced technology with loyalty strategies has become crucial in enhancing CE and loyalty. In the metaverse, technology enables unique opportunities, but it also challenges conventional approaches, necessitating a reinvention of traditional digital LPs to suit tech-savvy, digitally-engaged consumers. As traditional loyalty methods merge into the metaverse, there are extensive opportunities to leverage advanced technologies to heighten engagement, personalization, and emotional connections between customers and

brands. The metaverse presents opportunities to combine these technologies effectively, crafting LPs that deeply resonate with consumers and extend beyond the boundaries of physical interactions. Cutting-edge marketing tools and strategies in the metaverse can foster customer loyalty by employing data-driven decisions and capturing customer preferences (Dozio et al., 2022; Kraus et al., 2022; Lukava et al., 2022) within LPs.

As mentioned, the emergence of the metaverse as a shared virtual space that integrates AR, VR, AI, and the internet signifies a transformative shift in digital experiences and how businesses interact with consumers (Accenture, 2022; D'Souza, 2022). Traditional physical stores and digital platforms are exploring ways to capitalize on this new frontier, yet there's a noticeable gap in understanding how technology can improve LPs and customer loyalty in the metaverse context (Yoo et al., 2023). While LPs have been a key element for both traditional retail and e-commerce for many years, adapting their effectiveness to the unique environment of the metaverse continues to pose a significant challenge. Article IV seeks to bridge this gap by investigating the various dimensions of CE and the effects of RCE in the metaverse. Additionally, the article examines how different aspects of CE and rewards influence LPs and a brand's metaverse platform. In the process, the article also offers a conceptualization and definition of the term 'rewarded customer engagement'. This holds substantial relevance for the industry, especially in light of the increasing focus on rewards and CE, while the academics still need to sufficiently address and conceptualize this term. Additionally, the article proposes the provision of varied types of rewards across the brand's different platforms, recognizing that customer preferences vary with each platform. Thus, this study addresses this research gap, while simultaneously providing a conceptualization of the term RCE, specifically in the context of LPs and the metaverse.

TABLE 2 Research gaps

Research gap	Methodology	Article
The lack of studies on the use of IT in LPs concerning how the technology should be integrated during each stage of LP's lifecycle to increase its effectiveness	Conceptual study based on peer-reviewed articles and real-life study/examples.	Article I: Rauf, M. and Karjaluoto, H. (2019). The Development of Loyalty Programs in the Retail Sector. Melo, P. N. and Machado, C. (Eds.), Business Intelligence and Analytics in Small and Medium Enterprises, 105-121. Taylor & Francis, CRC Press.
Scholarly opinions on the role of LP in engaging customers are divided. Academic research on social-media based RCE in the context of LP is needed.	Empirical testing based on quantitative customer survey of 300 respondents	Article II: Rauf, M. and Karjaluoto, H. (2023). Investigating the Impact of Rewarded Social Media Engagement, Trust, Perceived Switching Cost and Loyalty on Loyalty Members in the Sports Industry. O. Niininen (Ed.), Social Media for Progressive Public Relations, 138-157. Routledge.
The lack of empirical studies on the relationship between RCE, LP and loyalty in the context of social media.	Empirical testing based on quantitative customer survey of 300 respondents	Article III: Rauf, M., Karjaluoto, H. and Leppäniemi, M. The Impact of Rewarded Social Media Engagement on Customer Satisfaction, Commitment, Loyalty and Loyalty Programmes in the Sports Industry. Accepted - International Journal of Sport Management and Marketing.
The recent emergence of the metaverse platforms raises a literature notable gap in understanding how technology can improve RCE, LPs and loyalty within it. Deep analysis of this phenomenon is needed in the context of metaverse.	Empirical testing based on 17 qualitative semi-structured interviews	Article IV: Rauf, M., Li, X. and Karjaluoto, H. Rewarded Customer Engagement and Loyalty: A Cross-Platform Study of Traditional Loyalty Programs and the Metaverse. Manuscript.

### 1.3 Research questions

This dissertation tackles the identified research gaps (Table 2) by formulating four research questions (RQs) (Figure 1) and responding to these through one conceptual and three empirical papers. Consequently, this dissertation enriches marketing research by exploring the influence of particular technology and touchpoint channels, like social media and the metaverse, in connection with LPs, all from the perspective of the customer.

RQ1 (How can information technology be integrated to improve loyalty programs?) focuses on the application of IT in the context of LPs. As academicians and industry experts alike recognize that LPs have reached a stage of maturity, they propose that businesses should discover and implement innovative “next practices” to rejuvenate LPs from their current state of stagnation (McCall, 2015). Adding new design elements like location-based services and personalization could enhance the attractiveness of these programs, making them more relevant and ensuring they continue to deliver value for the investment made. Moreover, academics and practitioners agree that research on IT in the context of LP is still scarce. In this context, Article I addresses the need for fresh approaches by responding to RQ1. Article I responds to the need to explore the role and effects of IT within the context of LPs (Breugelmans et al., 2015; Purohit and Thakar, 2019) this research question by developing a conceptual framework that investigates the role and impact of technology at each stage of the LP and its lifecycle.

In today's digital age, ensuring the success of social media strategies alongside a LP is vital, as both significantly contribute to strengthening customer relationships and improving retention. Brands and organizations must embrace new techniques and innovations to further engage customers (Buser et al., 2020) and increase their loyalty. While previous studies have shown the beneficial impact of social media in marketing (e.g., Agrawal et al., 2018; Williams and Chinn, 2010) and social media-based engagement (Smith, 2014), they primarily concentrated on unrewarded CE. This highlights the need to explore a relatively new aspect of CE, i.e. RCE, within the context of LP and social media (Rehnen et al., 2017).

Therefore, RQ2 (How rewarded social media engagement, trust, perceived switching cost, and loyalty influence loyalty program members versus non-members?) and RQ3 (What is the role of rewarded social media engagement in customer satisfaction, commitment and loyalty in loyalty programs?) both address a research area that has not been extensively investigated. To gain a comprehensive understanding and explore the behaviors and attitudes of members versus non-members, a quantitative research approach was necessary in order to measure the results and distinguish between the responses of LP members and non-members. The research frameworks of Article II and Article III were tailored to address RQ2 and RQ3 respectively, while also focusing on various distinct constructs. In addressing RQ2, Article II concentrates on

exploring the impact of customer trust and perceived switching cost in the context of RCE and LPs. Conversely, Article III sheds light on the significance of customer satisfaction and commitment in relation to the research subject, as part of its response to RQ3.

With the drastic advancement in technology and the development of virtual spaces in metaverse, it is predicted that brands are going to face the complex task of navigating both the real world and the virtual 3D world of the metaverse (Lovich, 2022). Traditional media strategies may not be as effective in the metaverse, requiring marketers to rethink and adapt their marketing mixes to align with these distinct environments. Crafting an all-encompassing and effectively executed approach will be a significant challenge for marketers as well (Dwivedi et al., 2023). However, employing advanced marketing tools and strategies within the metaverse can boost customer loyalty through data-driven decision-making and the gathering of customer preferences. From a branding point of view, it is crucial to comprehend the evolution of awareness, engagement, and strategy within the metaverse (Donthu et al., 2021). Academics suggest that research should aim to explore how and why the flow of engagement affects users' perceptions, attitudes, and their social, purchasing, and loyalty behaviors in the metaverse environment (Donthu et al., 2021; Dwivedi et al., 2022).

Thus, Article IV addresses and responds to the call for the latest research in the context of metaverse, LPs and customer loyalty by answering RQ4 (What are the comparative effects of reward on customer engagement and loyalty within traditional loyalty programs and the metaverse, and how do these rewards influence customers' preference and cross-platform engagement?). Responding to RQ4 necessitates an in-depth examination of the phenomenon, which justifies the application of qualitative methods (Järvenpää and Lang, 2005). This approach is suitable due to the qualitative nature of the question, arising from the widespread impact of the phenomenon and the relatively recent emergence of the topic. Article IV addresses RQ4 by investigating the effects of RCE, concentrating on each of the three dimensions of CE. It then compares these findings with responses obtained from the same respondents in the context of a LP versus metaverse, while simultaneously analyzing the difference in preferences and engagement of the LP members.

In summary, the four RQs are designed to examine four different aspects of LPs and customer loyalty. In order to respond to these questions and thereby offer a comprehensive, multi-faceted understanding of the phenomena under study, this dissertation employs a mixed methods approach as per each article. Addressing these four RQs adds significant insights to existing marketing research.

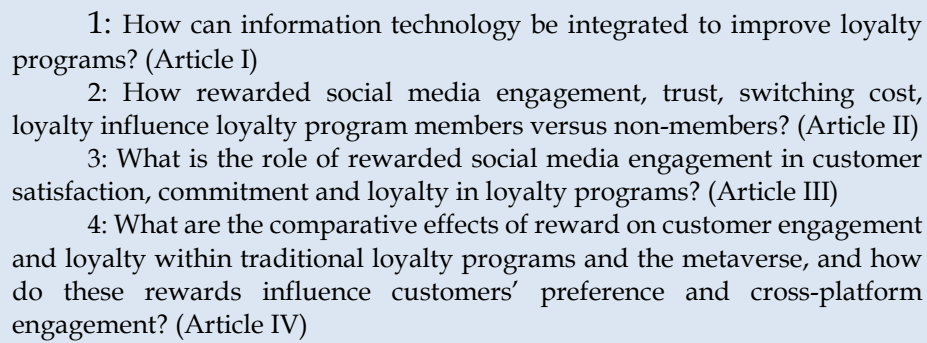
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- 1: How can information technology be integrated to improve loyalty programs? (Article I)
  - 2: How rewarded social media engagement, trust, switching cost, loyalty influence loyalty program members versus non-members? (Article II)
  - 3: What is the role of rewarded social media engagement in customer satisfaction, commitment and loyalty in loyalty programs? (Article III)
  - 4: What are the comparative effects of reward on customer engagement and loyalty within traditional loyalty programs and the metaverse, and how do these rewards influence customers' preference and cross-platform engagement? (Article IV)

FIGURE 1 Research questions

## 1.4 Dissertation outline

This dissertation consists of two main parts. The initial section encompasses five chapters. It begins with the introduction chapter that outlines the study's background, the motivation for the research and identified gaps, and the RQs. The next chapter provides the theoretical foundation, discussing previous literature, the central constructs, and the conceptual framework specific to this dissertation. Following this, the research methodology chapter introduces the research philosophy and details the specific approaches used in the articles. The findings chapter highlights the key discoveries from the four research articles. The concluding chapter of the first section discusses the theoretical contributions, managerial implications, and limitations of the dissertation, and suggests directions for future research. The second part of the dissertation contains the four articles, which are listed in Table 1.

## 2 THEORETICAL BACKGROUND

### 2.1 Loyalty programs

Several academics have highlighted LPs as a paramount and distinguished marketing tactic used to foster customer loyalty towards the brand (e.g., Kwiatek et al., 2020; Leenheer et al., 2007). Consequently, the significance of loyalty or reward programs in CRM has captivated substantial attention from researchers and industry professionals. This has motivated an in-depth exploration into the fundamental factors influencing the success and acceptability of these LPs (Ting et al., 2022).

A LP consists of coordinated marketing activities and communications, forming an integrated system. It provides tangible, utilitarian, and financial benefits, such as discounts, reward cards, gifts, and vouchers. Additionally, it also offers intangible symbolic hedonic benefits, which include subjective feelings of pleasure, hedonic enjoyment, and novelty (Meyer-Waarden et al., 2023). In marketing literature, even though LPs have attracted extensive attention, there's a lack of consensus concerning the clear definition of the concept (Hollebeek et al., 2021). Oliver and Burnstone (2014, p.3) described an LP as a "structured marketing intervention that rewards and encourages specific customer behavior (transaction value, purchase frequency, basket spread/product cross-holding and tenure) which is beneficial to the program owner or sponsor". A recent study by Kim et al. (2021, p. 3), further provide a definition of LP as "any institutionalized incentive system that attempts to enhance consumers' consumption behavior over time, which captures a broad span of types of programs".

A LP serves as a crucial marketing strategy aimed at gathering information and retaining valued customers (Belli et al., 2023). It focuses on privileging existing customers over new ones with the goal of fostering both behavioral



loyalty, manifested in aspects such as repeat purchases, cross-purchases, and average basket size, and attitudinal loyalty, which is built through fostering positive attitudes, trust, and attachment. Ultimately, the objective is to enhance long-term financial outcomes through strengthened customer loyalty (Gorlier and Michel, 2020).

Typical features of LPs encompass several elements. First, LPs offer a structured assortment of rewards designed to encourage specific customer behaviors. Second, participation in LPs demands a certain level of effort or consent from consumers for enrollment. This aspect can act as a hindrance for potential participants due to reasons such as perceived excessive effort or concerns related to privacy (Bombaj and Dekimpe, 2020). Third, members of LPs are given unique identifiers that allow firms to gather data about their transactions and differentiate them from non-members (Van Heerde and Bijmolt, 2005). Lastly, the paramount objective of LPs is to cultivate or augment customer loyalty (Melnyk and Bijmolt, 2015). Nevertheless, most interpretations commonly suggest that the central aim of LPs is to retain customers by encouraging CE related to the brand or firm, thereby fostering lasting and profitable customer relationships (Hollebeek et al., 2019; Palmatier et al., 2009).

Therefore, LPs aim to foster customer relationships, enhancing business performance by improving customer retention (Gorlier and Michel, 2020). Additionally, the assessments made by consumers based on the rewards and attributes of LPs significantly affect various aspects of their relationship with the LPs, as established by various studies (Evanschitzky et al., 2012; Yi and Jeon, 2003). These evaluations impact their bond to LPs, connection with them (Nunes and Drèze, 2006; Schumann et al., 2014), preference towards specific LPs (Kivetz and Simonson, 2002), and their inclination to participate in a LP (Jang and Mattila, 2005).

### **2.1.1 Types and Structures of loyalty programs**

While various structures and types of LPs exist, frequency reward programs and customer tier programs stand out as the most widely adopted structure (Blattberg et al., 2008). Both of these LPs structures utilize cumulative customer sales to determine eligibility for rewards (Kopalle et al., 2012). However, the mechanisms through which customers attain those rewards differ. Frequency reward programs are known as “one-shot affair”, as customers can redeem the points they have accumulated in a single transaction to receive their rewards (Kopalle et al., 2012). Contrastingly, customer tier programs categorize customers into various levels based on their prospective profitability or volume of purchases (Blattberg et al., 2008; Drèze and Nunes, 2009). According to these levels, firms extend different preferential treatments, rewards, and services to customers, particularly prioritizing those in the higher tiers (Lacey et al., 2007).

Classic or traditional loyalty initiatives like stamp collection schemes reward customers for their ongoing purchases by accumulating stamps over time. Their clear-cut and uncomplicated nature has made them widely appealing and easily adoptable by a diverse range of customers. While these programs

might not engage customers as deeply as more dynamic forms of LPs, their sustained presence in the market attests to their enduring success (Berman, 2006).

Point-based loyalty systems are currently among the most common, and they operate by granting customers points for their purchases or other brand-related activities, which can then be exchanged for a variety of rewards (Berman, 2006; Chen et al., 2021). Yi and Jeon (2003) show that especially in situations where customers are highly engaged, the direct benefits offered by such programs are more effective at boosting customer loyalty than indirect benefits. The customer's perception of the program's value is significantly influenced by the actual rewards they get from it. Therefore, the deliberate distribution of points is a key factor in enhancing perceived value of these programs (Yi and Jeon, 2003).

Tiered LPs categorize customers according to their purchasing patterns, aiming to motivate them to spend more (Berman, 2006; Chen et al., 2021). These programs offer progressively better rewards as customers ascend through the levels, a tactic intended to boost repeat business and engage customers (Kumar and Shah, 2004). The key to these programs' success is in setting the higher tiers as desirable goals that are challenging yet achievable, to keep customers driven to move up the levels.

Paid LPs demand an initial payment from customers in exchange for access to special discounts, early access to products, and other exclusive benefits (Berman, 2006). This fee serves as a commitment device, encouraging greater customer involvement and loyalty to the brand. The effectiveness of these programs articulates on the perceived value of the provided perks being worth more than the cost of membership (Berman, 2006). Thus, it's essential to carefully assess both the pricing of the membership and the advantages it provides.

Furthermore, with the rise of social media, LPs have adapted by integrating rewards for actions like content sharing, engagement and posting reviews on these platforms (Chen et al., 2021). The objective of LPs that use social media is to foster sense of community among users, thereby boosting brand engagement and visibility via content created by the users themselves. Chen et al. (2021) further elaborate that the effectiveness of such programs is strongly linked to the diligent cultivation of the online community and the promotion of constructive and favorable interactions among customers.

LPs that incorporate gamification introduce gaming dynamics into the customer rewards experience (Hollebeek et al., 2021). By integrating competitive activities and point-scoring, these programs are designed to boost customer involvement, engagement and promote repeated transactions. Nevertheless, the success of these gamified strategies heavily relies on how well the gaming aspects align with the brand's identity and its consumers' expectations. Chen et al. (2021) further emphasize the need for thoughtful design of these programs to avoid them being seen as coercive or disconnected from the customer's journey.

## **2.1.2 Classifications of loyalty programs**

Various classifications of LPs have been identified in existing literature, focusing on structure, reward type, participation criteria, customer engagement, reward timing, technology, and target market. Various scholars have dissected these categories to examine how each aspect contributes to the effectiveness and attractiveness of LPs.

### **2.1.2.1 Based on structure**

Single-vendor and multi-vendor or coalition programs represent the fundamental structural classification of LPs (Sharp and Sharp, 1997; Leenheer et al., 2007). Single-vendor programs enable businesses to have direct control over the customer experience and reward distribution, ensuring a coherent brand message (Liu and Yang, 2009). Historically, LPs have been predominantly managed by single vendors, but there is a noticeable shift towards embracing partnerships. The trend of partnership-based loyalty programs is gaining momentum and is anticipated to flourish in the future (Berman, 2006; Capizzi and Ferguson, 2005). Conversely, coalition programs facilitate the accumulation of rewards across various participating businesses, providing customers with flexibility and broader reward options (Dorotic et al., 2014). The LP partnerships present various benefits such as enhanced convenience, accelerated points accumulation, and an expanded array of redemption possibilities (Capizzi and Ferguson, 2005; O'Brien and Jones, 1995).

### **2.1.2.2 Based on reward type**

The literature presents various classifications of LPs based on rewards or reward types. For instance, rewards have been differentiated based on their association with the brand or product (direct vs. indirect) and/or the timing of their redemption (immediate vs. delayed) (Yi and Jeon, 2003; Dowling and Uncles, 1997), or the type of reward (monetary versus non-monetary).

The type of reward is a vital aspect of LPs as it influences how consumers perceive the benefits offered by the LPs (Drèze and Nunes, 2009; Eason et al., 2015; Kivetz, 2003). Researchers have categorized the types of rewards in LPs in various manners. For instance, economic or hard rewards, such as discounts and cashbacks, provide direct financial value to customers. On the other hand, non-monetary or soft rewards, such as exclusive experiences or priority services, offer a differentiated customer experience, aligning with the emotional and psychological aspects of customer loyalty (Arbore and Estes, 2013). Discounts (e.g., 15% off for LP members) and savings (e.g., points accumulation) are the most common forms of economic rewards (Melnyk and Bijmolt, 2015; Zhang and Breugelmans, 2012).

Empirical studies indicate that direct economic rewards tend to be more effective (Keh and Lee, 2006; Kivetz, 2005; Yi and Jeon, 2003). However, cash rewards often prove to be inefficient for businesses due to the high unit costs they entail (Kim et al., 2001; Palmatier et al., 2006). Several studies indicate that while

economic rewards may seem appealing to customers, they could potentially diminish customer loyalty (Phillips-Melancon et al. 2010; Roehm et al. 2002; Wendlandt and Schrader 2007). Such rewards might divert attention away from the brand, focusing it more on the reward itself, thus leading to superficial loyalty and undermining customers' inherent motivation to maintain a relationship with the brand (Dholakia, 2006; Hennig-Thurau and Paul, 2007).

On contrary, soft rewards are inclined to cultivate more sustainable loyalty effects by enhancing attitudinal commitment (Phillips-Melancon et al., 2010). Research on soft and non-monetary rewards primarily emphasizes their psychological and emotional impacts. For instance, acquiring a reward through a LP can instill a sense of obtaining a favorable deal or unexpected gain in customers (Thaler, 1985), fostering self-gifting behaviors (Smith and Sparks, 2009), and eliciting feelings of appreciation from the firm. Consequently, this cultivates reciprocal emotions in customers, such as gratitude (Kumar and Shah, 2004; Palmatier et al., 2009), a sense of belonging (Dowling and Uncles, 1997), and an enhanced perception of status (Drèze and Nunes, 2009). Such preferential treatments positively influence customer commitment, satisfaction, word-of-mouth (WOM) promotions, perceived status, repurchase intentions, and cooperative willingness (Bridson et al., 2008; Lacey et al., 2007; Phillips Melancon et al., 2010).

A few examples of soft rewards may include special invitations to exclusive events that align with members' interests, such as new product launches, birthday rewards, additional check-in luggage allowances, and personalized communications (Melnyk and van Osselaer, 2012). Nevertheless, some LPs provide a variety of reward types, while others may offer a limited selection or focus exclusively on a single type of reward.

Furthermore, companies have the option to offer either direct or indirect rewards, or a combination of both in their LPs. Direct rewards are those closely associated with the company's offerings (e.g. 'buy a pair of shoe, get a pair of socks free'), while indirect rewards are not directly related to the company's products or services (Keh and Lee, 2006; Yi and Jeon, 2003). Several past studies claimed that direct rewards are preferred for increasing customer loyalty via LP (e.g., Dowling and Uncles, 1997), as they more effectively uphold the company's value proposition while reinforcing attitudinal attachment and the intrinsic relationship motivation (Roehm et al., 2002).

Direct rewards, associated with the products or services already acquired by customers, tend to enhance the perceived economic value of the LPs (Bombaj and Dekimpe, 2020), further strengthening the company's value proposition (Dowling and Uncles, 1997). While the appeal of indirect rewards increases with their level of luxury and amount of effort required to secure them (Kivetz and Simonson, 2002), indirect rewards may prove counterproductive as they might not intrinsically interest consumers, potentially diminishing the company's value proposition (Yi and Jeon, 2003).

Another crucial element in promotional campaigns of LPs is choosing between immediate value or to provide delayed benefits (Blattberg and Neslin,

1990). The timing in a LP specifies the availability of rewards for redemption— they can either be redeemed immediately or accumulated over time with a point system, such as delayed, or accumulated rewards (Bombaj and Dekimpe, 2020). Once the reward type has been finalized, the company must then decide on the execution of the reward (i.e. how to give it), which includes reward timing and fit. LPs either offer consumers the option to instantly redeem welcome discounts, gifts, and accumulated points within the same transaction (immediate rewards), or they may restrict the redemption of such rewards to subsequent visits (i.e., delayed rewards). Delayed rewards come with a temporal condition, providing that earned rewards can only be redeemed after reaching a specified number of purchases, visits, or expenditures (Kivetz, 2005; Yi and Jeon, 2003).

From an economic point of view, an immediate reward generally presents greater value to consumers compared to a future reward; however, the precise impact of having a delayed reward remains ambiguous. Delayed rewards essentially create a switching cost for customers. This is because either the progression towards achieving the goal is decelerated (Kivetz and Simonson, 2003), or the reward itself (such as a discount or redeemable currency that has been accumulated) is lost if customers choose to disengage from the LP (Kim et al., 2021). Conversely, some customers do not redeem delayed rewards due to not meeting the required threshold or simply forgetting about them (Dorotic et al., 2014). While non-redemption might increase the firm's profitability, it reduces the perceived value and emotional benefits derived from LPs, also leading to negative emotions like frustration among customers (Kim et al., 2021).

Additionally, customers who lack intrinsic motivation to establish a relationship with a company tend to favor immediate rewards over delayed ones, even if the immediate rewards possess lesser value (Keh and Lee, 2006; Kivetz, 2003; Yi and Jeon, 2003). On the other hand, delayed rewards provided by LPs may be effective in markets receptive to variety-seeking behavior (Zhang et al., 2000), for brands that are highly preferred (Dhar et al., 1996), and among satisfied LP members (Keh and Lee, 2006).

However, the significance of the fit is attained by the communication of the rewards. The most profound influence on perceptions and behavior is observed when prevention-focused members receive a prevention-framed reward, and promotion-focused members receive a promotion-framed reward (Daryanto et al., 2010).

## 2.2 Digitization of loyalty programs

LPs were originally developed as a physical card, mainly for offline settings (such as store loyalty and purchases). However, since the inception of frequent flyer miles in the 1970s, the utilization of LPs has seen a remarkable expansion across various industries. The role of LP is significant in industries such as retail (Bruneau et al., 2018; Hwang and Choi, 2020), finance (Gorlier and Michel, 2020; Kang et al., 2015), and travel (Liu and Yang, 2009; Steinhoff and Palmatier, 2016).

In the age of digital transformation, traditional LPs have undergone significant revitalization, transitioning from card-based systems to digitized platforms (Lemon and Verhoef, 2016). The rapid advancement in digital transformation has broadened opportunities for companies to interact with customers (Blasco-Arcas et al., 2016). LPs have transformed into digital platforms, offering a diverse range of services and experiences to members (Tobon et al., 2020).

The remarkable progress in technology has significantly transformed digital and mobile communication, altering the way consumers interact with each other and brands. This shift has pushed marketers to adapt and develop effective strategies for nurturing valuable consumer-brand relationships (Haverila et al., 2020) in the context of traditional LPs. This evolution has further opened doors for marketers to foster dynamic brand relationships, leading to the emergence of branded mobile applications (apps) as a novel marketing platform. Such platforms act as personalized communication channels aimed at individual consumers (Tseng, 2021), earning them the moniker “brand in the hand” (Thakur, 2016). The significant worldwide surge in smartphone usage has led to the emergence of consumers who are “always on, constantly connected” (Lamberton and Stephen, 2016, p. 159). On average, people dedicate around 4 hours daily to their mobile devices, with the majority of this time focused on using mobile apps (eMarketer, 2022). The widespread use of mobile apps underscores their critical role in developing brand relationships (Hollebeek et al., 2022).

Branded mobile applications (branded LP apps) are conceptually defined as: “[...] software downloadable to a mobile device that prominently displays a brand identity, often via the name of the app and the appearance of a brand logo or icon, throughout the user experience” (Bellman et al., 2011, p. 191). These branded apps have become an essential instrument in marketing due to their emergence as a new business opportunity. Prominent brands like Coke, Nike, and Starbucks are pioneers in launching their branded apps. These apps, introduced by various brands, are utilized for online purchasing, forging brand relationships, and enhancing brand image.

Mobile applications have further revolutionized the way companies engage with consumers, granting them unparalleled insights into customer behavior. Kimura (2022) delved into how a model-based methodology and approach can be applied for forecasting in LPs, leveraging the data collected through

smartphone apps as a part of the retail sector's digital tactics. These platforms and tools provide businesses with a chance to connect with consumers, collect their feedback, and foster customer loyalty (Lemon and Verhoef, 2016).

The digitization of LPs is an indicator for its enhanced cost-efficiency and the reduction of data input errors, commonly associated with paper registrations. Moreover, the mobile LP applications seamlessly integrate into a broader network of interconnected devices, cultivating an ecosystem around the LP application. This ecosystem comprises of various connected objects such as wearables, smart home devices, personal assistants like chatbots and voicebots, and various sensors. These interconnected devices facilitate access to the “quantified self” of LP members, encompassing physiological and well-being measures such as heart rate, blood pressure, dietary constraints (e.g., allergies) sleep patterns, sports and athletic performance, and other health-centric indicators. This information extracted from the LP application ecosystem is crucial in delivering highly personalized rewards, incentives, products and/or services. Such personalized offerings are carefully crafted to improve the customer's overall quality of life and well-being, elements that are progressively receiving more attention and emphasis in the field of marketing science (Chen et al., 2021; Munzel et al., 2018).

Moreover, the transformative wave of technology has significantly affected various sectors. Recent advancements in technology have provided even more novel opportunities for managing and enhancing LPs. For instance, such digitalization enables innovative modes of engaging with customers and collecting a wealth of detailed customer data (Grewal et al., 2018, Tong et al., 2020). The pool of rich data enables the provision of deeply customized offerings, such as incentives, rewards, products, and services. The advent of data analytics marks a significant shift in the efficacy of LPs as a result of technological advancement. Ngai et al. (2009) explored the use of data mining in CRM, suggesting its potential to forecast customer actions, categorize customer groups, and assess marketing tactics' success. Similarly, Bradlow et al. (2017) highlighted the pivotal role of high-quality data, sourced from innovative data channels and the smart employment of analytical methods and tools, in yielding better results. This implies that enriching LPs with higher data accuracy can sharpen the precision in predicting and understanding customer patterns and preferences.

Location-based services with digital LP apps is another significant promise for businesses, as they have the ability to convert mobile communications into services that are both personalized and aware of the user's context. Localization involves tailoring services and information to customers based on their specific environmental context (Dhar and Varshney, 2011). Location-based services leverage the geographical location data from a smartphone to present information on nearby goods and services that may be of interest (Kushwaha and Kushwaha, 2011). Marketers, by utilizing localization services, can deliver highly accurate, location-specific information to users in real time and in a personalized manner. Branded applications like the Nike Runner Club exemplify this by

determining a user's location, tracking their geographical movements, and visually representing jogging routes and distances on a map (Hsieh et al., 2021).

As digitalization intensifies, the mechanisms of rewarding within LPs are increasingly grounded in CE behaviors, such as composing reviews, sharing on social media, or downloading an LP application, instead of merely rewarding purchase behaviours (Bruneau et al., 2018). LP managers now have access to cutting-edge technologies like AR/VR, AI, and robotics. These technologies can be leveraged to enhance convenience and fortify the relationships with their members (Rauschnabel et al., 2018). Latest technologies such as AI, AR/VR, gamification, smart displays, alongside mobile devices and applications, hold transformative potential to revolutionize the customer experience and enhance the efficiency of LPs (Agarwal et al., 2020).

Due to such technological advancements, the role of customers has also changed. Customers' roles have evolved from being mere recipients of products and services to becoming active participants in value co-creation and sharing enriched co-creational experiences beyond just the transactional exchange of goods and services (Cambra-Fierro et al., 2018; Conduit and Chen, 2017). Many successful companies, such as Nike and Sephora, are revamping their LPs frequently, to engage with their customers and co-create value.

Thus, in the digital age, the effectiveness of LPs hinges significantly on the customer's digital interaction. Berman (2006) highlighted the necessity of developing successful digital customer loyalty initiatives, positing that a robust digital and/or online LPs strategy can boost customer contentment, elevate retention levels, and improve profits. Chen et al. (2021) reinforced this view, stressing the need to understand LP efficacy amidst the swiftly evolving digital business environment.

## **2.3 The role of digital touchpoints in digital loyalty programs effectiveness**

### **2.3.1 Social media**

Digital transformation has encouraged firms to elevate social media strategies, prioritizing it as a central or mainstream channel for marketing communication (Moorman, 2020; Rietveld et al., 2020). Companies are increasingly relying on social media for a variety of activities, particularly due to its significant role in customer management areas, such as LPs (Rehnen et al., 2017). Ensuring that social media strategies are effectively integrated with LPs is crucial. Both tools possess the potential to enhance customer relationships and promote retention (Stanko et al., 2019). Social media is defined as: "tools for social interaction, using highly accessible and scalable communication techniques—such as web-based, mobile technologies—to turn communication into interactive dialogue" (Coulson, 2013, p.1).



The rapid advancement of technology, particularly the increasing dominance of social media, has significantly influenced the development and relevance of relationship marketing (Steinhoff et al., 2019; Thaichon et al., 2020). On one side, the widespread use of smart devices and readily available high-speed internet has made it easier for consumers to access brand information at their convenience (Lamberton and Stephen, 2016). On other side, the simplicity of using social media platforms enables customers to freely express their views and feelings about brands, whether through comments, likes, or shares (Buzeta et al., 2020).

In the context of LP, members are reportedly more inclined to spread positive WOM (Bond, 2019), positioning them as prime customers for interaction/engagement via social media. Various brands have sought to leverage the enthusiasm of LP members by operating specialized social media accounts dedicated solely to their LPs. For example, Nike LP members frequently post challenges and their achievement as well as invite other members on brand's social media pages. A study by Hernández-Ortega (2022) further confirmed that when utilized adeptly and appropriately, various forms of social media content can effectively motivate LP members to engage and make purchases. Gorlier and Michel (2020) further argued that due to their strong connection with the brand, LP members are more motivated to understand demanding posts and complex messages on social media, as compared to non-members. Kaur et al. (2020) also suggested that offering rewards for customer's interactions on virtual community platforms such as social media further increases their connection and relationship with brand, resulting in increased loyalty to the brand.

Social media has been extensively utilized as a tool with the aim of fostering a sense of online community and enhancing engagement with customers (Agnihotri, 2020; de Oliveira Santini et al., 2020a). This dynamic underscores the importance for marketers to explore novel approaches to connect with customers, with CE emerging as a crucial factor in the online environment, especially on social media platforms. Research confirms that CE in online settings positively affects a variety of brand and customer outcomes, including brand evaluations, trust and commitment (Al-Dmour et al., 2019; Islam and Rahman, 2016), customer purchase intentions and satisfaction (Harrigan et al., 2017; Harrigan et al., 2018; So et al., 2016a, 2016b), further leading to customer loyalty (Barari et al., 2020).

Additionally, as social media has become a critical and frequently used platform for fostering customer-brand relationships; platforms like Facebook, Instagram, Pinterest, Snapchat, TikTok, and Twitter are commonly leveraged by brands that have revolutionized marketing strategies by enabling customers to share their experiences and engage with them and others (Arora et al., 2019; Agnihotri, 2020; de Oliveira Santini et al., 2020a). Several studies revealed that social media can form CE through interactions with other customers (Lee et al., 2018a; Shahbaznezhad et al., 2021). Notably, Facebook has become a predominant channel for customer-brand interactions for many companies (Brodie et al., 2013; Simon and Tossan, 2018). However, social media's role in CE

is more intricate and dynamic, facilitating not just direct interactions between brands and customers but also peer-to-peer exchanges (Carlson et al., 2018; Prentice et al., 2020a). This environment has also evolved customers into proactive contributors (Hollebeek et al., 2014) and co-creators of brand narratives (de Vries and Carlson, 2014).

Therefore, harnessing the capabilities of social media has been crucial in enhancing CE in loyalty programs. Social media's capacity to facilitate dynamic conversations with customers and provide valuable information enhances CE by fostering a desire to interact within their extended social networks (Grewal et al., 2017). A study by Writz et al. (2019) stated that customers believe social media as one of the most easily accessible platform to communicate, share information and recommend company's products and/or services to other customers or their social circle.

### **2.3.2 Metaverse**

As discussed above, technological advancements have naturally enhanced consumers' capabilities to cultivate extensive communities and engagement. Beginning with early online forums such as Six Degrees and MySpace, and evolving to contemporary social media applications like Instagram and TikTok, these platforms have facilitated collaborative creation and participation in commerce/businesses, blurring geographical boundaries and cultural differences (Accenture, 2022; Boyd and Ellison, 2007; D'Souza, 2022; Goyal, 2022). Metaverse represents a further evolution in this trajectory, offering possibilities for enhanced collaboration and communication through the employment of 3D software technology within a unified virtual space (Gartner, 2021; Takahashi, 2022).

The existing literature suggests a transformative effect rising from widespread adoption of the metaverse, where customers/users might allocate an escalating proportion of their leisure and professional lives to interactions within these expansive virtual environments (Dwivedi et al., 2022; Gartner, 2022). For instance, Italy's Serie A football league recently made announcement regarding the hosting of the match between AC Milan and Fiorentina within the premises of metaverse in the Serie A virtual room. This underscores the enhanced possibilities of fan and brand customer's interactions within virtual spaces (Reuters, 2022).

Businesses can now further improve their brand image and awareness while becoming more successful by understanding what their customers want and encouraging certain behaviors. They can do so by designing business processes, incorporating their LPs, measuring customers' and LP member's feelings, and using personalization tools that match the constantly changing habits and patterns of customers. By doing so, businesses can offer services and digital products that are more tailored to individual needs and preferences during enjoyable metaverse event. Thus, the metaverse provides a platform for integrating various technologies to develop LPs that foster deeper connections with consumers, surpassing the constraints of physical engagement. Advanced

marketing techniques in the metaverse can improve customer loyalty by employing data-based decision making and gathering consumer preferences (Kraus et al., 2022; Lukava et al., 2022), thereby enhancing the effectiveness of LPs.

Digital devices, tools and applications in a Web3-powered metaverse can incorporate virtual testing capabilities throughout dynamic operations and processes, utilizing consumer behavior, data, and insights (Gibbert et al., 2022; Guo and Gao, 2022; Siyaev and Jo, 2021). The collection of spatial data allows firms and customer experience analytics to deliver feedback, support, and personalized shopping guidance adeptly, alongside live remote assistance within a virtual (mall) setting. Enhancements such as process visualizations and customer service support utilize real-time data to boost operational efficiency, strengthening brand loyalty amidst engaging and immersive virtual reality environment (Siyaev and Jo, 2021).

Brand communities within the metaverse have also emerged as a pivotal focus for marketers, underscoring the importance of cultivating brand/customer loyalty for sustained success. The metaverse facilitates enhanced connectivity among brand community and LP members beyond the capabilities of traditional internet blogs or chatrooms, offering superior communication tools. Additionally, it enables the organization of events and competitions with a resemblance to real-life experiences, furnishing brands with an expanded opportunities and options of CE strategies (Miao et al., 2022). The strategic tools inbuilt within the metaverse also augment the precision in measuring and evaluating brand marketing campaign performances, yielding insights for continual refinement, improvement and enhancement. Dominated by user segments such as Generation Alpha, Z, and Y, who are technologically advanced and pioneers in metaverse participation owing to their enthusiasm for gaming (Staff, 2022), the metaverse proves to be a potent platform for brands aiming to captivate this demographic customers.

Therefore, the inherent digital composition of the metaverse facilitates a multitude of unique interactions compared to other channels, affording retailers/firms enhanced creativity in storefront presentations that ultimately encourage customers to re-engage with them, while fostering loyalty (Rauschnabel et al., 2022; Yoo et al., 2023). However, sustaining customer relationships within the metaverse necessitates an omnichannel strategy, especially for established retailers with a physical or conventional digital footprint. Brands have the opportunity to utilize their pre-existing LPs to increase CE across various touchpoints within digital platforms (Neslin, 2022). Comprehending the factors that motivate customer interaction with these touchpoints is instrumental as an initial step towards integrating the metaverse into retailers' strategic frameworks (Yoo et al., 2023).

As the metaverse evolves towards maturity, transitioning possibly into a comprehensive ecosystem infused with mixed and augmented reality, and gaining widespread adoption among businesses and consumers, it could present a transformative avenue for brands and marketers (Hollensen et al., 2023). This

evolution would allow them to fortify their relationships with consumers by unveiling unprecedented levels of customer interaction and engagement (Shen et al., 2021).

## **2.4 Loyalty programs and customer loyalty**

Having a dedicated and loyal customer base is a significant advantage for businesses as loyal customers tend to be less affected by price fluctuations and yield higher profits, displaying a strong commitment and tolerance towards a company's shortcomings and being resilient against competitive attractions. Customer loyalty refers to the consistent selection of certain products and services over others (Ngo et al., 2021). It is a multifaceted concept demonstrated by both attitudinal loyalty and behavioral loyalty (Putri and Pujani, 2019; Ing et al., 2020).

Attitudinal loyalty refers to the positive disposition of customers towards certain products (Malhotra et al., 2021). It also refers to the degree of affection and favorable attitudes that consumers have towards LP providers. It is often regarded as the main indicator of true customer loyalty (Oliver, 1999; Wirtz et al., 2007). For example, Oliver (1999) emphasizes that true loyal customers generally exhibit a level of fondness and appreciation for the company/brand. Similarly, Gremler et al. (2020) consider customers' willingness to maintain and retain a relationship as a measure of attitudinal loyalty.

On the other hand, behavioral loyalty is associated with the continual patronage of specific products (Tankovic and Benazic, 2018). It is categorized by a consistent pattern of actions, such as frequently purchasing or supporting a preferred product or service (Oliver, 1999). Uncles et al. (2003) further describe behavioral loyalty as changes in purchasing behaviors. These patterns are typically identified through variations in a) customer acquisitions, b) customer returns and repurchases, and/or c) customer retention (Watson et al., 2015).

In terms of brand loyalty, it tends to be more influenced by relational aspects and involves positive attitudes towards a brand, aiming to sustain a relationship with the central brand (Evanschitzky et al., 2012; Gorlier and Michel, 2020). Theories of relationship marketing suggest that brand loyalty encompasses both a behavioral dimension (such as repeat purchasing behavior) and an attitudinal dimension (including factors like trust and commitment) to sustain a valued relationship with the company. These theories indicate that brand loyalty, in both its attitudinal and behavioral aspects, is influenced by antecedents like perceived value of the product and LPs, satisfaction, trust, and commitment to maintaining a valued relationship with the firm (Morgan and Hunt, 1994).

On the other hand, loyalty towards LPs or program loyalty tends to be more transactional, characterized by positive behaviors directed towards the LP (Yi and Jeon, 2003). Program loyalty is characterized by a highly positive attitude toward the LP (Yi and Jeon, 2003). Several researchers have suggested a connection between the benefits of a LP and consumers' loyalty to the program.

For instance, Leenheer et al. (2007) discovered that the more economic benefits (such as savings and discount rates) and noneconomic benefits (such as special event invitations) a customer associates with a LP, the more likely they are to enroll in it. Moreover, if customers perceive a particular LP to be more attractive than its competitors, they are more likely to join and actively participate in that program (Wirtz et al., 2007). Thus, for mobile apps/LPs, customer loyalty can be described as a customer's resolve to remain devoted to a retailer's app/LP by repeatedly purchasing through the same app platform and their tendency to endorse the organization to others (Shang and Wu, 2017; Thakur, 2018).

Businesses acknowledge that LPs can foster customer loyalty, subsequently boosting sales, customer share, and retention (Evanschitzky et al., 2012; Liu, 2007). Furthermore, such programs enable firms to recognize and identify their customers (Leenheer and Bijmolt, 2008). Thus, LPs are the most widespread tool for CRM and loyalty (Dorotic et al., 2021). Additionally, loyal customers are more actively involved in social media, contributing positively through WOM (Kim et al., 2021; Reinartz et al., 2005). Thus, it's logical for marketers to seek tools that foster customer loyalty. A prevalent strategy to foster customer loyalty is the implementation of LPs. LPs stand as such tools, meticulously crafted as marketing instrument to foster customer loyalty (Bolton et al., 2000; Melnyk and Bijmolt, 2015).

Chen et al. (2021) advocated the convenience and accessibility attributed to digital LPs, suggesting that these programs have been instrumental in catering to the contemporary customer's expectations. According to their study, digital LPs, equipped with personalized offers and rewards, have proven pivotal in captivating customer interest and fostering enhanced customer loyalty. The flexibility in reward options and the ease of use facilitated through mobile and web platforms have notably contributed to a customer's likelihood of repeat purchases. Furthermore, due to latest technologies embedded in digital LPs, companies can gather rich and personalized data, which may be used to offer individualized rewards and/or offers, targeted emails and tailored services, which may increase customer satisfaction and foster loyalty (Martin et al., 2020; Rust, 2020).

Thus, customers who recognize the value in LPs tend to exhibit elevated levels of trust, commitment, and LP engagement behaviors (Bruneau et al., 2018). This often leads to the cultivation of more ingrained relationships (Bhattacharya and Sen, 2003), culminating in enhanced loyalty towards the brand (Rosenbaum et al., 2005).

However, numerous studies also propose that loyalty is subjective and specific to its context, influenced by individual preferences (e.g. Folkman Curasi and Kennedy, 2002; Närvänen et al. 2020) and shaped by the dynamics of different markets and industries, including factors like competitive intensity and the switching costs associated with changing brands or services (Blut et al., 2014; Ngobo, 2017). Furthermore, the object of loyalty varies; whether customers are loyal towards a company, a particular brand, or even a brand community (Aksoy et al., 2015). This view extends to consider not only the consumer's individual

relationship with a company but also their interactions within a community of other consumers (McAlexander et al., 2002). Therefore, loyalty can be seen both as a collective experience and a deeply personal one

Additionally, the increase in touchpoints within omnichannel business strategies, where consumers engage with retailers, has added complexity to the purchase-making process (Flavián et al., 2021) and affected retailer customer loyalty (Gao et al., 2021). Herhausen et al. (2019) highlighted that for retailers to adeptly navigate these intricate customer journeys, it's essential to comprehend the foundations of customer loyalty across the various online and offline channels utilized by consumers during interactions with the company and explore various antecedents and factors affecting it.

Discussions have emerged regarding the antecedents of customer loyalty, encompassing a spectrum from customer satisfaction, trust, and commitment (e.g., Pan et al., 2012; Yoo and Bai, 2013; Nyadzayo and Khajehzadeh, 2016) to the more contemporary focus on CE (So et al., 2016a). In today's highly competitive and omnichannel landscape, where switching barriers are minimal and customers can easily assess and compare offerings and prices from different retailers (Grewal et al., 2017), securing customer loyalty has become an even greater challenge (YouGov, 2018). Despite these difficulties, customer loyalty remains a primary objective of successful CRM strategies (Nastasoiu and Vandebosch, 2019). Particularly within retail, where repeated purchases are the norm, a deep understanding of customer loyalty and the factors that drive it is crucial (Orth and Green, 2009; Pan et al., 2012).

#### **2.4.1 Loyalty and its antecedents**

Previous research (Pratminingsih et al., 2013; Van Vuuren et al., 2012) indicates that four primary factors contribute to establishing customer loyalty: customer trust (Bryant and Colledge, 2002), customer satisfaction (Herrmann et al., 2007), commitment (Kotler and Armstrong, 2010), and switching cost (Jones et al., 2007).

Satisfaction is regarded as one of the most crucial factors influencing loyalty. The higher the consumer's satisfaction, the higher will be the consumer's loyalty (Kusumawati and Rahayu, 2020). Customer loyalty doesn't just happen; it is a behavior cultivated from customer attitudes. Generally, a person must feel satisfied first, as customer satisfaction leads to the development of customer loyalty (Gunawan, 2022). Customer satisfaction, resulting from surpassed expectations, leads to both transactional loyalty behaviors such as making purchases and displaying loyalty, and non-transactional loyalty behaviors like offering and receiving recommendations, as well as assisting other customers (Carlson et al., 2019a). On the other hand, satisfied customers show willingness to maintain their attitudinal loyalty and their intention to stay with a brand (Coelho et al., 2019; Zhang et al., 2020).

Many studies indicate that customer satisfaction is a crucial precursor to the development of customer loyalty towards digital apps, such as LPs, as discussed by Alnawas and Aburub (2016) and Chang (2015). It is because when users of such apps are pleased with the products and services provided, they are more

inclined to persist in making purchases and likely to recommend them to others (Iyer et al., 2018; Thakur, 2018; Trivedi and Trivedi, 2018). Molinillo et al. (2021) also revealed that app satisfaction positively influences overall customer loyalty. In line with this, satisfactory interactions via mobile applications can lead customers to engage through the app, develop a personal association with the firm, and maintain ongoing relationships with it (Kim and Baek, 2018).

Similarly, several scholars have revealed that customer commitment is positively associated with loyalty intentions and behaviors (e.g., Li et al., 2020; Nyadzayo et al., 2018; Park et al., 2010). Brown et al. (2019) refers to customer commitment as customers' intention to maintain and continue the relationship. When customers identify a situation that they deem is the best fit, they will commit themselves to that relationship and cease exploring other options (Kalia et al., 2021). Thus, committed customers are more inclined to support a company by repurchasing and revisiting, which further contributes to building customer loyalty (Fullerton, 2003). Customer commitment can be externally influenced by initiatives aimed at fostering brand engagement, such as enhanced customer service, product warranties, or LPs (Islam et al., 2019; Viswanathan et al., 2017).

In the context of LP apps, when a consumer accumulates a certain number of points with a primary company or brand, the imminent reward, whether as a gift or a status upgrade, tends to maintain their dedication or commitment to that brand. Competitors would require substantially more enticing offers to influence a consumer who is on the brink of receiving a reward. Consequently, LPs can function as competitive instruments, particularly in industries where the switching costs are low or absent, such as retail, hospitality, and air transport (Nastasoiu and Vandenbosch, 2019).

Moreover, in today's era of technological advancement, a key challenge for businesses is establishing trust (Grewal et al., 2020). This is particularly vital for internet and technology-based companies, as the exchange of personal data elevates the perceived risks for customers (Hollebeek and Macky, 2019). Thus, customer trust has emerged as a pivotal construct that is directly connected to and impacts customer loyalty (Boonlertvanich, 2019; Fauzi and Suryani, 2019).

Trust can foster positive attitudes towards a brand (Jarvenpaa et al., 1999; Swan et al., 1999) and is an essential mechanism in cultivating customer loyalty (Lee et al., 2015). Trust is established when customers possess confidence and a conviction that the other party (organization) is trustworthy, exhibits reliability and upholds strong integrity (Goutam and Gopalakrishna, 2018; Morgan and Hunt, 1994). Consequently, customers will have faith in their transaction partners, focusing solely on mutual interests and benefits (Kalia et al., 2021; Moorman et al., 1993; Nadeem et al., 2015)

A number of past studies emphasized the significance of trust in building or enhancing customer loyalty (e.g. Gao et al., 2015; Hung et al., 2012; Jimenez et al., 2016). Sarkar et al. (2020) also found a significant and positive relationship between customer trust and customer loyalty in the context of app (LPs). Thus, past researches suggested that customer trust in LPs is a determinant influencing

various outcomes, such as customer loyalty (Thakur, 2018) and the intention to adopt these LPs (Groß, 2018; Kaushik et al., 2020; Marriot and Williams, 2018).

Therefore, researchers have further underscored the importance of exploring customer trust in the context of the internet and associated technologies like social media and LPs (Hollebeek and Macky, 2019). It is particularly valuable for marketers to understand the mechanisms behind trust formation during customer interactions and engagement with mobile applications such as LPs (Stocchi et al., 2021; Sashi, 2021).

Past studies have also significantly focused on evaluating overall customer switching (e.g., Jones et al., 2002, 2007; Popkowski-Leszczyk and Timmermans, 1997) and specifically the influence of switching and perceived switching costs on customer loyalty (e.g., Blut et al., 2014, 2016; Nagengast et al., 2014; Pick and Eisend, 2014). Switching costs occur when customers feel a psychological or financial strain associated with the idea of departing from their existing service provider (Kim et al., 2018).

Researchers assert that LPs have the potential to foster customer loyalty towards brands by amplifying customers' perceptions of the challenges or difficulties associated with switching (Tanford et al., 2013; Xie et al., 2015). Several studies (e.g., Kim et al., 1997; Wirtz et al., 2007) also revealed that perceived switching cost related to LPs has a significant and positive impact on loyalty.

## **2.5 Customer engagement, loyalty programs and customer loyalty**

Within the marketing domain, CE has been explored in connection with numerous brand-related concepts, such as brand community and loyalty, and this topic has been a focal point in a multitude of CE studies over the previous ten years (de Vries and Carlson, 2014; Hollebeek et al., 2014; Ningthoujam et al., 2020; Wang and Lee, 2020). Additionally, CE with brand symbolizes a rewarding and gratifying experience for consumers (Dwivedi, 2015), and such a rewarding experience has the potential to evolve into a stronger bond, encouraging consumers to enter into a committed relationship with the brand, and hence loyalty (Kim and Sullivan, 2019).

CE has been a crucial aspect of marketing in the 21st century, celebrated for its potential to enhance customer satisfaction and drive the financial profitability and success of businesses. This recognition has sparked a surge in academic research on CE, resulting in an extensive body of literature over the past ten years (Brodie et al., 2013; Harmeling et al., 2017; Hollebeek, 2016; Roy et al., 2018b; Sashi, 2021). The bulk of this research is concentrated in the marketing field, where critical concepts such as brand attachment, commitment, engagement, loyalty, satisfaction, trust, and value have garnered significant scholarly focus, as



evident in studies by Kumar and Nayak (2019), Prentice et al. (2020b), Thakur (2016), and Vivek et al. (2012).

Consumers are drawn into engagement when they commit resources, whether behavioral, cognitive, or emotional, in their interactions with a brand or company. There are various perspectives on its dimensions and definitions in scholarly discussions. For instance, CE encompasses a range of customer behaviors, emotions, and cognitions that extend beyond expected roles, as well as those within prescribed roles, as described by Hollebeek and Macky (2019).

The cognitive aspect of CE involves the intensity of thought and analysis a consumer applies to a brand during their interactions (Hollebeek et al., 2014). This dimension, as detailed by Xi and Hamari (2020) and Bilro et al. (2018), encompasses the degree of thought and conscious focus a customer has when interacting with a brand. It includes elements like awareness, understanding, and absorption. For example, when a customer frequently contemplates a brand's commitment to sustainability or its core values, this demonstrates cognitive engagement. The behavioral dimension is described by Hollebeek et al. (2014) as the level of energy, effort, and time a consumer dedicates to a brand during their interaction. This is observable in actions such as purchasing, writing online reviews, and making recommendations, and is the most visible type of engagement, allowing businesses to easily track and quantify these behaviors. On the other hand, the emotional dimension, according to Hollebeek et al. (2014), is a measure of the positive feelings a consumer experiences in relation to a brand during their interaction. This affective aspect focuses on the range of emotions, from enthusiasm and passion to deeper feelings like trust and attachment, which are evoked by the brand's services.

In the context of loyalty, cognitively, when consumers interact with brands, they contemplate their values and beliefs, impacting their behaviors and WOM communication (Wilcox et al., 2009). Hollebeek (2011) suggests that an emotional bond with a brand can foster brand loyalty. Positive and enjoyable brand experiences create emotional connections (Belaid and Behi, 2011), enhance consumers' evaluation of the brand (Lou and Xie, 2021), and emotional attachment to a brand leads to loyalty (Shimul et al., 2019). On the behavioral level, the experiences customers accumulate with a brand through platforms/tools such as social media interactions can cultivate a preference for the brand and enhance brand loyalty, aligning with habit-based models of consumer loyalty (Murray and Häubl, 2007).

Moreover, the growing reliance on the internet and associated technologies enhances the significance of CE in strengthening relationships between consumers and brands through various online channels such as websites, mobile apps, social media (Khan, 2022; Stocchi et al., 2018). Engagement in an online context occurs as customers utilize a company's digital platforms to satisfy their requirements (Thakur, 2018). Similarly, consumers engage with mobile applications on their mobile devices to meet their needs (McLean and Wilson, 2019; Stocchi et al., 2021).

In the context of social media, the rapid advancement of digital technologies has been a catalyst for CE research in online settings (Hollebeek et al., 2014), with a particular emphasis on CE within social media platforms (Gummerus et al., 2012; Sashi, 2012; Solem and Pedersen, 2016). This focus is likely due to the ability of social media to foster and amplify brand engagement through both paid (such as sponsored advertisements) and unpaid (like brand communities) strategies (Algharabat et al., 2020; Buzeta et al., 2020, Lee et al., 2018b, Lee et al., 2021).

Moreover, academic interest in CE within brand communities and digital platforms is rising due to its role in value sharing among community members and forging robust connections between them and the brand (Jang, 2022; Kumar and Kumar, 2020; So and Li, 2020; So et al., 2020). In these communities, engagement is pivotal for nurturing enduring relationships between a brand and its customers (Gruss et al., 2020). This engagement is characterized as customers willingly participating in activities such as liking posts, commenting, and disseminating information (Gruss et al., 2020), driven by both cognitive elements like information acquisition and sharing, and emotional components like experiencing emotional support (Hollebeek et al., 2014). Consequently, CE is reflected in interactive behaviors like regularly following updates, engaging with posts through comments and likes, sharing valuable information with fellow members, and actively posting messages and responses within the brand community (Kang et al., 2014; Tussyadiah et al., 2018).

Whereas, in terms of mobile apps, the spread of LPs through smartphone apps in the retail sector has the potential to revolutionize the customer experience at all phases, altering the customer journey (Handarkho, 2020), and leading to significant CE (Pansari and Kumar, 2017). Large-scale literature reviews reveal that LPs and brand loyalty have predominantly been examined from a theoretical perspective (Chen et al., 2021). Enhancing CE through LPs is a strategic goal for marketers (Islam et al., 2019; Bruneau et al., 2018). Engagement with a LP enhances a customer's overall engagement with the company, fostering deeper emotional identification and strengthening brand loyalty (Kumar et al., 2019; Hollebeek et al., 2014). Within this context, a novel concept known as LP engagement behavior (a behavior requiring effort in LPs) was introduced by Bruneau et al. (2018). However, this concept has not been thoroughly explored by researchers (Sim et al., 2022).

A mobile app that allows consumers to search for information and carry out transactions at any time and place serves as a vital platform for engagement between consumers and brands (Hollebeek et al., 2022). Previous research adopting this framework revealed that engagement with branded apps encompasses cognitive, affective, and activation components (Nadeem et al., 2021; Qing and Haiying, 2021). The concept of CE with such mobile applications is approached in two distinct ways. The first perspective implies that the engagement in activities related to the firm stems from the intrinsic characteristics of the customers. The second viewpoint advocates that engagement is driven by general, practical, and pleasure-seeking reasons behind purchasing behavior (Kumar et al., 2018; McLean and Wilson, 2019).

Accordingly, mobile application-based CE is defined as “the quality of motivational experiences that consumers have when connecting with a mobile app and how those experiences satisfy their functional, experiential, and social expectations” (Kim and Baek, 2018, p.149).

Despite all this, research on CE has identified notable difficulties in both defining and conceptualizing CE (Torkzadeh et al., 2022). It is characterized by an active exchange between the customer and the company, where engagement is signified by the customer's participation in what the firm provides (Thakur, 2016; Bijmolt et al., 2010; Sprott et al., 2009). Additionally, the importance of CE in customer retention has not been extensively explored (Elgarhy, 2022). Specifically, research on the relationship between CE and customer retention within mobile applications like LPs is scarce. Various theories underscore the connection between CE and customer retention (Elgarhy, 2022). Thus, it is essential to explore the nature of CE in mobile LP applications (Ho and Chung, 2020) and other digital platforms.

### **2.5.1 Customer engagement and rewards**

Research indicates that rewards have a positive impact on consumer behavior (Loughrey et al., 2018). The concept of reward refers to the perks or gains that customers or brand members seek as a consequence of their participation or engagement. Rewards are expressed in various terms throughout the literature, with the most frequently used expressions being bonuses (e.g., Gössling and Nilsson 2010), benefits (e.g., Omar et al 2015), and rewards themselves (e.g., Bazargan et al 2017). Scott's (1976) study found that incentives, rather than the product itself, were the main reward driving purchase behavior. According to Rothschild and Gaidis (1981), when these incentives were removed, the associated behaviors would diminish or cease. Guo et al. (2020) further emphasized that utilizing rewards is essential for enhancing customer engagement and loyalty.

Implementing a reward system is a successful approach to fostering relationships with consumers (Nayal and Pandey, 2020; Santini et al., 2020b). To enhance CE, companies are progressively adopting task-based engagement strategies, like organizing idea contests. These strategies focus on actively involving customers in different company activities, often by providing incentives such as prizes or badges (Harmeling et al., 2017). Customers engage with a brand in anticipation of receiving rewards in return (Doorn et al. 2010). Customers also engage with brands and fellow consumers to satisfy various requirements, including information acquisition or reward attainment (Islam et al., 2018). These needs can be categorized and assessed through hedonic and utilitarian rewards. Hedonic rewards refer to the extent to which a community member seeks pleasurable outcomes (like fun, enjoyment, entertainment, a friendly environment, or social status) from participating in the community (Baldus et al., 2015) or program. Conversely, utilitarian rewards represent the extent to which a community member aims to obtain practical benefits (such as

financial rewards, time savings, deals, incentives, merchandise, or prizes) through their engagement (Baldus et al., 2015).

Within the online sphere, these rewards can commonly manifest as monetary incentives or positive acknowledgment/appreciation from the brand and its community members (Jang et al., 2008). The provision of rewards is seen as a crucial element influencing the degree of interaction/engagement between customers and a brand in an online brand community (Rohm et al., 2013). Past research indicates that rewards are positively linked to the stimulation of customer brand engagement in online platforms. Islam et al. (2018) further recommended that marketers provide customized rewards to their online community members to stimulate engagement. Previous studies underscore the significance of both hedonic and utilitarian rewards, which are believed to have a positive impact on customer brand engagement in virtual brand communities as noted by Wirtz et al. (2013).

Similarly, rewards are designed to encourage consumer participation in activities within virtual brand communities (such as metaverse) and to strengthen their connection with the brand, thus aiding in fostering brand loyalty and developing strong community sense (Jahn and Kunz, 2012; Meyer-Waarden, 2013). A well-designed, engaging, and entertaining virtual brand community can provide utilitarian, hedonic, and social benefits, which in turn enhance user interactivity and participation related to the brand and community, thereby reinforcing brand loyalty (Chan et al., 2014).

## **2.5.2 Loyalty programs, rewards and loyalty**

A recurring theme in LP literature is the distinction between direct and indirect rewards (Dowling and Uncles, 1997; Yi and Jeon, 2003; Keh and Lee, 2006; Bombaj and Dekimpe, 2020), and timing of the rewards (Dowling and Uncles, 1997; Keh and Lee, 2006; Bombaj and Dekimpe, 2020), as discussed in previous LP sections.

Nunes and Drèze (2006, p. 129) argue that: "To be attractive, a program must lead to redemption; that's when the benefits really become most salient to the [retailer's] consumers". Especially in low-involvement sectors like retailing, the impact of direct rewards is notably significant. Customers tend to favor direct rewards over indirect ones (Meyer-Waarden, 2015; Yi and Jeon, 2003). Moreover, offering immediate direct rewards, such as coupons and exclusive price discounts for LP members, can enhance member satisfaction and loyalty (Söderlund and Colliander, 2015). This effectiveness hinges on the customers' trust in modern retail technologies and targeted couponing strategies (Schrage et al., 2020; van Doorn and Hoekstra, 2013).

In terms of benefits, utilitarian benefits predominantly encompass "tangible advantages associated with utility, economy, and efficiency" (Pallas et al., 2014). As a form of perceived utility, they embody the informational and functional effectiveness of a service provided, optimizing its utility, achievement, performance, and satisfaction. This makes them utilitarian advantages for consumers who use an application or LP (Underwood and Klein, 2002).

Therefore, obtaining benefits with utilitarian value is key to fulfilling the desired functions of an application/LP, with the aim of being effective in achieving the anticipated outcomes (Smith and Colgate, 2007), thus leading to loyalty. On the other hand, experiencing fun, enjoyment, pleasure, and entertainment are actions and emotions that constitute hedonic benefits for users of an application/LP. These experiences also relate to an individual's affective aspect (Luk and Yip, 2008). Existing research frequently shows that the intention to use an entertainment system is primarily driven by the enjoyment it provides (Heijden, 2004). Consequently, the inherently motivating characteristics of hedonic benefits inspire individuals to increasingly engage in and develop loyalty towards such activities and program/app in the future (Hogberg et al., 2019).

The impacts of LP rewards can be categorized into two primary groups: consumer-related effects and firm performance effects. These effects are examined in the literature from either a short-term or long-term perspective (Chaudhuri et al., 2019). They are also distinguished as either perceived or actual. Perceived effects are typically derived from scenario-based experiments (e.g., Park et al., 2013; Hwang and Mattila, 2018) or consumer self-report studies (e.g., McCall and McMahon, 2016). Actual effects are based on real data from company or consumer behavior following specific changes (e.g., Chaudhuri et al., 2019; Lu et al., 2016).

Consumer-related effects are further divided into attitudinal and behavioral effects. Research in this area includes studies focusing on either dimension individually or both in combination. Attitudinal effects covered in the literature encompass commitment (Melancon et al., 2011), trust (e.g., Stathopoulou and Balabanis, 2016), and satisfaction (e.g., Söderlund and Colliander, 2015). Behavioral effects involve share of wallet (e.g., Kang et al., 2015) and purchasing behavior (e.g., Dorotic et al., 2014). In studies particularly addressing loyalty, there is often a blend of attitudinal and behavioral loyalty effects, seen in forms such as brand loyalty (e.g., Kim and Ahn, 2017), store loyalty (e.g., Bridson et al., 2008), and program loyalty (Mimouni-Chaabane and Volle, 2010; Kang et al., 2015).

Regarding firm performance, two main effects are identified in the literature: sales productivity and profitability. Sales productivity has been measured in ways such as long-term sales or market share (Chaudhuri et al., 2019; Lu et al., 2016), or total sales divided by the sales area's square meters (Bombaj and Dekimpe, 2020). Profitability is often measured through metrics like gross profit (Chaudhuri et al., 2019; Lu et al., 2016).

Thus, LPs are essentially retailer-linked initiatives where customers receive rewards for engaging in transactions favored by the retailer. These programs are designed to reinforce preferred behaviors by offering attractive benefits, leading to mutually enjoyable relationships between retailers and customers (Corbishley et al., 2020; Kolte et al., 2023) and customer loyalty. However, it's important to recognize that the effectiveness of LPs varies. Poorly structured LPs can lead to increased marketing expenses while yielding minimal positive changes in consumer behavior (King and Clark, 2014; Sharma and Verma, 2014).

### 2.5.3 Impact of rewards on customers' behaviors and perceptions

Prior studies observed that rewards can shape consumer behavior through the "rewarded behavior" effect (NastasoIU et al., 2021). Bijmolt et al. (2018) further discovered that this "rewarded behavior" can occur even before the actual rewards of a LPs are distributed, due to the anticipation of doing more to earn these rewards and the positive reinforcement experienced after receiving them.

Research indicates that the perceived benefits of a LP and rewards offered positively impact customer loyalty. Anisimova (2007) and Rowley (2007) highlighted that functional consumer benefits, such as financial or monetary rewards, are significant predictors of both attitudinal and behavioral loyalty. Demoulin and Zidda (2008) proposed that loyalty cardholders tend to exhibit store loyalty when they receive promotional incentives and find the rewards valuable. Furthermore, the strategies and tactics employed by retailers or brands, based on the concept that customer loyalty can be enhanced through hedonic, utilitarian and symbolic benefits of LPs, include exclusive sales events for members, private holiday shopping invitations (like Nordstrom's fashion reward program), and special customer service lines for cardholders (such as Victoria Secret's Angel program).

Supporting the above concept, research further suggests a link between the benefits or rewards offered by a LP and the customers' loyalty to the program. These rewards span multiple dimensions, reflecting how members of the LPs perceive the value they derive from these benefits (Alshurideh et al., 2020). Leenheer et al. (2007) claimed that customers are more likely to enroll in a LP when they perceive it as offering substantial economic (e.g., savings and discount rates) and non-economic benefits (e.g., exclusive event invitations). Furthermore, when customers view a particular LP as more appealing compared to its competitors, they tend to be more inclined to join and actively engage in that program (Wirtz et al., 2007). Additionally, Yi and Jeon (2003) explored the interplay between various factors such as benefits, program loyalty, and brand loyalty, in the context of both low-involvement purchases (like buying fried chicken) and high-involvement purchases (such as using a beauty shop). They found that in the case of low-involvement purchases, the perceived benefits of a LP influenced brand loyalty solely via program loyalty. However, in situations involving high-involvement purchases, perceived benefits impacted brand loyalty both directly and through the medium of program loyalty.

Therefore, customers' decisions to join a LP are significantly influenced by their assessment of the anticipated benefits (rewards) versus the costs and efforts required to obtain and sustain membership (Demoulin and Zidda, 2009; Dorotic et al., 2012). The probability of customer enrollment in a LP depends on their perception of the effort needed relative to the expected rewards (Dorotic et al., 2012). One strategy to enhance a LP's appeal is to reduce the perceived barriers to entry (Demoulin and Zidda, 2009). However, this could lead to customers joining multiple loyalty programs, potentially diluting their engagement with each and complicating the ability of businesses to fully capitalize on the benefits of their loyalty programs (Dorotic et al., 2012).

This underscores the importance of LPs in developing and sustaining long-term customer relationships through the strategic delivery of rewards, with the ultimate goal of maximizing customer value and understanding preferences. Given the varied effects of rewards in LPs, online and new virtual communities as indicated by existing research, and their reliance on different factors, it's clear that more in-depth research is needed in this area.

## **2.6 Factors influencing the success of digital loyalty programs**

Through effective and interactive LPs, firms are now able to boost customer commitment and loyalty, as well as improve their interaction with other stakeholders like employees and members of LPs (Wunderlich et al., 2020). During the 2014 Cornell Loyalty Program Management Roundtable, attendees shared this viewpoint and explored strategies for advancing LPs. They highlighted the importance of innovating LPs and contended that companies need to implement “next practices” (McCall 2015, p. 8) to progress. Participants recommended that companies infuse their programs with unexpected and surprising rewards and pleasures, broaden their reach into international markets, employ significant and occasional personalized touches, and discover and utilize innovative methods for fostering anticipatory loyalty. Implementing these updates will help maintain the relevance of their LPs and ensure they continue to derive value from their investments moving forward (Purohit and Thakar, 2019).

Scholars appear to concur with this view, advocating strongly for the integration of advanced information and communication technologies in LPs to increase their effectiveness. McCall et al. (2010) present a set of foundational principles for the design and execution of LPs, among which they emphasize the adoption of innovative technologies. They advocate for the strategic use of mobile devices to deliver immediate rewards, highlighting the boundless opportunities for inventive program managers. They caution, however, that technology should enhance genuine value rather than being used as a gimmick. Echoing this perspective, Breugelmans et al. (2015) endorse the seamless integration of digital channels and technologies such as the internet, mobile phones, and social media into LPs to offer customized deals, higher level of personalization with offerings and rewards, and facilitate interactive engagement with consumers, which plays significant factor in the effectiveness of LPs.

Lastly, LPs are designed with multiple objectives, all centered around enhancing customer loyalty and driving profitability (De Jong et al., 2019; Evanschitzky et al., 2012). Uncles et al. (2003) identify two primary objectives of customer LPs: firstly, to boost revenue by encouraging more frequent purchases and expanding the variety of products customers buy from a brand; secondly, to foster stronger connections between the brand and its existing customers. Additionally, these programs aim to enhance cross-selling opportunities,

compile customer databases, support trade relationships, increase brand public relations, and foster strategic partnerships. Therefore, a successful digital LPs should embody these traits and achieve the aforementioned goals for its brand.

## **2.7 Challenges of loyalty programs**

Despite countless efforts from businesses, LPs often yield disappointing results. Marketing managers and researchers are still uncertain about the real benefits these programs offer to companies, as indicated by Stathopoulou and Balabanis (2016). In several cases, the way these programs are managed, along with the strategies used for acquiring and retaining new customers, can paradoxically lead to an increase in customer turnover (Ascarza et al., 2016). Although LPs are widespread and popular, their effectiveness often fails to meet expectations. This leaves managers and researchers struggling with understanding the reasons behind this underperformance (Steinhoff and Palmatier, 2016).

When a customer gets a reward from a company, it often leads to positive comparisons between what they give and receive in the relationship, typically resulting in feelings of gratitude, as observed by Steinhoff and Palmatier (2016). This gratitude is an emotional recognition of the benefits received, paired with a wish to return the favor (Palmatier et al., 2009). Conversely, when LPs fail to fulfill their promises, customers may react negatively. This occurs especially when the rewards are perceived as insignificant or when there are issues in earning these rewards (or a lack of challenges for some customers), as noted by Stauss et al. (2005).

### **2.7.1 Ethical and privacy matters**

Personalized digital marketing operates by monitoring internet browsing histories through cookies. Yet, this approach brings up questions regarding the extent to which viewers are aware of this tracking process (Álvarez-Bermejo et al., 2016). In certain cases, users might not agree to the data collection if online service providers fail to clarify privacy terms, or if LP's challenges (or games) exploit user's addictive or obsessive tendencies, making it difficult for them to stop playing (Kim, 2021; Arora and Razavian, 2021; Kriz et al., 2022).

Many businesses gather such customer data to analyze buying habits, manage customer databases and communications, reward loyal customers, and focus on specific segments (Berman, 2006; Fisher 2016; Kugel 2020). However, concerns arise because some of this information, including contact details, credit card numbers, and personal purchase history, is sensitive. This leads to worries about how companies use and protect this data, a point initially raised by Berman (2006), and Lacey and Sneath (2006). Consequently, members of LPs often have significant privacy concerns regarding how their personal information is maintained and safeguarded by companies. This concern impacts their perceived



value and the costs associated with joining such programs (Bombaij and Dekimpe, 2020; Lee, 2008).

The risk of violating customer privacy relies on the methods of collecting, storing, processing, and sharing personal data, a concern that grows with the comprehensiveness of LPs data (Stourm et al., 2020). Enhanced by big data technologies, digital LPs are now gathering more information than before, monitoring customer activities both offline and online, and via mobile and connected devices, leading to an increased threat to data privacy (Belli et al., 2022; Chen et al., 2021). Lacey and Sneath (2006, p. 458) highlight that for LP members, there exists a possibility of personal information being misused and a loss of control over the collection and distribution of their data.

Thus, the growing complexity of digital LPs presents both expected and unexpected privacy risks to consumers (Hosanagar, 2019). While some consumers might not mind sharing data with their favorite retailers, they may be reluctant to have their data processed or shared with third parties. Privacy concerns also vary depending on the type of personal data collected, such as transaction details, text messages, network information, location, and biometric data (like facial recognition images). Although privacy concerns vary among individuals, they deter some from participating in LPs (Hinz et al., 2007).

The advent of big data has intensified these privacy concerns and risks, leading to more intricate programs involving multiple data processors and partners (Turow, 2017). Parties in complex LPs often include partner retailers, platforms connecting retailers, data processors (like Fintech and blockchain ledgers), and marketing partners (such as on social media platforms). Additionally, as LP actions become more instantaneous due to technology, big data becomes more significant. This technology enables firms to personalize on a larger scale using LP data, creating new privacy implications and drawing increased regulatory scrutiny.

For instance, a European Union (EU) national data protection authority recently audited 12 LPs and discovered that 11 had multiple privacy breaches under the EU's General Data Protection Regulation (GDPR), which governs data processing in the EU (Stourm et al., 2020). The audit revealed that most LPs processing personal data for direct marketing and profiling typically did not obtain consumer consent. Furthermore, 40% of LPs lacked clear and straightforward opt-out options for direct marketing, such as text messages or emails. Another 40% collected excessive data, and over half failed to specify third parties with whom they shared data, misleading customers and not providing transparent information. Finally, 60% of LPs either had no specific terms for storing personal data or had unreasonably long terms (GDPR Register, 2018).

### **2.7.2 Perceived inequality**

Researchers have cautioned that LPs can be a mixed blessing (Ma et al., 2018). These programs, especially those with multiple tiers, may provoke comparisons among customers within the same tier, potentially leading to negative attitudes (Kim and Baker, 2020). However, the adverse impacts of LPs are not yet fully

explored. Additionally, the ambiguity around the effectiveness of these programs is partly due to existing research not adequately considering the effects across different customers and the complex interplay of various psychological factors in program implementation (Steinhoff and Palmatier, 2016; Kim and Baker, 2020). Moreover, customer comparisons are particularly prominent in social service environments and in contexts involving interactional marketing (Baker and Kim, 2018; Baker and Magnini, 2016).

Following are a few scenarios where a data-driven LP can contribute to inequality: (1) the use of reward thresholds and tiers that offer benefits only to customers reaching certain spending levels or statuses, (2) personalized marketing targeting based on customer-specific scoring metrics, and (3) the integration of big data across different domains or companies, where inequality in one area can affect another unrelated one. Each example is detailed further below.

Firstly, LP reward structures can exacerbate inequality. For instance, status and reward tiers create a consumer hierarchy by offering better services, prices, and rewards to those who spend above specific thresholds. These tiers often labeled with terms like “silver,” “gold,” and “platinum,” suggest levels of luxury and exclusivity. Big data helps firms identify customers likely to move up tiers or warrant reduced membership fees. However, these exclusive offers can significantly worsen service for other customers, especially those who earned benefits through regular consumption. This could explain why non-tiered programs often see higher CE and retention (Gopalakrishnan et al., 2020).

Secondly, firms use customer-level scoring metrics derived from big data in LPs to personalize products, prices, and communications. These metrics are increasingly detailed, tracking individual behavior and engagement levels, as noted by Safdar (2018). Such detailed segmentation can lead to serving customers differently based on their scores, potentially increasing social inequality by denying essential services to the poor and offering non-essential benefits to the rich. While unintentional, this personalized targeting could aggravate wealth inequality, further perpetuating disparities in other areas. In extreme cases, wealth inequality could limit access to education or political influence (Stiglitz, 2019).

## **2.8 Conceptual framework**

The aim of this dissertation is to analyze the integration of technology in LPs, examining the conceptual framework from multiple perspectives. Table 3 provides definition for the key constructs used in this dissertation.

Customer LP membership tends to increase customer loyalty (Tanford and Baloglu, 2012). A study by Kimura (2022) points out that LPs have stronger and more significant impact on customer loyalty, as compared to conventional LPs. Driven by digital technology, LPs serve as an essential strategic instrument for retaining customers and encouraging consumption (Lu and Miller, 2019). Based

on previous studies, loyalty can be influenced by various factors. The most significant antecedents of customer loyalty are satisfaction (Schirmer et al., 2018), trust (Stathopoulou and Balabanis, 2016), commitment (Tabrani et al., 2018), and perceived switching cost (Jones et al., 2000), and engagement (So et al., 2016b). Relationship marketing and loyalty theories also suggest that both attitudinal and behavioral brand loyalty are shaped by antecedents such as perceived value of the product and LP, satisfaction, trust in the brand, and a commitment to sustaining a valuable relationship with the company (Morgan and Hunt, 1994).

Several previous studies have claimed loyalty to be an outcome of satisfaction (e.g., Lee and Kwon, 2011; Lu et al., 2019). Essentially, there is a stronger positive link between customer satisfaction and loyalty, especially when customers are more engaged with both the brand and their fellow customers (Brodie et al., 2013; Cossío-Silva et al., 2016; Thakur, 2019; Vivek et al., 2012). Furthermore, Murphy and Sashi (2018) discovered that customer satisfaction is enhanced when organizations employ digital communication and social media instead of traditional face-to-face interactions. Consequently, customer satisfaction has become a crucial factor in evaluating LP and brand loyalty. In essence, a customer who is content with a product or service tends to evolve into a loyal customer, as highlighted by Meesala and Paul (2018).

From a marketing viewpoint, various scholars (e.g., Harris and Goode, 2004; Jarvenpaa et al., 1999) have identified customer trust as a crucial factor influencing customer loyalty. Additionally, according to social exchange theory, customers tend to interact and engage more with brands or services that they trust (Cheng et al., 2017). Moreover, it is believed that CE strengthens trust between a customer and the organization (Sashi, 2012). Letheren et al. (2019) highlighted the significance of recognizing that customer trust can intensify the level of CE, leading to customer loyalty. The concept of trust is acknowledged as a crucial factor influencing customers' purchasing intentions in mobile apps (LP) (Groß, 2016; Sarkar et al., 2020). Kaushik et al. (2020) claim that lack of trust is a primary reason for customers' hesitation to make purchases through such mobile/LP apps.

Furthermore, brand commitment refers to the emotional bond consumers form with a brand, fueling their intention to sustain an ongoing relationship and consistently choose it over time, despite influences attempting to change their preferences (Germann et al., 2014; Hsiao et al., 2015). Following this, several studies (e.g. Fullerton, 2005; Hennig-Thurau et al., 2002) have indicated a positive link between customer commitment and loyalty, which may result in intentions to repurchase, favorable WOM, and purchasing behaviors. Additionally, earlier research has verified the significant part customer commitment has in fostering customer loyalty (e.g. Evanschitzky et al., 2006; Fullerton, 2005). Thus, customers who are committed typically continue in a transactional relationship, striving to preserve the connection, which in turn cultivates loyalty to both the program and the brand (Nadeem et al., 2020).

Perceived switching cost on the other hand, is considered a vital element in customer loyalty and a company's development of long-term customer

relationships. According to Chuah et al. (2017), perceived switching cost tends to increase when a customer gains membership in a LP. Therefore, if a customer or LP member is sensitive to product attributes like quality, their price sensitivity is likely to be lessened by uncertainty, leading them to act in a manner that is loyal to the brand (Erdem et al., 2002). Furthermore, when a customer switches from one brand or company to another, they often incur indirect costs such as learning expenses, search costs, and the loss of loyalty discounts previously offered by the original brand or company (Magnani et al., 2020; Temerak and El-Manstrly, 2019). This dissertation, therefore, examines the influence of LP in the context of both program loyalty and brand loyalty, considering the previously mentioned antecedents of loyalty.

With digital LPs, one of the goals of the companies is to increase CE and thus their retention. CE is understood as an emotional attachment and a personal connection with a customer that fosters loyalty (Alam et al., 2021). Consistent with several previous studies (e.g. Prentice et al., 2019; Abror et al., 2020; Roy et al., 2018a), it has been found that CE influences customer loyalty. Previous research has identified that CE encompasses various factors, which induce psychological or physical responses, such as cognitive, emotional, and behavioral (Carlson et al., 2019b; Petzer and Van Tonder, 2019).

Additionally, CE is demonstrated through interactions, often with other customers, in communities where they create and share content to better meet their own needs and requirements (Sashi, 2012). Through this process, customers display non-transactional behavior, expecting some form of reward, which could be either monetary or non-monetary. This reward includes comprehensive knowledge, enhanced reputation, or other types of socio-economic benefits (Jaakkola and Alexander, 2014).

Consequently, Islam et al. (2018) proposed that organizations ought to provide customized rewards to members of their LPs in order to enhance CE. RCE activities or behavior that go beyond just purchases heightens customer excitement to share information on digital platforms (Ba et al., 2001; Lou et al., 2013). Such activities include contributing knowledge (Kankanhalli et al., 2005), spreading WOM (Shi and Wojnicki, 2014), or endorsing a product (Garnefeld et al., 2013; Ryu and Feick, 2007; Schmitt et al., 2011). Haverila et al. (2022) demonstrated that in the context of LPs, rewards have a positive impact on CE and loyalty. However, most of the past studies relied on un-rewarded CE (Rehnen et al., 2017) and/or focused on one platform only.

Given the significance of CE and loyalty in business and marketing, firms are increasingly utilizing social media to disseminate online information to their customers and to interact with and engage them through marketing initiatives (Dolan and Goodman, 2017; Harrigan et al., 2017; Zhang et al., 2017). Engaging and entertaining content on social media platforms, such as Facebook, has a notable impact on the engagement levels of customers and members (Cvijikj and Michahelles, 2013; Chan et al., 2014). Consequently, Brodie et al. (2013) posited that customers with high levels of engagement on social media generally exhibit greater loyalty to both the program and the brand. Additionally, recognizing CE

as a crucial indicator of a successful LP, and supporting Li's (2018) study that a reward scheme via digital LP can effectively measure the intensity of customer loyalty, this dissertation delves further into the role of social media engagement and social media-based RCE in the context of LPs and loyalty.

Yet, in the 21st century, there has been an extraordinary rise in technology and a transformation in consumer behavior, leading to a significant shift in how businesses interact with their customers, especially with the advancement of AI, VR, and AR technologies. Organizations and retailers can now attract new customers and retain existing customers through metaverse interoperability (Hwang and Chien, 2022; Kozinets, 2023; Park and Kim, 2022), as shared virtual spaces and immersive digital platform possess the potential to shape consumer behavior and enhance retention through the utilization of augmented reality shopping tools.

Many organizations (such as RPG Enterprises, Epic Games, and Nike etc.) are delving into the metaverse's potential as a tool to allure new customers, engage existing ones, and construct a customer-focused brand within their digital marketing field. The actual impact of the metaverse on the efficacy of digital marketing strategies remains to be fully unveiled in practical terms. However, the future seems promising, anticipating the accessibility of detailed data spanning various behavioral aspects from the metaverse. Such access could facilitate improved CE and allow companies with valuable insights to implement effective digital marketing tactics. For instance, social media giants like Facebook, Instagram, and LinkedIn are probing into the integration of the elements of metaverse within their platforms to amplify the customer experience and engagement (Dwivedi et al., 2023; Pandey et al., 2020) and loyalty.

Therefore, the dissertation focuses on investigating the impact of RCE on emerging digital platforms such as the metaverse, and aims to explore how it varies from its role in the context of LPs. It also examines the motivation and attitude of LP members towards these digital platforms associated with the brands.

TABLE 3 Definition of the key constructs

<b>Constructs</b>	<b>Definitions</b>	<b>Articles</b>
Loyalty	A deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, causing repetitive same brand or same brand-set purchasing, despite situational influences and marketing efforts	I, II, III
Loyalty Program	Continuity incentive programs offered by a retailer to reward customers and encourage repeat business	I, II, III, IV
Customer Satisfaction	The extent to which products and/or services fulfill or exceed customer expectations	III
Trust	Customers' belief that the firm/brand will fulfill their needs	II
Commitment	The intention of a customer to continue a valuable relationship, justifying significant efforts to maintain and preserve it	III
Perceived switching cost	The cost that the customer needs to bear while switching from one brand/product to another, including economic, psychological and physical costs	II
Social Media	Tools for social interaction, using highly accessible and scalable communication techniques – such as web-based, mobile technologies – to turn communication into interactive dialogues	II, III
Metaverse	The Metaverse is a massively scaled and interoperable network of real-time rendered 3D virtual worlds which can be experienced synchronously and persistently by an effectively unlimited number of users with an individual sense of presence and with continuity of data, such as identity, history, entitlements, objects, communications and payments	IV
Customer Engagement	The mechanics of a customer's value addition to the firm, either through direct and/or indirect contribution	II, III, IV
Rewards	The benefits that the members of a LP or brand desire and/or receive through their participation and/or engagement	II, III, IV

### **3 RESEARCH METHODOLOGY**

This chapter outlines the methodological choices undertaken for this dissertation. In Section 3.1, the research philosophy is presented, while Section 3.2 details the specific research approaches used in the articles, including measurement protocols, data collection methods, and data analysis techniques. Additionally, it addresses the validity and reliability of the empirical studies conducted.

#### **3.1 Research philosophy**

The significance of research philosophy lies in its role in guiding the choice and application of research design (Easterby-Smith et al., 1999). Saunders et al. (2009) view it as foundational to how researchers conceptualize the growth of knowledge. This philosophy is categorized into four primary types based on the researcher's perspective on the research process: positivism, interpretivism, realism, and pragmatism (Saunders et al., 2009). Alternatively, Collis and Hussey (2003) have distilled research paradigms into two main categories: positivistic and phenomenological (or interpretivist) paradigms. They define paradigm as “the progress of scientific practice based on people’s philosophies and assumptions about the world and the nature of knowledge” (p.46). Essentially, the way people perceive the world shapes their approach to research design and methods (Collis and Hussey, 2003).

A research paradigm shapes the researcher's scientific perspective and serves as a framework for setting research problems, choosing theoretical viewpoints, making methodological choices, and interpreting findings (Arndt, 1985; Kuhn, 1962). Critical realism focuses on pinpointing and resolving specific problems. In this context, a theory is deemed effective if it consistently explains and forecasts occurrences over an extended period (Hunt, 1990; 1992). A theory that can successfully explain events and relationships provides a basis for believing in their existence (Hunt, 1990). Every research project starts with a question, and the validity of any inquiry paradigm is established by addressing

three critical questions: 'the ontological question, the epistemological question, and the methodological question' (Guba and Lincoln, 1994, pp. 107–108).

### 3.1.1 Ontology Assumptions

Ontology, in the context of research methodology, concerns the nature of reality and what constitutes it. This philosophical concept is pivotal in shaping a researcher's approach to studying a phenomenon, as it determines the assumptions about what exists in the world and how it can be known or understood. A researcher's ontological stance underpins their understanding of the subject matter, influencing the selection of research methods and interpretation of data. For instance, a realist ontology assumes an objective reality that exists independently of human thoughts or beliefs, guiding researchers towards methods that seek to uncover this objective truth (Creswell and Creswell, 2017). Conversely, a constructivist ontology posits that reality is socially constructed, leading to a preference for qualitative methods that explore individuals' perceptions and experiences (Bryman, 2012). The choice of ontology thus has profound implications for the research design, methodology, and the nature of knowledge produced (Saunders et al., 2012).

Ontological beliefs are inherently subjective and vary among individuals, shaped by each person's perceptions and experiences, and they can evolve over time. The meanings attributed to phenomena can shift when examined in different contexts (Eriksson and Kovalainen, 2008). These ontological perspectives are framed mostly through either a subjectivist or objectivist lens. For instance, realism, an ontological stance, posits that reality exists independently of human thought, offering an objective explanation of the world's structure. Conversely, a subjectivist ontology views reality as a construct of the human mind, with meanings being intrinsically social (Coghlan and Miller, 2014). From this subjective viewpoint, reality is seen as a product of human imagination, whereas the objective viewpoint regards reality as a tangible entity. Thus, elements of the world that cannot be empirically observed are considered dubious in their existence (Morgan and Smircich, 1980).

Asper (2015) explained that ontology originates from philosophy, and its application in science or technology research can lead to unique ontological perspectives. Digital entities, due to their foundation in extensive and ever-evolving networks, are more adaptable, collaborative, integratable, and distributable. Consequently, discussions surrounding these entities may involve ontological arguments that are often ambiguous or ambivalent (Kallinikos et al., 2013). On the other hand, Bhaskar (1978) posits that there are three distinct realms of reality: the empirical, the actual, and the real. In this framework, experiences fall within the empirical domain, events are categorized in the actual domain, and the causal mechanisms that underpin these events and experiences are situated in the real domain.

In this dissertation, the ontological approach is neither fully objective nor subjective, positioning itself between these two polarities. For example, in Articles I, II and III, which focus on digital technologies and already adopted



platforms like social media and LPs, a more objective ontological stance is adopted. This approach is chosen because, in these articles, the structures, procedures, and relationships within the context of IT and digital LPs are relatively tangible and quantifiable. They consist of solid frameworks and processes with established operational mechanisms, representing a measurable reality. These articles aim to chart and comprehend the current reality by analyzing secondary data from prior literature and measurable items of the constructs utilized.

Conversely, when the dissertation shifts to topics related to the metaverse (Article IV), it adopts a more subjective ontological stance. The intent here is to explore or replicate reality by examining the creative imagination of participants through semi-structured interviews. Therefore, the issues discussed, such as recognition of the metaverse platform, adapting practices to facilitate RCE in the metaverse, reward preferences within the metaverse, and conceptualizing RCE behavior, are approached from a subjective ontological perspective. This perspective views reality as an extension of human imagination.

### **3.1.2 Epistemology Assumptions**

Epistemology is concerned with the nature of knowledge and encompasses an understanding of the processes involved in knowing, representing our approach to understanding knowledge (Crotty, 1998). It addresses 'the nature of knowledge, its possibility, scope and general basis' (Crotty (1998, p.8). Furthermore, Crotty (1998, p.8) states that 'epistemology is concerned with providing a philosophical grounding for what kinds of knowledge are possible and how we can ensure that they are both adequate and legitimate'. Epistemology deals with what is considered acceptable knowledge in a particular field of study.

The primary forms of epistemology include objectivism, constructionism, and subjectivism (Crotty, 1998). Objectivism posits that meaning and reality exist independently of any consciousness (Crotty, 1998), and is believed as "the position that social entities exist in reality external to social actors" (Saunders et al., 2009, p.110). Constructionism, on the other hand, suggests that meaning is created through human interaction with the world, asserting that there is no pre-existing truth or meaning without a mind. This perspective emphasizes that meaning is co-produced by the subject and object. Lastly, subjectivism is the idea that meaning is derived from something other than the object itself, implying that the object does not contribute to the meaning imposed on it by the subject (Crotty, 1998).

Thus, this dissertation adopts a multiple methods approach. As highlighted by Hunt (1990; 1994) and McEvoy and Richards (2006), critical realism is a versatile philosophy that can guide both quantitative and qualitative research. The chosen research paradigm plays a crucial role in shaping methodological choices (Arndt, 1985; Kuhn, 1996). Methodologically, critical realism emphasizes hypothesis testing to explore relationships, leading to the support or rejection of these hypotheses (Bhaskar, 1978). Johnson and Onwuegbuzie (2004) also argue

that quantitative methods in social sciences should be parallel to those in natural sciences, where theories are broadly applicable, and results are reliable and valid.

To sum it up, this dissertation is grounded in objective epistemology and adopts a positivist ontological perspective in its Articles I, II and III, focusing on the fundamentals of digital technology, platform and LPs. It examines the industry's structure, mechanisms, and various domains, including the differences between unrewarded and rewarded engagement and pattern of members versus non-members of a LP of a brand. The elements, items and processes in these articles are well-defined and measurable, aligning with the objective epistemology to form a robust mental model. A literature review method was used to collect and analyze secondary data for these articles, providing insights into the latest developments in digital LPs and differentiating between attitude and behaviors of members versus non-members of a LP (Boote and Beile, 2005).

In the latter part of the dissertation (Article IV), which explores emerging metaverse environment, a subjective epistemology and an interpretivist, constructivist ontological approach are assumed. This shift is due to the evolving nature of metaverse and its fluid understanding. In this section, reality is perceived as a product of human imagination, leading to the conceptual development of a framework for metaverse-based RCE, focusing on the integration and adoption of it in marketing and customer services.

## **3.2 Article-specific research approaches**

The analysis of digitization in LPs and customer loyalty was conducted from various perspectives, leading to the utilization of distinct research approaches in each article. The selection of these research methods, along with the justifications for their use, is detailed in Table 4. Given the complicated and complex nature of the phenomena being studied, this dissertation employed a combination of quantitative and qualitative research methods. One quantitative consumer survey data set ( $n = 300$ ) (for Articles II and III), and one qualitative consumer dataset ( $n = 17$ ) were collected.

TABLE 4 Research approaches used in the Articles I-IV

Articles	Research approach	Reason for choosing the approach
I. "The Development of Loyalty Programs in the Retail Sector"	<b>General approach:</b> conceptual approach	To understand existing practices and concerning technology and LP, and meditate discussion on the existing literature
	<b>Data collection:</b> peer-reviewed articles and real-life study/examples	To collect existing knowledge and practices
	<b>Data analysis:</b> real case analysis	To confirm/acknowledge existing practices and define new ones
II. "Investigating the Impact of Rewarded Social Media Engagement, Trust, Perceived Switching Cost and Loyalty on Loyalty Members in the Sports Industry"	<b>General approach:</b> quantitative approach	To illustrate the role of RCE in LPs and loyalty in the presence of trust and perceived switching costs
	<b>Data collection:</b> customer survey	To achieve wide description of relationships
	<b>Data analysis:</b> SPSS	To analyse the relationship from customers perspective
III. "The Impact of Rewarded Social Media Engagement on Customer Satisfaction, Commitment, Loyalty and on Loyalty Programmes in the Sports Industry"	<b>General approach:</b> quantitative approach	To illustrate the role of RCE in LPs and loyalty in the presence of customer satisfaction and commitment
	<b>Data collection:</b> customer survey	To achieve wide description of relationships
	<b>Data analysis:</b> PLS-SEM	To analyse the relationship from customers perspective
IV. "Rewarded Customer Engagement and Loyalty: A Cross-Platform Study of Traditional Loyalty Programs and the Metaverse"	<b>General approach:</b> qualitative approach	To understand the context of RCE, LP and loyalty within metaverse context
	<b>Data collection:</b> semi-structured, customer-theme interviews	To discover and provide concrete findings
	<b>Data analysis:</b> categorization, classification and content analysis	To achieve rich description of the RCE

In Article I, the author chose a conceptual research approach to answer the questions. The article investigates technology's influence on and contribution to the LPs and customer loyalty. Numerous studies have delved into this subject, particularly the extensive literature that characterizes the economic aspects of LPs, such as their influence on sales and repurchase behavior. However, much of the existing research presents conflicting findings and/or lacks a discussion on how technology affects LPs and consumer behavior. Thus, prior researches have indicated that there is still a considerable amount to be explored regarding the different facets of technology and customers' behavior in response to LPs. The

prior research also acknowledges that the research on adoption of technology in LP's lifecycle is still scarce. Thus, the topic and phenomenon under study required a conceptual investigation to develop a model for technology adoption in the context of LPs.

Jaakkola (2020) also emphasizes the need for well-crafted conceptual papers in marketing research, as they can identify consistent patterns across various fields and challenge limitations in our thought processes. Article I, thus, drawing on literature and constructs from previous research on LPs, develops a conceptual model that advocates for a comprehensive and holistic perspective on the impact of IT in managing LPs. Furthermore, the literature review collected during Article I was instrumental in enhancing the author's comprehension of the latest advancements in related areas, providing a solid groundwork for the development of Articles II and III and IV.

In Articles II and III, the literature review revealed that the relatively novel concept of rewarding customers (i.e. rewarding their behaviour or engagement), rather than rewarding merely transactional behaviour in LPs is still in its infancy. Thus, to address this research gap, the author conducted online questionnaire surveys from the customers (members and non-members) of a LP. The choice of a quantitative research survey method was made due to its ability to provide a numerical and structured representation of the constructs being investigated (Hunt, 1994). The objective of Articles II and III was to examine the concept of "rewarded customer engagement" within a social media framework, focusing on its effects on both members and non-members of a brand's LP.

Article IV further responds to the need for research in areas that have not been vastly investigated previously. In order to thoroughly comprehend the dynamics of customer loyalty in these new contexts and emerging digital platforms, such as metaverse, it is crucial to deliver detailed and persuasive results. Therefore, the author used qualitative method consisted of semi-structure interviews to provide deeper understanding of the phenomenon. The interviews were conducted to explore LP members' perception, behaviour and reward preference toward two different platforms (LP versus metaverse) of a brand. In qualitative research, selecting appropriate participants is a key consideration for researchers, as noted by Lichtman (2014). This approach was also applicable to the present article study. This form of qualitative interview, widely utilized in various disciplines, involves the researcher setting up questions in an open-ended format. The interview is then expanded upon based on the responses of the participants (Roulston and Choi, 2018).

### **3.2.1 Data Collection**

In Article I of this dissertation, a literature review approach was employed for the secondary data collection and to gain insights while addressing the phenomenon under investigation. Tight (2019) describe a literature review as "a written appraisal of what is already known—existing knowledge on a topic—with no prescribed methodology". In this dissertation, the literature review served to respond to research questions and to formulate a conceptual

framework. McGregor (2018) notes that the objective of a literature review is to create a comprehensive understanding of the existing knowledge on a specific topic. Following an extensive review of previous literature related to the topic, the author examined several real-world examples where technology could enhance the efficacy of LPs. Understanding the development and implementation of IT is crucial for the industry to fully benefit from it. This subject necessitates a conceptual analysis to establish an optimal model for technology adoption within the context of LPs.

In all the quantitative studies, measurement scales that had been previously validated were utilized. All items in the survey were assessed using a 5-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree), ensuring uniform measurement across the items. For Articles II and III, the quantitative questionnaire survey was carried out through Amazon's Mechanical Turk (MTurk) platform for the data collection. Considering the demographic characteristics of the respondents, the samples are representative of the general population. Additionally, the collection of large samples enhances the ability to generalize the findings across the target populations. The quantitative data was collected using the convenience sampling method over a period of four weeks. A total of 300 respondents submitted valid responses to the survey questions, 66% (n = 198) of whom had a LP membership, and 34% (n = 102) of whom were non-members. Additionally, 23% (n = 70) of the respondents were female, and 77% (n = 230) were male.

For Article IV, qualitative data were collected by using semi-structured, themed interviews. A purposeful sampling technique was used for this purpose (Patton 2002, p. 40–46). The interviews were conducted face-to-face and the participants were selected based on their knowledge and experience of metaverse and LP. In total, 17 interviews were conducted from over a period of approximately 2 months. The interviewees ranged in age from 20 to 47, with 23.5% (n = 4) being male and 76.5% (n = 13) being female. For each participant, a specific time was scheduled for the interview, and consent to record the session was obtained from all interviewees prior to the interview. Interview protocols were structured to encourage the participants to share their experiences related to the phenomena being studied.

All interviews were recorded and then transcribed into text documents. Generally, a transcript involves converting spoken language into written form, not merely as a clerical task but as an interpretive process. It requires the careful transformation of oral discourse into text, ensuring that the interviewee's responses are accurately contextualized and understood (Kvale, 2007).

The collection of both quantitative and qualitative data adhered to the ethical guidelines of University of Jyväskylä, upheld good scientific practice, and complied with relevant laws and regulations. No data sensitive to privacy was gathered, and all information provided remained anonymous.

### 3.2.2 Data analysis

As Jaakkola (2020) outlined four distinct approaches for structuring a conceptual paper. Article I employed the “theory synthesis approach”, wherein the researcher aims to construct a conceptual model by integrating existing theories and streams of literature. By doing so, a conceptual model was introduced for the use of technology in phases of digital LP, with the help of reviewing previous literature.

In Article II, the Statistical Package for the Social Sciences (SPSS) was used for data analysis, primarily due to its recognition as one of the foremost statistical software in business and social science disciplines (Abu-Bader, 2021). SPSS has been used for both inferential and descriptive data analysis. Yet, its use for descriptive analysis alone offers significant benefits. The choice of SPSS was based on its robust capabilities for handling a wide range of bivariate and multivariate statistical analyses. This program is notably the most prevalent statistical software in academic circles globally. Additionally, SPSS is renowned for its effectiveness in analyzing and comparing differences between two groups (Pituch and Stevens, 2015), such as members and non-members of LP.

The key advantages of employing SPSS in management studies include (1) the rapid computation and analysis of data by the computer, (2) the extensive range of possible data comparisons, and (3) the subsequent ease of verifying data and results, among other benefits. However, following the recommendation of Gerbing and Anderson (1988), a two-stage analytical procedure was also applied in Article II. This involved using SmartPLS in addition to SPSS, mainly for confirming the validity and reliability of the study, with more detailed information provided in the subsequent section.

For the Article III, partial least squares structural equation modeling (PLS-SEM), Smart PLS 3.0 software was utilized for analyzing the quantitative datasets. This choice was influenced by the exploratory nature of customer experience research, which tends to prioritize prediction over theory validation. Hair et al. (2014) suggest that PLS-SEM is well-suited for exploratory research due to its capability to identify patterns within the data. The use of PLS-SEM is further justified as the conceptual model in this study is not based on robust theoretical underpinnings and the data were not normally distributed, aligning with the requirements of the PLS method (Hair et al., 2011). PLS-SEM employs composite-based measurement, utilizing unobserved latent factors as a composite construct of parameters for measuring the construct. It is grounded in nonparametric bootstrapping, which involves drawing multiple subsamples randomly from the original sample with replacement, allowing the standard errors of the parameters to be used in hypothesis testing (Hair et al., 2011).

As for Article IV, thematic analysis of the data was carried out using a six-phase method recommended by Nowell et al. (2017) to ensure the reliability of each stage. During recording, significant care was taken to ensure that no valuable information was missed. Phase 1 involved familiarizing with the interview data through repeated viewing and transcription of recordings, noting key observations and interpretations. The transcriptions were refined for

accuracy using Otter transcription software. Phase 2 included the generation of initial codes with Atlas.ti 23 to focus on data aspects relevant to RCE, LP, and the metaverse. In Phase 3, themes were identified that strongly correlated with the data, following a data-driven approach (Braun and Clarke, 2006). Phase 4 involved refining these themes for coherence and ensuring accurate representation of the dataset. This method aligns with the concept of “interview analysis as theoretical reading”, where the researcher repeatedly reviews the text and theoretically reflects on specific themes of interest (Kvale, 2007). Phase 5 then entailed defining and naming themes (Chalmers Thomas et al., 2013), with several rounds of revisions to align with existing literature and ensure distinct interpretation of the findings (Epp and Price, 2011). This iterative process, crucial for result reliability, was supported by extensive data quotations (Healy and Perry, 2000). Finally, Phase 6 culminated in a report summarizing the findings and their contribution to the existing literature. This organized display facilitated the drawing of conclusions from the data.

TABLE 5 Summary of dataset used in the Articles I-IV

Articles	Types of data	Description of data
I. “The Development of Loyalty Programs in the Retail Sector”	Conceptual	Peer-reviewed articles and real-life study/examples
II. “Investigating the Impact of Rewarded Social Media Engagement, Trust, Perceived Switching Cost and Loyalty on Loyalty Members in the Sports Industry”	Survey	Customer survey, 300 responses from customers
III. “The Impact of Rewarded Social Media Engagement on Customer Satisfaction, Commitment, Loyalty and Loyalty Programmes in the Sports Industry”	Survey	Customer survey, 300 responses from customer
IV. “Rewarded Customer Engagement and Loyalty: A Cross-Platform Study of Traditional Loyalty Programs and the Metaverse”	In-depth interviews	17 customers interviews, research-lettered interviews, word for word

### 3.2.3 Assessing reliability and validity of the studies

Reliability is concerned with the consistency of measurements (Drost, 2011), whereas validity refers to the precision of the measures used in researching a specific phenomenon (Drost, 2011). In qualitative research, the emphasis on reliability and validity centers around the quality of the research process, while in quantitative research, it is concerned with the statistical assessment of measurement tools (Lincoln and Guba, 1985).

In quantitative research, validity can be assessed through three forms: content validity, criterion validity, and construct validity (Ping, 2004). Content validity examines the extent to which measurement items accurately represent the theoretical construct. Criterion validity checks if the construct aligns with other measures of the same construct. Construct validity evaluates how well the measured construct reflects the concept it aims to measure (Ping, 2004). Construct validity is further scrutinized through convergent and discriminant validity. Convergent validity is indicated by the correlation among different measures of the same construct, while discriminant validity pertains to the distinctiveness between constructs (Ping, 2004). There are no specific guidelines for assessing content and criterion validity (Ping, 2004), which is why using previously validated scales is recommended to enhance content and criterion validity.

To ensure the reliability and validity of the survey measurements, several measures were implemented. As data for Articles II and III were gathered using MTurk; all used scales and measurements had previously been validated. The survey tools underwent a test phase prior to data collection. Common method bias, a situation where respondents might not provide accurate scores due to the measurement method, was addressed by alternating the order of items in the questionnaire, separating predictor and criterion variables, and allowing respondents to answer anonymously (Hulland et al., 2018; Podsakoff et al., 2003). Moreover, to guarantee the authenticity of the data and reduce the impact of bots or disengaged participants on the collected data and final dataset, specific precautionary steps were implemented during the use of the MTurk online platform. A few questions designed to detect potential bots were included. In the data acquired from MTurk, the qualification requirement was set such that only respondents with task approval rate of 95% and higher can participate. Furthermore, responses identified as bot submissions were detected and removed.

In this dissertation, the quantitative measurements used in Articles II and III were assessed for reliability and validity using SPSS and PLS-SEM (SmartPLS 3.0) softwares respectively. Even though the data analysis for Article II mainly relied on SPSS software; adhering to the two-stage analytical process suggested by Gerbing and Anderson (1988), the initial step involved evaluating the measurement model using SPSS to assess the validity and reliability of the questionnaires, which was followed by an examination of the structural model using SmartPLS 3 (Ringle et al., 2015), as outlined by Hair et al. (2017), to investigate the hypothesized relationships among the variables. For Article III, author used SmartPLS solely to test validity and reliability of the constructs. The



assessment included composite reliability (CR), Cronbach's alpha, average variance extracted (AVE), Fornell & Larcker's criterion, and Heterotrait-Monotrait ratios. The results showed that all measurements were reliable: factor loadings, CRs, and Cronbach's alphas were in line with established criteria in the literature (Hair et al. 2014, p. 105). Furthermore, construct validity was established by examining AVE, Fornell & Larcker's criteria, and the Heterotrait-Monotrait ratios of correlations (Fornell and Larcker, 1981; Hair et al., 2014, p. 105; Henseler et al., 2016).

To ensure the reliability and validity of the qualitative study for Article IV, emphasis was placed on the integrity of the research process, shaping the design of the research settings. Semi-structured, themed interviews were chosen as the method of data collection to facilitate in-depth discussions that would capture the interviewees' personal perspectives on the research topic (Järvenpää and Lang, 2005). The interviewees were briefed on the main themes of the interview structure prior to the interviews, which were conducted face-to-face in quiet settings. They were given the freedom to reflect on their responses and answer as they saw fit. Additionally, follow-up questions were posed to clarify any ambiguous responses.

## **4 SUMMARY OF FINDINGS FOR ARTICLES I-IV**

This section offers a summary and the key findings of the four articles incorporated into this dissertation.

### **4.1 Article I: The Development of Loyalty Programs in the Retail Sector**

Article I conceptually explains the role of IT in LPs. While LPs remain a crucial aspect of CRM in the retail sector, they are increasingly showing signs of maturity. Nevertheless, technological advancements are significantly impacting various stakeholders, including customers, businesses, and any partner organizations involved. Contemporary technology is a key in evolving the components of LPs, helping companies to maintain their value and achieve higher returns on investment. This article explores the advantages of integrating IT throughout the lifecycle of digital LPs. It highlights how these integrations can amplify the effectiveness of these programs, thereby offering significant contributions in this domain.

Article I further offers additional insights by: Illustrating the specific tasks executed in each stage of the loyalty program lifecycle, presenting a comprehensive catalog of technologies applicable to the program lifecycle, pinpointing particular technologies beneficial for each phase, showing the application of technology in every stage of the program's lifecycle to meet objectives and boost efficiency, and detailing how technology deployment in LPs can successfully maintain CE and strengthen their allegiance to both the program and the brand. Furthermore, the article conceptually explains the potential risk with digital LPs, such as privacy matters, and potential solutions to them.

## **4.2 Article II: Investigating the Impact of Rewarded Social Media Engagement, Trust, Perceived Switching Cost and Loyalty on Loyalty Members in the Sports Industry**

For quite some time, social media has been a crucial part of customers' lives, especially those active on major platforms like Facebook and Twitter. Consequently, businesses recognize the importance of online marketing and CE on these platforms, leading to significant investments in their development and implementation. Social media enhances the benefits of communication technologies by facilitating easier information sharing and more dynamic participation. Customers and LPs members can now share information more effectively and voice their opinions about products or services. This shift indicates a change in traditional consumer interactions, with customers now being more influenced by peer communication than by companies' promotional efforts.

Thus, Article II aims to address the existing gap in the literature by examining the impact of RCE, trust, perceived switching cost, and loyalty among members and compared it with non-members of the LP. This was carried out through an online questionnaire survey to the customers of a brand (300 responses). The findings indicate that companies foster a CE experience through rewards, which in turn enhances members' trust and perceived switching costs related to the program and the company, ultimately contributing to overall loyalty. Four hypotheses were proposed and validated through the study's results.

The results of this article established a significant difference in RCE on social media between members and non-members of LP. It was discovered that members of a LP exhibit a higher degree social media CE (in exchange of rewards), trust and perceive greater switching costs compared to non-members. Furthermore, the study demonstrates that members who are active or were engaged on social media and received reward for the engagement exhibit a stronger loyalty towards the brand and its LP compared to the non-members.

## **4.3 Article III: The Impact of Rewarded Social Media Engagement on Customer Satisfaction, Commitment, Loyalty and Loyalty Programmes in the Sports Industry**

Article III continues the discussion on RCE from social media and LP perspective. The article examined the influence of RCE on customer satisfaction, commitment, and loyalty (both to the program and the brand), through a quantitative survey conducted on Amazon's MTurk platform (300 responses). Seven hypotheses were proposed to study the impact.

The findings of the research affirmed all seven proposed hypotheses, validating the considerable effects of RCE on customer satisfaction and commitment, which in turn fosters loyalty to both the program and the brand. The article additionally uncovers that companies, such as Nike, develop a CE experience enhanced with rewards, leading to increased member satisfaction and commitment to both the program and the company. This process effectively nurtures customer loyalty towards both the LP and the company itself. Moreover, the findings of the study confirmed that loyalty to a LP consistently leads to loyalty to the brand or company.

Similarly, the article revealed that the brand members who actively participate in social media and receive rewards demonstrate greater customer satisfaction and commitment compared to the non-members. Interestingly, the findings of this study reveal that customer loyalty to a LP and the brand is influenced less by the level of customer satisfaction and more by customer commitment, particularly in relation to RCE on social media.

#### **4.4 Article IV: Rewarded Customer Engagement and Loyalty: A Cross-Platform Study of Traditional Loyalty Programs and the Metaverse**

Article IV further continues the discussion while emphasizing that there has been a lack of focus on defining and conceptualizing RCE, particularly while exploring and comparing its importance across different digital platforms and touchpoints, such as LPs and the metaverse. This article seeks to define and conceptualize RCE and examine its impact on LP members, as well as its role in influencing and promoting their involvement or engagement in a brand's metaverse platforms. To bridge the research gap, article IV undertakes comprehensive semi-structured face-to-face interviews with 17 members of the brand's LP. These participants were not only active users of the program but were also knowledgeable about the brand's metaverse platforms.

The article reveals various distinctive facets of the connection between RCE, LP, and the metaverse. These include: 1) examining if rewards impact CE dimensions differently in LPs compared to the metaverse, 2) investigating if RCE in a LP motivates members to participate in the brand's metaverse platforms, 3) exploring whether individual members have varying preferences for reward types in a LP as opposed to the metaverse, and 4) analyzing how RCE may affect loyalty in a LP versus within the metaverse.

The findings suggest variations in how participants perceive the role of rewards across different dimensions of CE when comparing LPs with the metaverse environment. Specifically, participants describe their experiences within LPs where rewards are perceived as being less connected with their cognitive and emotional engagement, yet more closely associated with their behavioral engagement. Conversely, in the metaverse, participants share that

rewards seem more relevant to their cognitive and emotional engagement, while their association with behavioral engagement is perceived as less significant. The results further reveal that an individual member of a brand has different rewards preference on a LP versus metaverse. Most of the respondents prefer utilitarian and monetary reward types on LP, whereas, they prefer hedonic and non-monetary rewards on metaverse platform. Furthermore, in terms of loyalty, which can be a result of, and thus measured by satisfaction, trust and purchase intention, the results revealed that RCE influences loyalty more on LP as opposed to metaverse platform. This is mainly due to higher trust, commitment and purchase intention on LP versus metaverse. Lastly, the article confirms that due to these factors, RCE on LP doesn't necessarily encourage members' involvement or engagement in brand's metaverse platform, as it further depends on various other factors such as gaming background, ease of use and mobility of the platform, and perceived time requirements to gain the reward among others.

## 5 DISCUSSION

The goal of this dissertation was to offer insight into the LP through the lens of various elements, digital platforms or channels. This section delves into the insights obtained from both theoretical and managerial viewpoints, and outlines the study's limitations as well as directions for future research.

### 5.1 Theoretical contributions

This dissertation's theoretical contributions are derived from Articles I-IV. The specific contributions of each article are outlined in Table 6, corresponding to the responses to the RQs.

Article I contributes to the understanding of the importance of technology integration in LP lifecycle and answers RQ1: How can information technology be integrated to improve loyalty programs? The article states that the recent advancements in information and technology are influencing every stakeholder in a LP—including consumers, brand-owning organizations, and partner entities. Consequently, IT has the potential to significantly transform modern LPs, ensuring that organizations maintain the value of their investments, which is consistent with the previous findings (Breugelmans et al., 2015; Purohit and Thakar, 2019). The article further illustrates the role of specific technologies, such as AI, business intelligence (BI), and location-based services in contributing to the effectiveness of LPs, drawing on existing literature about LP effectiveness. It lays a theoretical groundwork to direct future studies on the use of IT in LPs. This is particularly relevant for the industry, as there is increasing scrutiny over LP investments, yet the academic community has not sufficiently focused on this area.

Article II provides a theoretical contribution to the rewarded social media engagement and answers RQ2: How rewarded social media engagement, trust, switching cost, loyalty influence LP members versus non-members? Theoretically, the article offers a novel viewpoint on CE theory in the context of

rewards and social media. It posits that CE, in exchange of rewards on social media is majorly driven by trust and perceived switching costs related to the organization or the brand. The study also explores this dynamic among both members and non-members. To put it shortly, the article suggests that members of LP typically exhibit a higher level of engagement on social media, coupled with higher trust and perceived switching costs, leading to heightened loyalty among them, as compared to non-members of the brand. Thus, the article states that rewarded social media engagement influences the loyalty of LP members, aligning with the results presented by studies such as Rehnen et al. (2017).

Article III answers the RQ3: What is the role of rewarded social media engagement in customer satisfaction, commitment and loyalty in loyalty programs? The article's findings offer further theoretical contributions to the relatively novel concept of RCE. These results, which extend existing literature on CE and interaction orientation, as outlined by Ramani and Kumar (2008), and integrate it with the theories linking CE (van Doorn et al., 2010) and social exchange (Thibaut and Kelley, 1959), demonstrate that RCE has a positive effect on the behaviors of LP members. This is particularly evident in terms of customer satisfaction and commitment. The findings emphasize the importance of fostering customer satisfaction and commitment, especially as they contribute to building loyalty towards a program and brand in the context of RCE on social media. Furthermore, aligning with previous research on social media-based CE and loyalty (Behnam et al., 2021; Hollebeek et al., 2019), the study reveals that RCE has a positive impact on overall customer loyalty (program and brand loyalty), where program loyalty typically leads to brand loyalty among LP members.

Article IV answers RQ4: What are the comparative effects of reward on customer engagement and loyalty within traditional loyalty programs and the metaverse, and how do these rewards influence customers' preference and cross-platform engagement? It is among the first studies to explore the impact of RCE on LP members in the context of LP and metaverse platform of a brand. Theoretically, while existing studies on CE merely focused on the role of rewards in LP, this article delves into rewards' influence on different dimensions of CE, showing that rewards may impact each dimension uniquely across various digital platforms, particularly in the context of LP and metaverse. The article broadens the scope of both CE and RCE literature, as prior studies have largely concentrated on CE and RCE on a single platform of a brand (Rehnen et al., 2017). The article further enriches the CE and RCE discourse by examining customers' preferences for rewards and engagement across each platform, revealing that customers may have different preferences and attitudes towards rewards and engagement on different digital platforms of the same brand.

The study compares these preferences across platforms and specifically analyzes factors that influence LP members' engagement on other platforms of the brand, particularly the metaverse, in the presence of rewards. The article further contributes to customer loyalty literature by discussing how members' loyalty or loyalty intention may vary across different platforms of a brand, as in

the context of LP and metaverse. The variation is due to the different impact of RCE and other influencing factors like familiarity and prior experience of the platform, variety of activities on the platform, presence of social circle and reliability of the platform. One significant contribution of this article is the conceptualization and definition of the term RCE, which holds significant importance for the industry, given the growing exploration on rewards and CE, while the academic community has yet to adequately address this term and its conceptualization. Lastly, while research on CE and LP is growing, there is a notable gap in literature at the intersection of RCE, LP, and the metaverse.

### **5.1.1 Summary of theoretical contributions**

In general, this dissertation contributes to the understanding of digital LPs, with a focus on CE and RCE, integration of technology and social media. The dissertation underscores the impact of IT advancements on LPs, emphasizing how these innovations transform LPs and help maintain its value, which further leads to loyalty towards the program and the brand. It introduces relatively new perspective on CE theory, especially regarding the role of rewards and social media, as past researches were mainly focused on unrewarded CE. Thus, the theoretical contribution of this dissertation sought to add to the understanding of rewarding behavior (Dorotic et al., 2014), expand on the concept of CE (van Doorn et al., 2010), and delve into motivational theory (Ryan and Deci, 2000). The dissertation focuses on several other related theories, including relationship marketing theory (Morgan and Hunt, 1994), customer loyalty theory (Oliver, 1999), social exchange theory (Thibaut and Kelley, 1959) which suggests that interactions between customers and organizations deepens intimacy, and that a fair balance of engagement and reward predicts the quality of the relationship (Bendapudi and Leone, 2003; De Wulf et al., 2003). Additionally, the mere exposure effect (Zajonc, 1968) indicates that continuous brand exposure cultivates a positive attitude among customers. Moreover, the core of the sports industry is situated within the domain of social connectedness and social networks (Katz et al., 2020), addressing people's need for belonging and social interaction (Walseth, 2008).

It presents that trust and perceived switching cost are shown to drive CE for rewards on social media, with members of LPs demonstrating higher engagement and loyalty compared to non-members. Furthermore, while exploring the concept of RCE, the dissertation highlights its positive influence on LP members' behavior, depicting higher satisfaction, and commitment, as compared to non-members, thereby impacting overall customer loyalty. This aligns with previous research; extending the literature on CE in the context of social media (e.g., Brodie et al., 2013; Gligor et al., 2019; Haverila et al., 2022; Rehnen et al., 2017).

Furthermore, while conceptualizing the RCE term, the dissertation critically delves into the influence of rewards on various dimensions of CE across different digital platforms, including the metaverse. It reveals that customer preferences and attitudes towards rewards vary across platforms, and discusses that the



loyalty may differ across a brand's various platforms due to RCE and other factors. Addressing a gap in existing literature, these studies are among the first to explore the interconnected topics of RCE, LP, and the metaverse.

Therefore, developing an ideal LP necessitates further exploration and investment in advanced technologies (Breugelmans et al., 2015; Chen et al., 2021; Rejeb et al., 2020; Tong et al., 2020 ) and strategies, to thoroughly understand customers' needs and desires, their preferences across different platforms and how these vary, their perceived value of rewards on various digital platforms, their readiness to invest resources (time and money) for rewards to engage on these platforms, and their perceived risks, particularly in relation to new or emerging platforms of a brand, like the metaverse. When appropriate technological tools and strategies are effectively employed, the metaverse may present opportunities to synergistically utilize these technologies to develop LPs that deeply resonate with consumers, blurring the boundaries of physical interaction. Advanced marketing tools and strategies employed within the metaverse can boost customer loyalty through the integration of data-driven decision-making and the gathering of customer preferences through LPs (Dozio et al., 2022).

TABLE 6 Responses for research questions: theoretical contributions and managerial implications of Articles I-IV

Article	Research Qs	Theoretical Implications	Managerial Implications
I.	How can information technology be integrated to improve loyalty programs?	<ul style="list-style-type: none"> <li>• Contributes to the understanding of how advancements in IT significantly impact all participants in LPs, including consumers, brand owners, and partnering entities, indicating a widespread effect on the entire LP framework.</li> <li>• Emphasizes Information Technology's role in revolutionizing LP, to ensure, enhance, and preserve its value.</li> </ul>	<ul style="list-style-type: none"> <li>• Highlights the importance of integrating IT in digital LP and providing deeper insights into customer behavior, necessitating open business models and strategic partnerships for effective implementation</li> <li>• Emphasizes the role of BI and AI in evaluating LP performance and identifying distinct customer behavior patterns, aiding in the development of targeted retention strategies.</li> <li>• Discusses using emerging technologies, such as location-based services, to engage potential loyal customers and the need for strong information security and privacy measures to ensure customer trust and data protection.</li> </ul>

Article	Research Qs	Theoretical Implications	Managerial Implications
II.	How rewarded social media engagement, trust, switching cost, loyalty influence loyalty program members versus non-members?	<ul style="list-style-type: none"> <li>• Presents a new perspective on CE theory, focusing on the interplay between rewards and social media.</li> <li>• Suggests that RCE on social media is primarily influenced by trust in the organization and the perceived switching costs of brands.</li> <li>• Identifies that LP members show higher engagement and loyalty on social media in exchange of rewards, due to greater trust and perceived switching costs, compared to non-members.</li> </ul>	<ul style="list-style-type: none"> <li>• Highlights the importance of customer trust and perceived switching costs in social media-based LPs, recommending that companies focus on offering valuable rewards to enhance loyalty towards both the program and the brand.</li> <li>• Suggests diversifying rewards and using multiple social media platforms for distribution, encouraging organizations to develop engaging content and attractive rewards to increase member loyalty and strengthen overall engagement.</li> </ul>
III.	What is the role of rewarded social media engagement in customer satisfaction, commitment and loyalty in loyalty programs?	<ul style="list-style-type: none"> <li>• Advances the understanding of RCE, building upon and extending the existing CE literature by integrating it with interaction orientation and social exchange theories, highlighting RCE's beneficial impact on LP member behaviors.</li> <li>• Highlights how RCE notably increases LP member satisfaction and commitment, crucial for fostering loyalty to both the LP and the brand</li> <li>• Confirms that RCE effectively enhances overall customer loyalty, particularly through social media-based CE.</li> </ul>	<ul style="list-style-type: none"> <li>• Emphasizes the importance of enhancing customer satisfaction and commitment in LPs, advising managers to uniquely engage customers through RCE to improve program interactivity and member behavior and attitudes.</li> <li>• Highlights the use of social media-based RCE as a tool for gaining market insights and strengthening loyalty, advocating the integration of social media data with existing databases and focusing on sustainable, targeted rewards for effective engagement.</li> <li>• Discusses the need for tailored strategies in the diverse market, suggesting the development of digital platforms, fostering a supportive culture, and providing engaging content to optimize customer engagement and the profitability of loyalty programs.</li> </ul>

Article	Research Qs	Theoretical Implications	Managerial Implications
IV.	What are the comparative effects of reward on customer engagement and loyalty within traditional loyalty programs and the metaverse, and how do these rewards influence customers' preference and cross-platform engagement?	Examines the unique impact of rewards on different dimensions of CE across various platforms, i.e. LPS and the metaverse, and highlighting the diverse customer preferences for rewards on different digital channels. Delves into how customer loyalty varies across different digital platforms of a brand, especially in the metaverse, and analyzes factors that drive LP member engagement on these platforms. Addresses a gap in the literature by exploring the relationship between RCE, LP, and the metaverse. Conceptualizes RCE, which further contributes to the understanding of the term.	Emphasizes the unique role of the RCE in metaverse, suggesting a focus on experiential activities over monetary incentives as opposed to the contrary in LP platform, to foster sustained CE and loyalty. Identifies that LP members have different reward preferences across digital platforms, advocating for a varied reward strategy to boost engagement and loyalty across all channels. Recommends companies to enhance reward integration in the metaverse by prioritizing trust, user-friendliness, and personalization as key strategies to strengthen customer engagement and loyalty.

## 5.2 Managerial implications

The managerial implications of this dissertation are derived from the implications of Articles I-IV, as detailed in Table 6.

### 5.2.1 Implications of Article I

Article I delivers a general approach to digital LPs. This article exclusively examines the role of IT in enhancing the effectiveness of LPs by providing an extensive overview of various technologies applicable throughout the entire lifecycle of an LP. Additionally, the article illustrates how specific technologies can aid in applying research suggestions to achieve LP effectiveness, drawing on previous literature in the field.

Digital technologies play a significant role in the effectiveness of LPs. Notably, when combined with in-store technologies; it encourages the customer to consider the LP at each visit to the store. Such innovations will provide organizations with deeper insights into customer behavior, enhancing their ability to predict future actions and outcomes. However, realizing this level of sophistication requires an open business model and strategic collaborations with mobile wallet providers, which are crucial for successful implementation. Moreover, BI software and data warehouses are valuable tools for evaluating the performance of LPs. Beyond this, AI offers additional capabilities. AI,

particularly through machine learning algorithms applied to members' data, can uncover customer behavior patterns that might not be immediately apparent. This analysis of trends allows for the identification of characteristics unique to loyal and non-loyal customers in LPs. Armed with this knowledge, companies can proactively implement strategies within their LPs to retain customers more effectively.

The article suggests that such technological solutions can also help solve problems, such as offering accurate deals and rewards based on location-based services. Retailers can leverage location-based services to identify and track potential loyal customers who visit their stores but do not make a purchase. Another top concern is the privacy matters. Companies can implement information security measures and relevant policies, which include enhancing authentication processes, such as incorporating Captcha codes across all customer-facing digital channels. Additionally, they can adopt a multi-level approach to privacy control.

### **5.2.2 Implications of Article II**

Article II provides a theoretical framework for the social media-based RCE in the context of LPs and customer loyalty. As this article outlines the importance of customer trust and perceived switching cost with relevance to the RCE and LPs, it is suggested that companies that are aiming to enhance program loyalty and overall customer loyalty through RCE on social media should consider the value and benefits of the rewards they offer. These rewards should be compelling enough to increase members' loyalty towards the LP and the brand. Moreover, the variety of rewards and the diverse platforms used for their distribution on social media can also positively influence member loyalty. Consequently, organizations should invest more effort and develop strategies to deliver more engaging, interactive, and appealing content and rewards on social media. This approach is key to attracting and retaining members, building trust and increasing perceived switching cost, fostering engagement, and building loyalty.

### **5.2.3 Implications of Article III**

Article III continues the discussion on the RCE in the context of LPs and customer loyalty. This article outlines the importance of customer satisfaction and commitment with relevance to the topic. The article presents significant managerial insights on CE in the context of LP and social media. It underscores the necessity for company managers to differentiate themselves from competitors by engaging customers in unique ways. From a managerial perspective, the article highlights the effectiveness of RCE in enhancing customer satisfaction and commitment, making LPs more interactive and attractive, and positively influencing members' attitudes and behaviors towards both the LP and the brand. Managers are encouraged to incorporate interactive elements and reward mechanisms into LPs to enhance CE and loyalty.

Article III also delves into the strategic use of social media-based RCE in LPs as a vital source of market insights. By combining data collected from social media with existing databases, organizations can enhance their marketing strategies, fortify customer loyalty, and strengthen relationships. Brands like Nike exemplify this approach by initiating customer interactions offline and extending them online through social media, emphasizing the strategic selection and management of platforms and rewards to maximize engagement. The article thus suggests that brand managers need to foster an environment where RCE creates meaningful exchanges beyond just product consumption.

Furthermore, the article highlights the varied nature of the sports market, which includes community-based CE and professional sports enterprises, posing unique challenges in fostering CE and determining suitable rewards. Managers must be mindful of the cost-effectiveness of LPs and rewards, as some programs can be financially burdensome if not optimized correctly. The shift towards more sustainable and targeted reward strategies, such as personalized offers and experiential rewards, is emphasized as a means to maximize engagement while optimizing costs. The article concludes by suggesting strategies for brands to increase CE, including fostering a supportive culture, developing digital platforms, building legitimacy, providing captivating content, and offering alternative engagement venues. These insights are valuable for managers and practitioners, enabling them to refine LPs and reward systems to optimize CE and drive profitability.

#### **5.2.4 Implications of Article IV**

The managerial implications of Article IV offers practical insights and guidelines for researchers and industry professionals who are exploring the emergence of the metaverse and its distinctive impact on RCE compared to other digital channels and platforms such as LPs. The article helps in understanding how to augment CE and cultivate loyalty within these novel and emerging digital platforms. It reveals that brands should prioritize experiential and engagement-focused activities over monetary incentives on metaverse platforms, aiming to nurture sustained CE.

The article suggests that brand's LP members have varying perceptions and preference of rewards across the brand's various platforms; they favor monetary incentives within traditional LPs, while non-monetary rewards in the metaverse better captivate their engagement. This diversity in preferences prompts managers to diversify the rewards offered across different platforms to boost CE and cultivate loyalty throughout all channels. The article also advocates for the improved integration of rewards and the fostering of greater trust and user-friendliness along with higher level of personalization within the metaverse environment as optimal strategies to enhance CE and build loyalty.

### 5.2.5 Summary of managerial implications

Although technology integration in LPs has become a popular viewpoint recently, this dissertation offers both insightful and contrasting perspectives for retailers. The suite of studies provides an integrative perspective on the digital transformation of LPs, underscoring the pivotal role of IT in optimizing their effectiveness and success. Emphasizing the synergistic use of latest technologies, such as big data, BI and AI, the research discusses how these technologies can unearth customer behavior patterns to help companies tailor their retention strategies and enhance customer trust through robust privacy controls. However, the implementation of such technologies may raise concerns among customers on various issues, particularly regarding privacy and transparency. The dissertation also proposes using these technologies to address and resolve customers' concerns and issues.

The dissertation further explores the dynamics of social media-based RCE, advocating for rewards that truly resonate with customers to boost engagement and loyalty. It emphasizes that as a result of RCE and offering valuable incentives, companies can increase customer satisfaction, trust, commitment, and perceived switching cost, which further leads to overall loyalty among the program members. However, in order to do so, the need for diverse and engaging content across social media platforms, aligned with interactive reward systems is highlighted in this dissertation.

While managers in various industries are keen on introducing LPs that enhance CE and offer rewards, there's a growing realization of the need for cost-effectiveness. Companies have begun re-assessing their LPs, acknowledging that although these programs may boost engagement and loyalty, they can be financially demanding if not well-managed. This has led to a shift towards more sustainable, targeted reward strategies. Rather than broad-based rewards, the focus should now be on personalized experiences and offers that cater to individual customer preferences, aiming to engage the most loyal and profitable customers effectively and efficiently. This approach of data-driven personalization helps businesses maximize engagement while also managing costs more effectively. The discussion extends to the strategic challenges of fostering CE, suggesting cost-effective, personalized, and experiential rewards as opposed to traditional monetary incentives, especially in the diverse and complex digital platforms like metaverse.

Additionally, the findings offer insights into managing CE and loyalty in the growing metaverse environment, advocating for non-monetary rewards that foster long-term engagement. The type of reward has been demonstrated to affect CE, behavior, and loyalty across digital platforms. The impact of rewards on the various dimensions of CE—including cognitive, behavioral, and emotional aspects—also varies across different digital channels. Therefore, it is recommended that company managers take into account how the rewards they offer affect each aspect of CE and accordingly design their reward systems and strategies for LP members to optimize the impact of rewards and the success of their LPs.

The dissertation's articles collectively advise managers to adopt a diverse rewards strategy across different digital platforms to foster loyalty. They emphasize the need for greater personalization, building trust, and ensuring user-friendliness, particularly in emerging digital environments like the metaverse, to reinforce customer relationships. These insights provide a comprehensive understanding of the importance of a multifaceted approach to CE and digital LPs in today's digital era, useful for both practitioners and researchers in refining LPs, maximizing CE on it, and profitability across all channels and platforms.

### **5.3 Limitations and future research directions**

Although this dissertation contains certain limitations, these constraints present intriguing opportunities for future research. The limitations and future research avenues for investigation outlined in this dissertation are not only associated with individual articles but also interlinked.

The limitations of Article I concern the consequences of the study method. As its conceptual study and framework relies on the previous literature and secondary data sources, the number of articles and sources were limited. The literature on the use of latest technologies such as AI and BI in the context of LPs is still scarce. Moreover, the rapid advancement of cutting-edge technologies within the context of LPs has led to a disparity between the articles reviewed in this study and more recent publications. The study provided a conceptual framework and suggestions which were not empirically tested. Therefore, building on the perceptions and concepts highlighted in this study, it would be advantageous to examine how customers' technological readiness and acceptance influence their response to other emerging technological solutions and platforms in the context of LPs. Such as, future research could expand its scope to investigate the impact of emerging technologies like big data analytics, gaming platforms, and robotic process automation within the framework of a LP. Additionally, employing quantitative or qualitative research methods to explore this topic from the perspective of companies would provide a comprehensive understanding of technology integration and its effectiveness in LPs.

In Articles II and III, the data came from quantitative survey results. The online survey was conducted via MTurk, so the respondents were mostly from the US, which may create challenges with the generalizability of the findings as well as data quality (Peer et al., 2017). Therefore, future research should aim to investigate the frameworks of Articles II and III in other areas, such as emerging economies. Another notable limitation is that the sample consisted of a convenience sample and survey participants, which may not accurately represent the views of all members of the LP. Future research should expand upon these research models by integrating additional variables and sampling techniques into the study.

A fundamental constraint, commonly encountered in non-vertical survey research, is the inability to fully capture the dynamic nature of the RCE and customer loyalty constructs under study and their relationship. Consequently, the empirical results from testing the hypotheses in these articles offer merely correlational, rather than causal, evidence of these relationships. Future research should aim to identify and establish causal connections between variables using an experimental and/or longitudinal research approach, in order to acquire a more thorough understanding of the causal relationships.

From a practical viewpoint, Articles II and III offer interesting future research directions. For future research, conducting field and experimental studies across different forms of RCE would be advantageous to further validate its influence on customer loyalty and LPs. A deeper exploration into the diverse types of motivations driving CE behavior, as indicated by the self-determination theory continuum (Lou et al., 2013; Ryan and Deci, 2000), and how these different types of motivations, whether extrinsic or intrinsic, affect RCE and loyalty, is crucial. Additionally, there's a need to investigate the underlying motivations for social media-based RCE, as well as to compare the effects of rewarded versus unrewarded CE within LPs in this sector.

Further studies should also examine how the size of rewards impacts RCE and customer loyalty, exploring the relationship between reward size and customer motivation in relation to RCE and LPs. An intriguing aspect to explore is the ripple effect of RCE on third parties, especially in social media and network contexts, to understand how RCE influences the loyalty intentions of others. This can lead to a deeper understanding of the dynamics between brand community customers and RCE.

Considering that RCE can be categorized into types that benefit either the company or the customer, future research could also analyze the effects of these different forms of RCE. Such a study would shed light on the various outcomes of these engagement types and could further inform the strategic use of RCE as a marketing tool, especially in the context of LPs.

The limitation of Article IV concerns the methodological perspective of research setting. Conducting interviews as a method for data collection may be subjected to criticism due to the possibility that the interview setting could prompt respondents to modify their answers, rather than offering candid responses (Easton, 2010). Consequently, the lack of anonymity in the face-to-face interview context might have influenced the interviewees, potentially leading to biased responses. Furthermore, since the interviews were carried out with one brand customers/members, the findings may not necessarily be applicable to other market contexts and may lack generalizability.

As for the future research, Article IV emphasizes the ongoing requirement for new research and studies due to the evolving nature of technologies that support RCE, customer loyalty and LP, which in turn is constantly reshaping the landscape of platform integration in the context of LP. The research setting for Article IV was limited to the two digital platforms perspective (LP and



metaverse). Future research should explore topics in various settings, including different channels and platforms.

Additionally, with the retailing context evolving quickly and the emergence of new channels and technologies, there are opportunities for novel research directions. Article IV illustrates the differences in how customers with prior gaming experience perceive and react to brands' metaverse environments and rewards differently compared to those without these experiences. Consequently, future research should delve into the various user/members types within the metaverse and examine how their platform preferences influence their responses in terms of RCE and brand's offering. Such segmentation provides valuable insights for retailers and practitioners, aiding them in tailoring and targeting their marketing strategies to specific consumer groups.

Furthermore, Article IV reveals that rewards for CE have a more pronounced impact on the cognitive and emotional aspects of engagement in the metaverse platform, while in the context of LPs, rewards predominantly affect the behavioral component. This suggests that various platforms influence distinct mechanisms of CE, indicating a need for further research to determine which dimensions of CE are most relevant for each specific digital platform. Furthermore, the fast-paced evolution of digital technologies necessitates an assessment of these emerging technologies in the context of these findings.

On the broader perspective, considering the unique characteristics of sports or sports brand consumers, the author acknowledges that this may impose certain limitations on the generalizability of the findings. Sports consumers often display higher levels of involvement, which can amplify the effects of loyalty programs. For instance, enduring involvement theory (Zaichkowsky, 1985) could explain in this context that the consumers with high enduring involvement (such as sports fans and consumers) continuously seek out information and products related to their interests, influencing their perceptions and behaviors towards loyalty programs. Additionally, social identity theory (Tajfel and Turner, 1979), particularly relevant to sports marketing, could explain that individuals' identities are shaped by their affiliations with certain groups (like sports teams), which can significantly influence their purchasing decisions and loyalty to related brands.

Given the above limitations related to the unique characteristics of sports or sports brand consumers, future research could explore several directions to enhance the understanding and applicability of findings across different contexts, such as investigate the impact of loyalty programs in industries with varying levels of consumer involvement. Compare the findings with those in the sports industry to understand how consumer involvement moderates the effectiveness of loyalty programs. Another study could be to examine the effects of loyalty programs on different consumer segments within the sports industry and brands, such as casual fans versus hardcore fans, to understand how varying levels of involvement influence loyalty behaviors and what are the differences in their engagement as a sports brand consumer. It could also extend the application of enduring involvement theory (Zaichkowsky, 1985) to other high-involvement

consumer contexts, such as luxury brands or technology enthusiasts, to compare how involvement levels affect loyalty program outcomes.

Additionally, given that the collective findings of these articles underscore the importance of personalization in relation to rewards and LP members, the implementation of the latest technologies is essential to attain this objective. For instance, AI-driven personalization stands out as a key element, enabling businesses to examine through extensive data and customize loyalty initiatives to individual preferences, thereby fostering a sense of uniqueness and relevance. Gao and Liu (2022) underscored AI's transformative effect on enhancing customer interactions in marketing. They noted that despite extensive research on AI in interactive marketing, the crucial aspect of personalization remains underexplored in both academic and practical grounds (Lilien, 2016; Murphy, 2018; Strycharz et al., 2019).

The adoption of blockchain technology also may strengthen the trustworthiness and security of virtual loyalty rewards, addressing recent concerns about transparency and trust. Kowalewski et al. (2017) observed that LPs are increasingly being associated with proposed applications of blockchain in marketing. In a similar vein, using blockchain technology, crypto loyalty rewards can be introduced, allowing LP members to exchange their rewards (Rejeb et al., 2020). Therefore, future research should concentrate on exploring the application of AI and blockchain technology within the context of LPs, engagement and rewards.

In conclusion, combining these articles presents certain limitations. This dissertation employed a variety of research methods, potentially posing challenges for researchers. Previous literature, such as by Bergman (2011), has noted that using multiple methods could lead to impractical application. However, in this dissertation, the methodological choices were made with careful consideration and can be deemed justified. Consequently, it can be contended that the findings are comprehensive, thorough, and persuasive (Davies et al., 2011), supporting the use of multiple research methods. The dissertation recommends pursuing the aforementioned future research directions to address these limitations and contribute further in the scope of emerging technologies and LPs.

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## ORIGINAL PAPERS

### I

## THE DEVELOPMENT OF LOYALTY PROGRAMS IN THE RETAIL SECTOR

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# **The Development of Loyalty Programs in the Retail Sector**

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## **Abstract**

Loyalty programs have become a popular customer relationship management (CRM) tool in both the service and retail sector. These programs have acquired a stage of maturity, which is bringing their return on investment (ROI) into question. Due to constantly changing technology and customers' needs for better services, researchers as well as experts are seeking ways to improve their existing loyalty programs' effectiveness and attractiveness. In the era of digitization, technology can play a vital role in enhancing the effectiveness and efficiency of loyalty programs. Therefore, this chapter investigates technology's influence on and contribution to the lifecycle of loyalty programs.



## 1 INTRODUCTION

Loyalty programs have significantly evolved since the 1980s, initially considered mere a promotion (Sharp, 1997). They are now vital tool for customer relationship management (CRM).

As the economic crisis hits in the 2000s, retailers began refining and redefining their approach to promotions and other marketing tactics by using customers' information and including behavior pattern gathered from loyalty cards data and digital channels (Kang et al., 2015).

Loyalty programs are thus a topic of substantial interest and have become the center of research, particularly regarding membership requirement design, the structure of rewards and points, communication of programs, etc. However, it has been assumed that most loyalty programs are designed from scratch (Breugelmans et al. 2015; Dorotic et al. 2014). In the current market scenario of the retail industry, where most companies already have a loyalty program and are further adding suitable digital channels to their marketing strategies, the core challenge for organizations is revitalizing current loyalty programs and aligning them with their organization's digital activities and assets to gain advantages over their competitors (Liu & Yang, 2009). Additionally, with the increasing trend of implementing loyalty programs in business sectors, various studies have emphasized certain problems regarding their online migration such as catering the needs of customers who do not have mobile internet access (Breugelmans et al., 2015).

Although, many previous studies have examined the relationship between loyalty programs, loyalty cards, and customers' loyalty, more studies are needed because there is still scant evidence about customer's behavior toward loyalty programs and its digitization. Various studies have explored this topic including the rich literature that defines the economies of such loyalty programs (e.g., they are driven by their impact on sales and repurchase behavior); however, most of the available research has either included contradictory evidence and/or has not discussed the impact of loyalty programs on repurchase behavior (Martenson, 2007). Therefore, previous researchers have suggested that much has yet to be done to understand various aspects of customers' behavior toward loyalty programs (Bolton et al., 2000). Table 8.1 presents prior studies on loyalty programs, from which different views and perspectives can be extracted to better understand how loyalty programs' needs have changed over time as well as how the programs have been shaped over the past few years.

TABLE 1. Past Studies on Loyalty Programs (LP)

Year	Authors	Industry	Findings
2016	Steinhoff and Palmatier	Cross-sector	LP can have negative effects on bystander customers, observing other's preferential treatment.
			LP effectiveness is influenced by reward delivery (rule clarity, reward exclusivity, reward visibility).
2016	Wang et al.	Service industry	LP goal attainment positively impacts post-promotion purchases, whereas goal failure significantly reduces post-purchases.
2014	Dorotic et al.	-	Redemption of LP rewards positively impacts LP members' behavior before and after redeeming a reward.
2012	Kopalle et al.	Service industry	LP design characteristics (frequency of rewards and customer tier component) generate incremental sales without cannibalizing each other.
2009	Liu and Yang	Airline industry	Only high-share firms experienced sales lifts from their loyalty programs.
			Because high-share firms tend to possess complementary product and customer resources, they are more likely to gain from their loyalty programs than firms with a smaller market share.
2008	Demoulin and Zidda	Grocery industry	Customers satisfied with the rewards of LPs are more loyal to the store and allocate a higher proportion of their budget and patronage frequency to the store than unsatisfied customers.
2008	Bridson et al.	Retailing	LP was a significant predictor of store loyalty, in support of the contention that loyalty programs are capable of engendering loyalty.

Year	Authors	Industry	Findings
2007	Meyer-Waarden	Retailing	LPs have a positive effect on customer lifetime and share of customer expenditures at the store level.
2007	Hennig-Thurau and Paul	Restaurant	LP can lead to counterproductive results by decreasing customer retention.
2007	Liu	Retailing	Positive influence of LP on consumers' purchase frequency and transaction size holds only for light and moderate buyers.
2007	Leenheer et al.	Dutch supermarket industry	Small, positive, yet significant effect of loyalty program membership on share of wallet.
			In terms of profitability, each program generates more additional revenues than additional costs in terms of saving and discount rewards.
2006	Kivetz et al.	Coffee and music on internet	LP induces purchase acceleration through the progress toward a goal.
2006	Gomez et al.	Grocery	LP members are more behavioral and affectively loyal than other participants.
			Few customers change purchase behavior after joining the program.
2005	Taylor and Neslin	U. S. grocery	LP increases sales through point pressure (short-term) and rewarded behaviors (long-term).
2004	Lewis	Grocery	LPs are successful in increasing repeat-purchase rates.
2003	Reinartz and Kumar	Grocery industry in France	Being a LP member does not modify purchase behavior.
			Events and promotions associated with LP seem to have clear effects on

Year	Authors	Industry	Findings
			purchase behavior (e.g., purchase acceleration).
			The effects of LP are mostly short rather than long term. Thus, they seem to work as promotional tools rather than a means to induce loyalty.
2003	Verhoef	Financial services	LP that provides economic benefit has a positive effect on customer retention and customer share development.
2003	Magi	Retailing	Loyalty cards have mixed effects on consumer behavior (share of purchase and share of visits).
2001	Rajiv	General merchandise	LP membership is associated with the longer duration of customer-firm relationships.
2001	Meyer-Waarden and Benavent	US grocery industry	LP is operationalized as a shocker program (e.g., turkey bucks), not a traditional long-term card program, so it can better be described as a long promotion.
			There is significant increase in spending (market basket).
			LPs seem to affect "cherry-pickers" most. Program is profitable.
2000	Bolton et al.	General retail	LP has hardly any effect on repeat purchase patterns (behavioral loyalty).
2000	Deighton and Shoemaker	Credit cards	LP members are more likely to overlook negative experiences with the focal company.
			LP members have higher usage levels and higher retention.

Year	Authors	Industry	Findings
2000	Crie et al.	Hospitality	20% of member stays are because of LP. Strategy of using LP as a value alignment tool is successful.
			LP is profitable.

Furthermore, a number of researchers (Breugelmans et al., 2015; Purohit & Thakar, 2018) have encouraged the exploration of modern technology usage regarding loyalty programs. Presently, few studies can be found on this topic. In 2016, Berezan et al. studied how digital channels can be used in the hospitality industry including in their loyalty programs. This particular study revealed that the channel that is chosen for sharing information affects customers' perceptions of the information style and quality as well as their loyalty toward the program. The study also suggested that customers find website easy to use and understandable and argued that the importance of social media as a communication channel can never be ignored as it serves as "the fastest catalyst and the best ambassador for instant communication information dissemination" (Berezan et al., 2016, p.111).

Purohit and Thakar (2018) explained that past studies on technology regarding loyalty programs either focused on generic use and recommendations or provided minimal examples of technologies to be used in loyalty programs. Additionally, they observed that the pre and post implementation stages of loyalty programs as well as how the latest technology can be utilized in each stage have not been explored at all (Purohit & Thakar, 2018).

Therefore, this chapter aims to focus on the following: (1) typical tasks that are performed at each stage of the loyalty program lifecycle, (2) recommendations based on research that can enhance the effectiveness of the loyalty program, and (3) the use of relevant technology to achieve the needed tasks.

## 2 LITERATURE REVIEW

The below section of this chapter discusses the relevant past studies on the topic of loyalty programs, the design of loyalty programs and their findings.

### 2.1 Loyalty Programs

A loyalty program is suggested to induce positive feeling that encourages members to make repeated purchases. Kivetz and Simonson's (2002) loyalty programs generate the feeling of pride about either the achievement (of rewards/ points) or winning something without paying extra among customers. .

Customer loyalty is the core objective of a company and its relationship marketing (Palmatier et al., 2006). Thus, companies in all industries opt for loyalty programs to build and enhance customer relationships (Kivetz & Simonson, 2002; Nunes & Dreze, 2006).

Loyalty programs are introduced with the purpose of encouraging customers to visit and make purchases (Demoulin & Zidda, 2008). Loyalty programs consist of an integrated system of marketing communication and actions with the purpose of increasing loyalty, repeat purchase behaviors, switching costs through providing economical functions, and informational and sociological rewards (Meyer-Waarden, et al., 2008).

Therefore, a customer's brand loyalty is an important factor for growing business, making it important to create marketing strategies that will appeal to each customer on an individual level.

## 2.2 Traditional Loyalty Programs

The simplest and one of the most traditional systems, card loyalty systems, is the punch card that is usually given to customers for free. After every purchase of a specific item (such as coffee), a hole is punched. When a fixed number of purchases are completed, the customer receives either a free gift or a discount. These types of card loyalty programs are easy to implement and therefore most commonly used by small vendors or retailers.

Currently, the concept of traditional loyalty programs, where consumers are only rewarded for their in-store purchases, has been diluted and thus given way to more sophisticated and modern loyalty card programs, which have become a hot topic among marketers and retailers. Notably, the emergence of smart phones and other digital gadgets as well as social media are making traditional loyalty programs obsolete; they no longer meet the demands of modern customers who often expect synergy across all channels (Driscoll, 2013; Verhoef et al., 2015).

There is increased interest in retaining old customers rather than acquiring new ones and a rise in competition in the retail sector. Therefore, retailers are offering various forms of loyalty programs to boost sales and increase brand recognition by striving for customer repurchases over time. Even though there are many loyalty programs in the retail sector, few studies have focused on measuring the influence such programs on customer loyalty and retention regarding technology and their digitization (Table 1).

## 2.3 Loyalty Programs and Technology Use

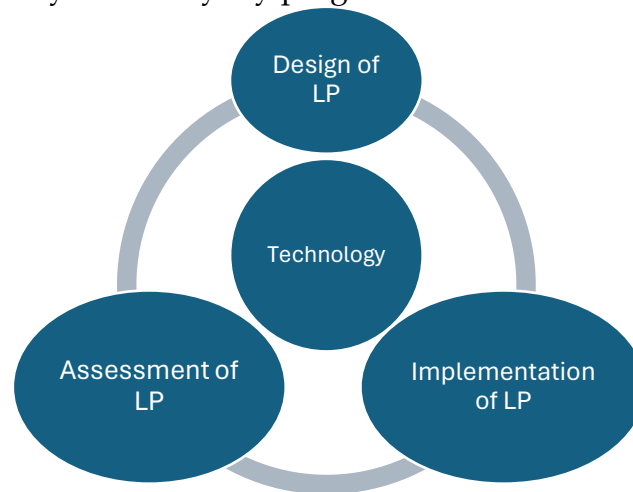
It has been noted that while researchers provide strong and continuous recommendations for the use of digital technology in loyalty programs (Breugelmans et al., 2015; McCall et al., 2010), studies that address the use of appropriate technology in loyalty programs are quite limited and focus on few technologies (Liljander et al., 2007; Son et al., 2016; Wang et al., 2016).

As per Bijmolt et al. (2011), Liu and Yang (2009), and McCall et al., (2010), the latest advancements and trends in information technology and communication, marketing analytics, and consumer interface platforms such as mobile devices, have offered recent developments in loyalty program practices

while providing new opportunities as well as challenges because, although it attracts the early adapters to the program and technology, it is only beneficial to those customers who use the mobile internet and 4G. Son et al. (2016) suggested that such mobile applications and engagement can have a positive effect on cash expenditure and point redemption.

### 3 THE LOYALTY PROGRAM LIFECYCLE: DESIGN, IMPLEMENTATION, AND ASSESSMENT

Figure 1 Technology and lifecycle of a loyalty program.



#### 3.1 The Design Stage

If a loyalty program's design lacks appropriate planning and attention, the plan may be ineffective. On the contrary, a well-planned and well-designed loyalty program attracts customers and dissuades them from joining competitors' programs (Meyer-Waarden, 2008). As discussed by McCall et al. (2010), there is no specific rule for designing a loyalty program, but there are crucial points that demands attention, including overall structure, point structure, membership requirements, reward structure, and program communication. An important decision is whether a program should be made open to all or offered only to a specific group of customers. Both have pros and cons, depending on the need of the organization. For instance, an open-to-all loyalty program would create program awareness and bring benefits to its customers (Breugelmans et al., 2015). By contrasts, an invitation-only loyalty program would make efficient use of the available budget by excluding customer groups that offer low profitability.

Similarly, decisions in terms of the reward structure are also made during the design phase. These include the number of tiers, points' expiry rules, points issuance ratio, tier benefits, tier positioning, and tier transition rules. Depending on the need and nature of the program, an organization may choose either reward option (customer tier or frequency reward), or it may opt for a combination of both (Kopalle et al., 2012). Dorotic et al. (2014) explained that companies should refrain from point expiry and/or binding thresholds to

positively influence purchase behavior. Consumers' spending habits over a certain period have usually been associated with tier upgrades. Nevertheless, companies may upgrade the status of a specific member to a higher tier even before he/she attains it (through purchases). This would result in feeling of skepticism and gratitude. In such cases, companies should only select customers who are already close to achieving the higher tier/status and the customer should be given a choice beforehand (Eggert et al., 2014).

The constructs of loyalty programs' stages such as design, implementation, and assessment are prominent in prior literature as shown in Table 2.

Table 2 Stages of the Loyalty Program Life Cycle and Their Corresponding References

Stage	Reference	Concept
Design	Bijmolt et al. (2010)	"Loyalty programs: Generalizations on their adoption, effectiveness, and design" (p. 197). "In general, an LP design comprises the program's structure, rewards, and a number of program partners." (p. 230).
	Kreis and Mafael (2014)	"The influence of customer loyalty program design on the relationship between customer motives and value perception" (p. 590).
Implementation	Kongarchapatara and Shannon (2012)	Investigating the effectiveness of a loyalty program through the relationships of program design, implementation, and customer loyalty" (p. 1).
	Shugan (2005)	"The design and implementation of loyalty programs is both an important and growing area of research." (p. 191).
Assessment	Breugelmans et al. (2015)	"Assessment of LP performance" (p. 132).
	Kang et al. (2015)	Beyond traditional behavioral measures, CCID and company latent financial risk offer alternative assessments of (LP) effectiveness." (p. 468).

Furthermore, it is important to determine appropriate metrics, such as customer retention, attitudinal loyalty, and repeat purchase when designing a loyalty program. It would further help to evaluate program performance as well as determine the return on investment (ROI) (Balakrishnan, 2011).

From the literature above, it can be seen that the crucial decisions of loyalty program design are based on the information and/or data that can be extracted

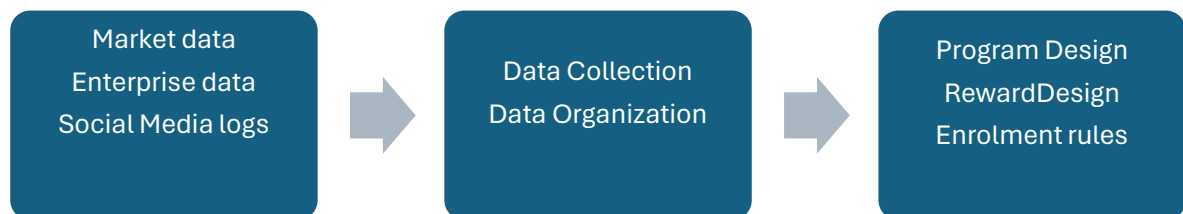


from a number of sources distributed across channels such as the company's enterprise systems, partners, industry, and the market. Apart from traditional systems and sources, the required data can also be obtained from modern sources, such as social media and weblogs, and it may be used effectively in the decision-making process to provide relevant program and offers to customers (Purohit & Thakar, 2019). Thus, the critical role of technology in the design stage of a loyalty program involves retrieving, transforming, storing, and processing large amounts of data that comes in different forms and from different systems. Data processing steps include extraction from the main source, validation, transformation of the data into the appropriate format for storage, and loading it into storage for future use. Therefore, extraction, transformation, and loading tools (e.g., Informatica) may be beneficial for automating data handling (Purohit & Thakar, 2019).

Purohit and Thakar (2019) also suggested that after preparation of the required data, it is possible to use simulation programs to predict the potential outcomes of a certain choice in the design using a what-if analysis. This can help retailers and companies save both time as well as cost. Similarly, the dynamic demand for computation resources during the design phase may prove the use of cloud-based services economical.

The overall outcome of the design stage can be seen in Figure 2.

Figure 2 Technology and design stages of loyalty program.



### 3.2 The Implementation Stage

The implementation stage of any loyalty program is at least equal to, if not more than the design phase, in creating an effective loyalty program (Xie & Chen, 2013). The implementation process should coexist with and match the relevant parameters of the design process. The key activities and tasks as well as the role of technology in the implementation process are discussed below.

#### 3.2.1 Communication

A well-known marketing statement suggests that it is better to retain an existing customer than to acquire a new one because it results in repetitive interactions. The retailer then becomes more familiar with such customers and can offer tailored promotions and products. For instance, cosmetic retailer

Sephora creates a beauty profile for each member of its loyalty program. The specific profile then generates personalized offers and recommendations based on skin and hair types (Colloquy, 2014) to give members maximum benefit of their products. This further allows Sephora to have a competitive edge over other beauty retailers.

Another retail champion with a personalized loyalty program is Tesco. Their Clubcard, which was launched in 1995, was a huge success pushing Tesco ahead of Sainsbury to become the market leader in the UK grocery sector (Marketing Week, 1995). The company that created the loyalty program (Dunnhumby) used purchase information to create customer profiles and they later built a model that could accurately predict future consumptions and needs of customers. Additionally, the Coupon At Till (CAT) system brings Tesco customers back to stores via personalized offers that are appealing and relevant (Humby et al., 2004). Over three-month period in 2005, Tesco sent six million personalized combinations of coupons to its customers (Tesco, 2005).

For the casual personalized offer strategy to work both efficiently and effectively, attracting customers to a store is not enough. The other significant step is to ensure that customers not only purchase items for which they receive coupons/offers, but also other items in the store (Nastasoiu & Vandenbosch, 2019). Therefore, with effective personalized, the following two strategic decisions are crucial: (1) whom to target, and (2) what type of offers and promotions to send out. The first decision is the most important because the wrong decision can lead to adverse situations, such as offering incentives and promotions to those who would purchase the offered items anyway. The second decision requires an accurate match between the customer and the offers/promotions. Per Nair et al. (2017), intelligent matching can increase revenue significantly, without necessarily increasing cost.

Wiebenga and Fennis (2014) revealed that customers' behavior can be influenced by making changes in the way the progress of the program is communicated.

### 3.2.2 Communication Style

Regarding a loyalty program's success, program communication plays a significant role. The communication style as well as the quality of the information offered affects customers' commitment to the program (Ball et al., 2004; Sharma & Patterson, 1999). Additionally the channel through which the information is being communicated plays a vital role in how program members perceive the style of communication and the information's quality (Berezan et al., 2016). For example, websites and social media are known to improve a store/brand's image and to significantly affect the behavior of customer toward the loyalty program (Liljander et al., 2007; Son et al., 2016). Therefore, it is crucial that the retail stores provide relevant, consistent, and accurate information and message across all touchpoints and channels to enhance customers' perception of their loyalty programs (Liljander et al., 2007).

Additionally, the style of communication and its content affect all key areas of relationships between a firm and its customers, including loyalty (Ball et al., 2004). During the early stages, communication helps build brand awareness, develop brand preferences, influence current customers, and encourage potential customers to make purchases (Ndubisi & Chan, 2005). During the later stages, communication provides the opportunity to maintain regular contact with customers to provide real-time and accurate information and updates on products and services, as well as to proactively address potential problems and find solutions. In terms of loyalty programs, communication can be either firm or customer-created. Studies have found that, by supporting both of these communications types, social media and other touchpoint platforms can influence intention to spread positive e-word of mouth (eWoM) and thus create and enhance loyalty (Zhang & Benyoucef, 2016).

### 3.3 Firm-Created Communication

The retail and service industry's abilities to meet or even exceed customers' needs have been greatly improved by ever-changing communication media, expectations of accurate and personalized information, and expanded customer touchpoints (Ray et al., 2005). Companies are striving to use all touchpoints through various methods, including personalization, such as direct emails and mail, personalized letters, interaction via websites, and machine-generated interaction as well as personal interaction between the company and its customers via the pre-selling, consumption, and post-selling stages (Ball et al., 2004; Zahay et al., 2014).

For this reason, a successful loyalty program must create an interpersonal connection between the company and its customers through solid communication (Shoemaker & Lewis, 1999). Numerous studies have focused on the importance of personalized communication in order to gain customers' loyalty (Allen & Wilburn, 2002; Lemon et al., 2001). If an organization manages data properly, and couples that with technology, such as Internet and other platforms, it can lead to highly personal communication (Zahay et al., 2012).

### 3.4 Customer-Created Communication

Customer-created communication includes both electronic as well as traditional WoM. It involves interactions between customers on various social media platforms which can enhance a customer's knowledge base and can maximize his/her benefits from the loyalty program. This can also enhance the overall experience and his/her perceived value of the program. Gruen et al. (2006) found that WoM has been perceived by customers as a trustworthy source of information. Online travel forums like yelp.com, tripadvisor.com, and flyertalk.com offer their members service ratings, discussion forums, and reviews that allow the customers to have interactive conversations. Berezan et al. (2015)

stated that an important aspect of effective communication is its style including whether it is personalized and interactive, per the customer's perception.

#### 3.4.1 Customer Support

While companies move ahead with good intentions and precautions, negative incidence can occur either when customers are using services or at the time of purchase. Stauss et al. (2005) argued that these incidents can cause frustration as well as negative reactions among customers regarding the loyalty program and the brand overall. However, these incidents can be successfully addressed if they are integrated well with customer support systems that can be used to assign the appropriate priority to the problem based on the member's tier and profile. For example, compensation points can be offered to reassure customers' loyalty.

#### 3.4.2 Privacy Matters

Around the world, organizations are now using data that was obtained from the profile of the members to provide personalized offers. This can cause mistrust among customers, they may not feel confident and comfortable enough sharing personal information as they fear its misuse (Ashley et al., 2011). Furthermore, as customers have become more aware of privacy concerns and security issues, the acceptance of loyalty programs has been negatively affected (Blanco-Justicia & Domingo-Ferrer, 2016).

One solution to this problem is that companies can employ information security control and related policies. This involves using improved authentication procedures such as Captcha codes on every digital channel that is used by customers. Companies can also opt for a multitier privacy control mechanism (Blanco-Justicia & Domingo-Ferrer, 2016; Enzmann & Schneider, 2005), which would lead to building confidence in the program, among its members.

#### 3.4.3 Location-Based Services

Location-based services are proving to be beneficial for retailers by allowing them to provide accurate and relevant offers to their respective customers (Brynjolfsson et al., 2013). Additionally, as suggested previously, such services may be well integrated into retailers' digital loyalty programs in order to provide relevant and personalized offers through considering profile specifics, such as gender, age, buying behavior, and buying history. Retailers can also use these location-based services to detect and identify potential loyal customers who merely visit the store without making a purchase. The retailer can then initiate customized offers to such members in order to retain them and gain their loyalty.

### 3.4.4 Automation and Efficiency

Staff at the member support centers of any reward program tends to perform a number of operational tasks on a regular basis, including progressing redemption requests, managing the fulfillment of promotional merchandise, monitoring member activity statements, and/or processing the complaints and queries. Most of these tasks involve predefined procedures. On this point, Brynjolfsson and Mitchell (2017) elaborated that some tasks can be automated by evaluation of the applied criteria. In such circumstances, artificial intelligence (AI) can be used to observe and learn human decisions. By implementing automation to the routine tasks of their loyalty programs, organizations can increase efficiency, cut operational costs, and utilize these freed up resources for other strategic tasks.

Table 3 Tasks and Outcomes of Stages

Stages	Tasks	Action	Outcome
Design	Defining LP objectives Development of budget Determining LP eligibility Selecting LP reward		Blueprint of LP with rules and parameters
Implementation	Building a relevant organization Developing and maintaining a LP database Managing internal data warehouse and data mining	Effective communication Personalization Privacy rules Automation and efficiency	Effective transition of design into action using technology
Assessment	Evaluating the LP Taking concrete actions		Effectiveness metrics, gaps and concrete actions

### 3.5 The Performance Assessment Stage

There are various performance measures for loyalty programs, which may include customer traffic, enrolment, frequency of purchase, share of wallet, WoM, reduced price sensitivity, etc. (Breugelmans et al., 2015; McCall et al., 2010). However, the pre and essential steps to measure the ROI are to define suitable metrics that are aligned with the objectives of the firm or which the loyalty program was adopted (Balakrishnan, 2011).

Some studies (Breugelmans et al., 2015; Pauwels et al., 2009) have suggested a dashboard approach to assess a loyalty program. This approach is possible if the firm: (1) defines and identifies the appropriate metrics during the design phase, (2) collects accurate elements of the data for the metrics at implementation phase, and (3) extracts, transforms, and loads the data into a data warehouse for the purpose of analysis.

A study by Frisou and Yildiz (2011) supported the use of technology in loyalty programs by emphasizing that the effectiveness of such programs is associated with the learning of the consumer; consumers spend more on purchases if and when they learn about and are fully aware of the accumulation and redemption of points. Therefore, if the “learning” is used as a metric during the design stage to improve program’s effectiveness, there should also be some mechanism in place to measure it. This can be done in a variety of known ways like via questionnaires, quizzes, and/or surveys. As an alternative, indirect methods can also be used to measure it, including measuring when a customer performs a particular activity over a prolonged period. Information technology can be used for both of these approaches and measures. The task of each stage with their respective outcomes can be seen in Table 8.3.

To summarize, business intelligence (BI) software and data warehouses can be used effectively to measure the performance of any loyalty program. However, the AI can be used beyond the assessment of standard procedures to efficiently reveal patterns of customer behavior, which may not be otherwise obvious; by the application of a machine learning algorithm on data of the members. Trends can then be analyzed in order to identify loyalty program members’ characteristics which can further help companies to predict loyal versus non loyal customers. With such insight, the firms can take proactive actions in order to retain customers through loyalty programs.

## **4 DISCUSSION**

Although loyalty programs in retail industry are still considered the most important tool for CRM; there is no denying that they are reaching maturity. However, recent advancements in technology can influence all stakeholders including customers, companies as well as partner organizations (if any). Thus, modern technology and information can play vital roles in loyalty programs and their elements that can enable firm to continue providing value and gain greater ROI.

This chapter explains the benefits of using technology and information in the loyalty program lifecycle in order to enhance the overall effectiveness of loyalty programs and thus provides the following contributions:

- Demonstrates the tasks that are being performed at each phase of loyalty program lifecycle.

- Provides an extensive list of technology for the program lifecycle, including specific technologies that can be useful for each stage.

- Demonstrates how the technology can be implemented in each phase of program’s lifecycle to achieve goals and increase effectiveness.

Explains how the use of technology in loyalty programs can effectively retain the customers and enhance their loyalty toward the program as well as the brand.

Technology in loyalty programs is still a vast field that requires additional exploration and discovery. While it is beneficial to encourage customers to consider the loyalty program at each visit to the store; complete integration and personalization are next steps. Technology will soon allow tracking of all loyalty cards in one wallet, intuitive points' redemption without the need to even select relevant loyalty card, and the authority to exchange points across multiple loyalty programs. In this way, organizations can gain better insight into customer behavior and can use the obtained information to predict behaviors as well as outcomes. However, to achieve this stage, an open business model and partnership with mobile wallet providers are key to success.

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## II

# INVESTIGATING THE IMPACT OF REWARDED SOCIAL MEDIA ENGAGEMENT, TRUST, PERCEIVED SWITCHING COST AND LOYALTY ON LOYALTY MEMBERS IN THE SPORTS INDUSTRY

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# **Investigating the Impact of Rewarded Social Media Engagement, Trust, Perceived Switching Cost and Loyalty on Loyalty members in the Sports Industry**

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Social media has changed the way people interact with companies and one another and also become a powerful tool for enhancing touchpoints with customers. While many studies on loyalty, loyalty programmes and reward exists, there is still a gap in our understanding of how social media, rewarded engagement and loyalty programmes work together. Against this backdrop, this chapter aims to increase our understanding of the role of rewarded social media engagement in loyalty programmes and customer loyalty amongst members versus non-members. To explore the relationship and differentiate between members and non-members, this study explores rewarded social media engagement, trust, perceived switching cost and loyalty. This chapter discusses whether rewarded social media engagement, trust and perceived switching cost and overall loyalty are higher in the loyalty programmes members versus non-members. The study uses online surveys of members and non-members to examine their behaviour towards social media engagement and loyalty to loyalty programmes while adding to the body of knowledge on loyalty programmes, social media communication and rewarded engagement. The main findings highlight that rewarded customer engagement in the social media context, trust, perceived switching cost and loyalty towards the programme and the company are higher in the programme members than non-members in the sports industry.

**Keywords:** rewarded customer engagement; loyalty; loyalty programmes; social media; customer trust; perceived switching cost.

## Introduction

The concept of Customer Engagement (CE) has recently attracted many academic researchers (Hollebeek *et al.*, 2019), with one study suggesting that in terms of engagement, different benefits are being offered to companies and customers through customer integration (Bowden, 2009a). The benefits for customers comprise hard benefits like price reduction, and customization, while positive consequences for organisations consist of soft benefits, such as loyalty, brand trust and increased perceived switching cost (Hollebeek, Glynn and Brodie, 2014; Vivek, Beatty and Morgan, 2012; Bowden, 2009a).

However, due to the rapid change in customer needs and market situation in terms of Loyalty Programmes (LPs), companies are now learning that only rewarding customers' financial transactions does not benefit the company in the long-run (Ramani and Kumar, 2008). Thus, many companies have now redesigned their LPs to Reward Customer Engagement (RCE) and enhance their LPs' effectiveness (Brodie *et al.*, 2013).

Many previous CE studies have suggested that CE positively correlates with customer loyalty (Yen, Teng and Tzeng, 2020; Rather, Hollebeek and Islam, 2019). Companies have learned that they need to reward not solely purchases but also customers' engagement to gain loyalty towards the LP and the brand. Therefore, companies are now designing LPs to reward specific CE (Brodie *et al.*, 2013).

Social media also provides an extensive new field for traditional customer relationship tools (Heller-Baird and Parasnis, 2011), such as LPs. With the help of social media engagement, customers now can share and/or earn rewards (Smith, 2014; Rawa and Meduri, 2013).

Studies by Hollebeek *et al.* (2014) and Brodie *et al.* (2013) explored the influence of RCE in the social media context. Manchanda, Packard, and Pattabhiramaiah (2015) and Kumar *et al.* (2013) stated that social media activities are key to spreading brand knowledge while generating growth in sales amongst members and users. Further research showed that if customers engage with a company via social media, they tend to expect a reward for spending their time and providing personal data (Heller-Baird and Parasnis, 2011).

Despite the conduction of relevant studies, only few have actually examined LPs regarding CE (Bruneau, Swaen, and Zidda, 2018) or social media and CE in the sports industry (Ballouli and Hutchinson, 2010; Pegoraro, 2010; Sheffer and Schultz, 2010a, 2010b; Williams and Chinn, 2010). Hence, our objective of this study was to investigate novel forms of rewarded behavior in contrast to rewarding financial transactional behaviour in LPs for members versus non-members.

This study aims to fill this knowledge gap by discussing the impact of rewarded social media engagement, trust, Perceived Switching Cost (PSC) and loyalty towards the LP and the store/brand amongst members and non-members of LPs in the sports industry with an emphasis on the sports brand Nike, which was selected for its iconic value amongst customers and well-established brand reputation in the sport industry. Schiffman, Leon and Kanuk (2006) identified Nike as a brand with high personality value. Moreover, Nike projects emotional value by inspiring not only success but also energy,

motivation and determination (Bouwman, 2008). Nike's 'Just Do It' marketing campaign is one of the top five advertising campaigns of the 20<sup>th</sup> century (Aaker, David and Erich, 2000).

The remainder of this study is as follows: The theoretical background and literature review are presented by focusing on the study's constructs, followed by presentation of the research framework and propositions. Next, the research methodology is outlined, followed by the analysis and results. Finally, the results and conclusions are discussed, and future research directions are suggested.

## **Literature Review**

This section discusses relevant studies on the topic and the chosen constructs.

### *Customer engagement, loyalty and social media*

Customer Engagement (CE), defined as an iterative, dynamic and psychological state derived from a satisfactory interactive relationship with a company (Pansari and Kumar, 2017; Brodie *et al.*, 2013; Van Doorn *et al.*, 2010). It comprises interaction with other users or customers in communities where customers generate and share content (Sashi, 2012). In this way, customers manifest non-transactional behaviour to try to gain a reward, intensive knowledge, and/or a reputation (Jaakkola and Alexander, 2014).

CE, which also refers to the interaction between customers and companies (Hollebeek, 2011), can help develop emotional bonds with a product, service or brand, which can foster customer loyalty (So *et al.*, 2016; De Vries and Carlson, 2014; Hollebeek *et al.*, 2014; So, King, and Spark, 2014).

The idea of CE has gained considerable attention in academia (Islam and Rahman, 2016a, 2016b; Brodie *et al.*, 2011), and The Marketing Science Institute (MSI, 2018) has listed future research on CE in technology as an important research priority since 2010. Encouraging CE in organisations requires the use of technologies to better serve and delight customers; hence, social media provides a platform to motivate customers to engage (Thackeray *et al.*, 2008).

In another study, Jowdy and McDonald (2002) revealed that CE significantly affects long-term relationships between organisations and members in the sports industry. Additionally, it is believed that in the sports industry, relationship marketing has a great advantage because sports organisations and brand customers are generally highly involved (Shani, 1997), who also tend to contribute actively (Williams and Chinn, 2010). Therefore, sports companies and brands should develop relationships with members not solely as customers but also as influencers and collaborators using social media platforms (Williams and Chinn, 2010).

Table 1 below shows the main concepts of CE from previous studies.

Table 1. CE and its conceptualization.

<b>Authors</b>	<b>Concepts</b>
Zheng <i>et al.</i> (2015)	Individual participation and promotion behavior regarding online brand communities and social media.
Hollebeek, Glynn, and Brodie, (2014)	A consumer's emotional and behavioral brand-related activity in terms of a specific consumer/brand interaction.
Vivek, Beatty, and Morgan, (2012)	A customer's participation and connection regarding activities provided by organisation; initiated either by a customer or an organisation.
Brodie <i>et al.</i> (2011)	A motivational state as a result of an interactive, co-creative customer experiences with a brand.
Van Doorn <i>et al.</i> (2010)	Consumers' behavior beyond purchases could be a consequence of motivational drivers, such as WoM activity, recommendations, helping other customers, and writing reviews.
Bowden, (2009a, 2009b)	A psychological process which forms mechanisms resulting in customer loyalty.
Calder, Malthouse, and Schaedel, (2009)	CE is a collection of experiences related to a consumer's beliefs about a platform that resonates with one's lifestyle. Some sites engage due to their high level of utilitarian experience, while other engage as they are enjoyable.
Sprott, Czellar, and Spangenberg, (2009)	Consumers' tend to engage and relate with significant brands as part of how they perceive themselves.

Studies have revealed that CE significantly affects customer loyalty (Prentice *et al.*, 2019; Chen and Rahman, 2018; Roy *et al.*, 2018). Yadav and Singh (2018) suggested that customer loyalty is a psychological feeling of associating oneself with a certain service, product or brand/organisation. A loyal customer can benefit the organisation in many ways, such as reducing promotional costs while providing constant profits (Yadav and Singh, 2018).

When CE is high, it may lead to a strong relationship between a customer and a brand and make the customer feel more connected, which increases trust towards the brand, switching costs and loyalty (Van Asperen, Rooij and Dijkmans, 2018; Harrigan *et al.*, 2017). Additionally, highly engaged customers tend to possess a higher level of trust (So



*et al.*, 2016; Wei, Miao and Huang, 2013), which positively influences loyalty towards the brand (Huang, 2017; Veloutsou, 2015).

Several studies have observed a positive relationship between CE and customer loyalty towards a programme or a brand. Dholakia and Durham (2010) found positive impacts of a Facebook activity on Word-of-Mouth (WoM), sales and interaction. Similarly, Habibi, Laroche and Richard (2014) suggested that brand communities on social media have a positive influence on customer loyalty and customer trust.

In today's era of digital technologies, LPs are believed to be a significant tool to retain and engage customers (Lu and Miller, 2019). LPs can be defined as reward programmes, relationship marketing programmes and loyalty cards. The term 'loyalty programme' includes all these forms and conceptualises LPs as different marketing incentives, such as rewards, gifts, vouchers, dedicated support etc., which are designed to engage customers in a long term relationship (Henderson, Beck and Palmatier, 2011). One study (Steinhoff and Palmatier, 2016) revealed that LP members tend to intentionally or unintentionally weigh and analyse benefits versus costs, along with their own expectations to decide whether they should engage in a relationship.

Thus, the primary aim of LPs is to support and encourage programme members to engage in a long-term positive relationship with the organisation while providing rewards, which are unique and can thus be differentiated (Yang *et al.*, 2019). A study by Guo *et al.* (2020) suggested that the reward method can be used to improve CE and loyalty. The term 'reward' refers to the specific benefits that the members of a programme or brand desire and/or receive through their participation and/or engagement. A reward is considered a significant driver of CE and loyalty (Baldus, Voorhees and Calantone, 2015).

Therefore, a relatively recent study (Islam, Rahman and Hollebeek, 2018) suggested that organisations should offer personalised rewards to LP members to increase CE. If organisations offer a creative, interactive and enjoyable reward to their members, it would significantly boost their engagement level as well as the loyalty of members, as compared to non-members (Chan *et al.*, 2014). Thus, LPs are now introducing and following this new approach to reward customers not only for their financial transactions but also for their social media engagement (Smith, 2014).

Due to the importance of CE and loyalty in businesses and marketing, companies now rely extensively on social media to spread online information to their customers and to interact with and engage them using marketing activities (Dolan and Goodman, 2017; Harrigan *et al.*, 2017; Zhang *et al.*, 2017). Entertaining social media content on platforms like Facebook has a significant effect on the engagement level of customers and members (Cvijikj and Michahelles, 2013; Chan *et al.*, 2014).

Dolan *et al.* (2019) defined social media engagement as a "*customer's behavioural manifestations that have a social media focus, beyond purchase, resulting from motivational drivers*" (p. 265). Recent advancements in technology and social media use reflect the need to rethink current CE conceptualisation. Social media has also transformed the basic role of a customer to that of an organisation via encouraging customer contribution towards creating and sharing information, photos, reviews and other marketing resources (Lariviere, Bowen, and Andreassenc, 2017).

Furthermore, according Lariviere *et al.* (2017), the predicted basic role of a customer has changed and transformed to that of an enabler, innovator, coordinator and differentiator. When customers are involved in such roles, they tend to participate in the development and delivery of new products and services, engage other new and old customers, create and develop communities, interact with prospects and differentiate between different offers in the market. The study (Lariviere *et al.*, 2017) further argued that in the technology and social media era, marketers and organisations cannot fully control messages and content, as customers are now a main source of information and reviews and they can influence other customers' preferences and purchase decisions.

Therefore, Brodie *et al.* (2013) claimed that customers who are highly engaged on social media tend to possess higher level of loyalty towards the programme and brand. Harrigan *et al.* (2017) also argued that CE is a positive driver of loyalty.

### *Customer trust*

Customer trust, which plays a significant role in creating and developing a bond between a customer and a company or brand, refers to the belief that the organisation or brand will fulfil customers' requirements and can be an important factor leading to customer loyalty (Boonlertvanich, 2019). Previous studies (Haque and Mazumder, 2020; Quoquab, Sadom and Mohammad, 2019) revealed that customer trust is positively related to customer loyalty towards the brand. Iglesias *et al.* (2020) revealed that customer trust significantly increases customer loyalty towards the organization; thus, companies need to maintain customer trust to generate positive attitudes and intentions amongst them. Additionally, Paparoidamis, Katsikeas and Chumpitaz (2019) noted that customers who trust the brand remain loyal to it.

Customer trust has been explored in many studies related to loyalty and CE (Huang and Chang, 2019; Liu *et al.*, 2018). Furthermore, social exchange theory suggests that customers are more inclined to interact and engage with a brand or service that they trust (Cheng *et al.*, 2017). Customers' trust in a brand and/or its product leads to positive feelings and interactions (Zhao, Huang and Su, 2019).

Additionally, CE is believed to enhance trust between a customer and a service or product provider (Sashi, 2012). Letheren *et al.* (2019) emphasized the importance of understanding that customer trust can elevate the CE level.

Santos, Coelho and Rita (2021) revealed that CE is vital factor to build customer trust on social media. Additionally, Dwivedi and McDonald (2020) stated that social media communication and engagement are significantly correlated with customer trust in the brand. Therefore, customer trust can lead to loyalty amongst customers (Palacios-Florencio *et al.*, 2018).

### *Perceived switching cost*

Perceived Switching Cost (PSC) refers to the cost that the customer needs to bear while moving from one brand/product to another and includes economic, psychological and physical costs (Ariefin, Andarwati and Hadiwidjojo, 2019; Al-Mashraie, Chung and Jeon, 2020).

Shaik *et al.* (2020) argued that PSC does not have to be monetary; it can include non-monetary costs, such as learning and search costs. Additionally, when a customer switches from one brand/company to another, the indirect costs are usually felt when there are learning costs, search costs and the loss of discounts for loyalty from the previous brand/company (Magnani, Manenti and Valbonesi, 2020; Temerak and El-Manstrly, 2019).

PSC is believed to be a significant construct of customer loyalty and a firm's long-term customer relationship building. Chuah *et al.* (2017) stated that PSC increases when a customer attains a LP membership. Thus, if the customer or LP member is sensitive to a product's attributes, such as quality, price sensitivity will be decreased by uncertainty, and the customer will behave as if loyal to the brand (Erdem, Swait and Jordan, 2002).

For the above mentioned reasons, PSC directly impacts on customers' sensitivity to price and hence influences their loyalty (Burnham, Frels and Mahajan, 2003; Jones, Beatty and Mothersbaugh, 2002; Eber, 1999). Similarly, Sharma (2003) and Patterson and Sharma (2000) argued that an increase in PSC can influence trust in customer loyalty and vice versa.

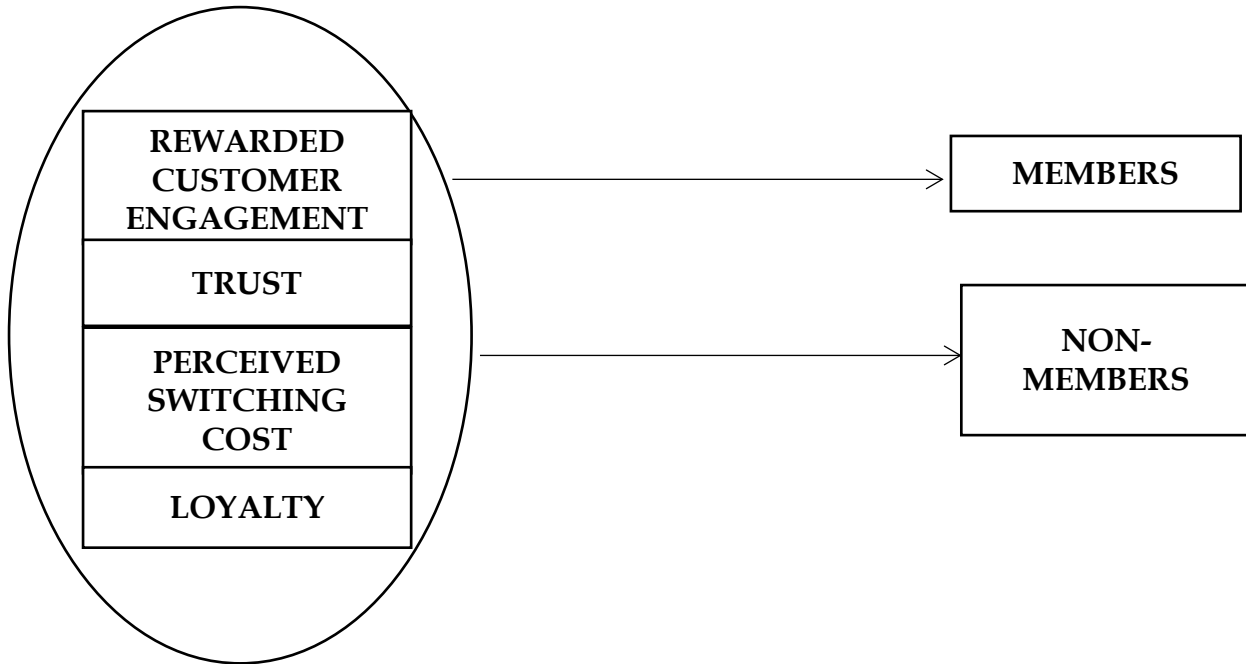
### **Framework and Propositions**

The objective of this study is to determine whether rewarding customers for their engagement beyond purchases can strengthen their attitude towards an LP and a sports brand between the LP's members.

Thus, this chapter investigates the differences in RCE, trust, PSC and loyalty between the members and non-members of a sports company LP by studying the role of RCE, trust, PSC and loyalty on members of the LP in the context of the social media. The literature (e.g. Brodie *et al.*, 2013; Vivek *et al.*, 2012; Bowden, 2009b) suggests that engaged customers reveal higher engagement, trust and PSC, which also results in increased loyalty among members.

Therefore, on the basis of the literature review and the objective of this study, the following conceptual framework was developed:

Figure 1. Theoretical Framework



Four propositions were developed for this particular study:

*P1: Rewarded social media CE is higher amongst LP members versus non-members.*

*P2: Trust is higher amongst LP members versus non-members.*

*P3: PSC is higher amongst LP members versus non-members.*

*P4: Loyalty is higher amongst LP members versus non-members.*

### **Research Methodology**

Quantitative surveys were conducted from the customers (Nike's LP members and non-members) to explore whether RCE, trust, PSC and loyalty are higher amongst LP members in the sports brand compared to non-members on social media. The Nike sports brand was selected for this purpose.

The quantitative method used was a questionnaire survey which was developed by adapting measures from several studies. RCE construct measures were developed and adapted from Baldus *et al.* (2015) and measures for trust were adapted from Ball, Coelho and Machas (2004) and Ball Coelho, and Vilarés (2006). To measure the PSC, items were adapted from Burnham *et al.* (2003), Gultinan (1989), and Jones *et al.* (2002). Similarly, to measure loyalty (both programme loyalty and company/brand loyalty), the adapted items were based on a study by Youjae and Hoseong (2003).

The items of each construct are listed in Table 2.

## Data Collection, Analysis and Results

### *Data collection*

The quantitative research technique was selected because it shows a numerical and structural presentation of the constructs under study (Hunt, 1994). An online survey was conducted and convenience sampling was used. The survey was conducted using the Mechanical Turk (Amazon) online platform.

The questionnaire comprised five sections: 1) demographics, which covered the basic information from the customer, such as age, gender and occupation; 2) RCE, which included six items; 3) Trust, which contained five items; 4) PSC, which contained four items; and 5) LOY, which had seven items.

All items were measured and evaluated on a five-point Likert scale to facilitate consistent measurement, with 1 being 'strongly disagree' and 5 being 'strongly agree'.

### Sample size

According to Hair *et al.* (2010), the preferred ratio is 10 respondents for each variable item and the ratio of respondents to each individual construct must not fall below 5 (5:1).

This study comprised 22 items making. The minimum sample size is 220. However, the study gathered data from 300 respondents, including 198 LP members and 102 non-members of Nike.

### *Analysis and results*

To analyse the data, this chapter used SPSS statistical software; the t-test was used to test the propositions of this study. The sample of Nike customers comprised 198 (66%) LP members and 102 (34%) non-members ( $n = 300$ ).

The descriptive statistics for RCE revealed an overall mean score of 3.692 ( $SD = 0.77$ ). This shows a positive perception of RCE amongst the respondents/customers. RCE1 had the highest mean value, indicating that the customers liked Nike because it is entertaining on social media.

Similarly, descriptive statistics for TRU (trust) indicated an overall mean score of 4.060 ( $SD = 0.61$ ). This shows a positive perception of trust amongst the respondents/customers (i.e. customer had trust in Nike). TRU3 had the highest mean value, indicating that customers believe that they can trust Nike and that will not deceive (cheat) them (regarding offers or other social media activities).

The descriptive statistics result for PSC revealed an overall mean score of 3.794 ( $SD = 0.68$ ), which shows a positive perception of PSC amongst the

respondents/customers (i.e. customers perceive that the switching cost is high if they switch to another brand). PSC3 had the highest mean value, indicating that the customers believe that before switching to another sports brand, they need to compare all companies in the industry.

Additionally, the descriptive statistics for LOY (loyalty) had an overall mean score of 4.062 ( $SD = 0.60$ ). This indicates a positive perception of loyalty amongst the respondents/customers (i.e. customers are loyal to Nike). LOY7 had the highest mean value, indicating that customers would recommend Nike to others (on social media and in person as WoM).

Table 2 shows the mean of each construct/item for LP members and non-members.

Table 2. Measures of constructs and means

Construct	Measure items	Means *	Mean difference
Rewarded Customer Engagement (Baldus <i>et al.</i> , 2015)	RCE1: I like Nike because it is entertaining	4.26 (3.60)	$p < 0.01$
	RCE2: I enjoy being immersed (involved) by Nike	4.31 (3.50)	$p < 0.01$
	RCE3: My main aim of liking Nike is to access to deals, offers, coupons available	4.11 (3.42)	$p < 0.01$
	RCE4: Nike provokes me to participate on social media by offering lucrative deals	3.90 (3.06)	$p < 0.01$
	RCE5: Without the special deals provided by Nike, I would stop being a member of it	3.51 (2.89)	$p < 0.01$
	RCE6: Without the special deals provided by Nike, I would stop being a member of it on social media	3.42 (2.98)	$p < 0.01$
Trust (Ball <i>et al.</i> , 2004;2006)	TRU1: I feel I can rely on Nike to serve well	4.13 (4.02)	$p < 0.01$
	TRU2: Nike treats me in an honest way in every transaction	4.20 (3.93)	$p < 0.01$
	TRU3: I believe that I can trust that Nike will not cheat or deceive me	4.27 (3.95)	$p < 0.01$
	TRU4: Nike is reliable because it is mainly concerned with the customers' interest	4.16 (3.84)	$p < 0.01$

<b>Construct</b>	<b>Measure items</b>	<b>Means *</b>	<b>Mean difference</b>
	TRU5: When Nike suggests me that I buy a product, it is mainly for my best	4.11 (3.37)	$p < 0.01$
Perceived Switching Cost (Burnham <i>et al.</i> , 2003, Guiltinan, 1989, and Jones <i>et al.</i> , 2002)	PSC1: Switching to a new company causes monetary cost	3.69 (3.02)	$p < 0.01$
	PSC2: If I switch to a new company, the product/service might not work very well as expected	3.89 (3.71)	$p < 0.01$
	PSC3: To switch to a new company, I should compare all companies in the industry	4.18 (3.81)	$p < 0.01$
	PSC4: Even if I have enough information, comparing the companies with one another takes a lot of energy, time and effort	3.89 (3.66)	$p < 0.01$
Loyalty (Youjae and Hoseong, 2003)	LOY1: I like the loyalty program of Nike more so than other programs	4.16 (3.47)	$p < 0.01$
	LOY2: I have strong preference for the loyalty program of Nike	4.16 (3.53)	$p < 0.01$
	LOY3: I would recommend the loyalty program to others	4.15 (3.64)	$p < 0.01$
	LOY4: I like Nike more so than other sports companies	4.16 (3.78)	$p < 0.01$
	LOY5: I have strong preference for Nike	4.33 (3.92)	$p < 0.01$
	LOY6: I give prior consideration to Nike when I need to get sports equipment/essentials	4.21 (3.92)	$p < 0.01$
	LOY7: I would recommend Nike to others	4.31 (4.06)	$p < 0.01$

\*Mean score for non-members in parenthesis.

## Test of propositions

For the data was collected from LP members ( $n = 198$ ) as well as non-members ( $n = 102$ ) of Nike, the descriptive statistics show that the mean score for customers' perception of RCE in the sports industry for members was 3.920 ( $SD = 0.60$ ), whereas for non-members, it was 3.251 ( $SD = 0.87$ ). Similarly, the descriptive statistics show that the mean score for customers' perception about trust (TRU) in the sports industry for members was 4.177 ( $SD = 0.62$ ), whereas for non-members, it was 3.833 ( $SD = 0.69$ ). The mean score for customers' perception about PSC in the sports industry for members was 3.915 ( $SD = 0.58$ ), whereas for non-members, it was 3.558 ( $SD = 0.81$ ). Finally, the mean score for customers' perception about loyalty (LOY) in the sports industry for members was 4.210 ( $SD = 0.49$ ), whereas for non-members, it was 3.775 ( $SD = 0.68$ ).

A crosstabulation descriptive analysis was also done to see how many LP members and non-members chose agree/strongly agree for the items. Table 3 shows the crosstabulation analysis results for each construct/item for members and non-members.



Table 3. Results of crosstabulation analysis.

Crosstabulation			Strongly disagree	Disagree	Neither Disagree nor agree	Agree	Strongly agree	% (Strongly agree/agree)	
RC E	RC E1	Members	1	2	9	117	69	62	
		Non-members	3	17	17	45	20	21.6	
	RC E2	Members	1	4	17	86	90	58.6	
		Non-members	5	17	19	43	18	20.3	
	RC E3	Members	5	6	12	114	61	58.3	
		Non-members	8	20	17	35	22	19	
	RC E4	Members	3	12	42	84	57	47	
		Non-members	14	24	17	35	12	4	
	RC E5	Members	9	39	37	68	45	37.6	
		Non-members	12	29	26	28	7	11.6	
	RC E6	Members	16	42	28	66	46	38	
		Non-members	14	27	22	25	14	13	
	TR U	TR U1	Members	1	8	20	103	66	56.3
			Non-members	1	3	11	64	23	29
TR U2		Members	1	3	27	90	77	55.6	
		Non-members	1	5	18	54	24	26	
TR U3		Members	6	17	91	84	6	58.3	
		Non-members	10	13	51	28	10	26.3	
TR U4		Members	1	4	27	95	71	55.3	
		Non-members	1	7	19	55	20	25	
TR U5		Members	0	8	29	93	68	53.6	
		Non-members	7	14	31	34	16	16.6	
PS C	PS C1	Members	7	22	38	89	42	43.6	

Crosstabulation			Strongly disagree	Disagree	Neither Disagree nor agree	Agree	Strongly agree	% (Strongly agree/agree)
		Non-members	10	31	22	24	15	13
	PS C2	Members	1	19	27	104	47	50.3
		Non-members	2	8	31	37	24	20.3
	PS C3	Members	2	6	14	107	69	58.6
		Non-members	3	12	13	47	27	24.6
	PS C4	Members	3	13	30	108	44	50.6
		Non-members	1	18	18	42	23	21.6
LO Y	LO Y1	Members	3	1	28	94	72	55.3
		Non-members	2	7	45	37	11	16
	LO Y2	Members	1	5	24	99	69	56
		Non-members	1	8	40	41	12	17.6
	LO Y3	Members	2	6	23	95	72	55.6
		Non-members	2	6	36	40	18	19.3
	LO Y4	Members	0	4	29	96	69	55
		Non-members	3	8	19	50	22	24
	LO Y5	Members	0	3	10	102	83	61.6
		Non-members	4	5	11	57	25	27.3
	LO Y6	Members	0	2	30	90	76	55.3
		Non-members	2	8	15	48	29	25.6
	LO Y7	Members	1	5	17	83	92	58.3
		Non-members	1	4	10	59	28	29

In the RCE crosstabulation analysis, 62% of the Nike's LP members agreed that they like Nike because it is entertaining, but only 21.6% of non-members agreed. Similarly, 58.6% of members agreed that they enjoy being involved/engaged

(immersed) with Nike, but only 20.3% of non-members agreed with this. Furthermore, 58.3% of the members agreed that their main aim of engaging with Nike is to access deals, offers and coupons, whereas only 19.3% of non-members shared this opinion. Consequently, 47% of the members agreed that Nike encourages them to participate on social media by offering lucrative deals, whereas only 4% of non-members agreed with this. Additionally, 37.6% of the members agreed that without the special deals provided by Nike, they would stop being a member, whereas only 11.6% of the non-members agreed with this. Lastly, 38% of the members agreed that without the special deals provided by Nike, they would stop being a member on social media, whereas only 13% of the non-members shared the same opinion.

The trust (TRU) crosstabulation analysis indicates that 56.3% of Nike's LP members agreed that they can rely on Nike to serve them well, whereas only 29% of the non-members were of the same opinion. Similarly, 55.6% of the members agreed that Nike treats them honestly in every transaction, but only 26% of the non-members agreed. Furthermore, 58.3% of the members agreed that they believe Nike would not deceive or cheat them, whereas only 26.3% of non-members shared this opinion. Additionally, 55.3% of the members agreed that Nike is reliable because it is mainly concerned with customers' interests, but only 25% of non-members shared the same opinion. Consequently, 53.6% of the members agreed that Nike suggests a product for their own (customers') benefit, whereas only 16.6% of non-members agreed.

The PSC crosstabulation analysis indicated that 43.6% of the Nike's LP members agreed that switching to a new sports company has monetary cost, whereas only 13% of the non-members were of the same opinion. Similarly, 50.3% of the members agreed that if they switch to a new sports company/brand, the product/service might not work as expected, but only 20.3% of the non-members agreed. Furthermore, 58.6% of the members agreed that before switching to a new company, they should compare all companies in the industry, whereas only 24.6% of non-members shared this opinion. Finally, 50.6% of the members agreed that even if they have enough information, comparing the companies with one another takes a lot of energy, time and effort, but only 21.6% of non-members shared the same opinion.

Likewise, for the loyalty (LOY) crosstabulation analysis, 55.3% of the Nike's LP members agreed that they like the LP more than those of other organisations, whereas only 16% of the non-members were of the same opinion. Similarly, 56% of the members agreed that they have a strong preference for Nike's LP; however, only 17.6% of the non-members agreed. Furthermore, 55.6% of the members agreed that they would recommend Nike's LP to others, whereas only 19.3% of non-members shared this opinion. Additionally, 55% of the members agreed that they like Nike more than other sports companies, but only 24% of non-members shared the same opinion. Consequently, 61.6% of the members agreed that they have a strong preference for Nike brand, whereas only 27.3% of non-members

agreed. While 55.3% of the members agreed that they give first consideration to Nike when they need to get sports equipment and/or other essentials (clothing, shoes, etc.), only 25.6% of the non-members were of the same opinion. Lastly, 58.3% of the Nike's LP members agreed that they would recommend Nike to others, whereas only 29% of the non-members shared the same opinion.

#### T-test

An independent sample t-test was conducted to compare RCE for members and non-members. There were significant differences ( $t(151.10) = 6.90, p = <0.01$ ) in the scores, with the mean score for members ( $M = 3.92, SD = 0.60$ ) higher than those of non-members ( $M = 3.2, SD = 0.87$ ). The magnitude of the differences in the means (mean difference = 0.66, 95% CI: 0.47 - 0.85) was significant. Thus, P1 was supported.

Consequently, an independent sample t-test was conducted to compare trust (TRU) for members and non-members. There were significant differences ( $t(298) = 4.76, p = <0.01$ ) in the scores, with the mean score for members ( $M = 4.17, SD = 0.52$ ) higher than those of non-members ( $M = 3.83, SD = 0.69$ ). The magnitude of the differences in the means (mean difference = 0.34, 95% CI: 0.20 - 0.48) was significant. Hence, P2 was accepted.

Similarly, an independent sample t-test was conducted to compare PSC for members and non-members. There were significant differences ( $t(156.33) = 3.94, p = <0.01$ ) in the scores, with the mean score for members ( $M = 3.91, SD = 0.58$ ) higher than those of non-members ( $M = 3.55, SD = 0.81$ ). The magnitude of the differences in the means (mean difference = 0.35, 95% CI: 0.17 - 0.53) was significant. Thus, P3 was also supported.

The same independent sample t-test was conducted to compare loyalty (LOY) for members and non-members. There were significant differences ( $t(157.69) = 5.66, p = <0.01$ ) in the scores, with the mean score for members ( $M = 4.21, SD = 0.49$ ) higher than those of non-members ( $M = 3.77, SD = 0.68$ ). The magnitude of the differences in the means (mean difference = 0.43, 95% CI: 0.28 - 0.58) was significant. Therefore, P4 was also accepted.

#### **Discussion and Conclusion**

For several years, social media has become a crucial part of customers becoming highly involved in leading social media platforms such as Facebook. Therefore, organisations now acknowledge the significance of online marketing as well as CE on online platforms and thus, invest a great deal in its implementation and development (Weinberg and Pehlivan, 2011). Social media platforms increase communication through ease of information transfer and more participation from consumers; LP members can now share information more efficiently while expressing their views about the product or service (Bayo-

Moriones and Lera-Lopez, 2007). This shows that the traditional way in which consumers interact has transformed, with consumers now influenced more by communication with one another than by organisations' efforts to promote their products or services (Berthon *et al.*, 2012).

The aim of this study was to fill a literature gap by investigating the effect of RCE, trust, PSC and loyalty on members within the sports industry. It revealed that sports companies create a CE experience while providing a reward, which helps members increase trust and PSC towards the programme and company and consequently leads to overall loyalty.

This study examined the impact of rewarded social media engagement, trust, PSC and overall loyalty in the context of LPs in the sports industry. This was carried out via online survey of Nike LP members and non-members. The results confirmed that there is a significant difference between members and non-member in terms of RCE on social media. The study also revealed that members of Nike's LP have a greater level of trust and PSC compared to non-members. Lastly, the study found that members who are engaged on social media have a higher level of loyalty towards the brand and the LP compared to non-members. Hence, all four propositions of the study were supported. The propositions also support the literature review mentioned in the above section.

Therefore, it is fair to say that the findings of this study support the literature stating that members of LPs in the sports industry generally have a high level of social media CE as well as trust and switching costs, which results in increased loyalty.

A key contribution of this study is a new perspective on CE theory regarding social media. This study argues that customers in the sports industry become engaged on social media when there is trust and PSC amongst them with respect to the organisation.

However, sports companies that offer RCE on social media platforms with the objective of increasing programme loyalty and overall loyalty amongst customers should reconsider the values and advantages they are providing in their rewards to make members more likely to become loyal to the LP and the brand. Rewards and social media engagement can positively affect the loyalty of LP members. Therefore, companies may put more effort towards developing required strategies to provide more engaging, participative and interesting content as well as rewards on social media to attract and engage more members, motivate engagement amongst them and develop loyalty.

### **Limitations and Future Research**

Several limitations and key lessons could be addressed in future research.

- As this study was conducted on one company/brand in the sports industry; the results might not be generalisable. Additionally, the constructs' validity might not be generalisable. Therefore, future research should consider a wider variety of LPs and memberships.
- For future research, several other variables can be added to investigate their impact on LP members versus non-members.
- It would be beneficial to include LP engagement antecedents, such as reward design and perceived benefits, in future research. A deeper level of analysis could also include moderating variables, such as LP design.
- Experimental research could use an improved methodology approach to practically investigate the role of (selected) variables on LP members and non-members of any organisation.

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### III

## COMMITMENT, LOYALTY AND LOYALTY PROGRAMMES IN THE SPORTS INDUSTRY

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## IV

# **REWARDED CUSTOMER ENGAGEMENT AND LOYALTY: A CROSS-PLATFORM STUDY OF TRADITIONAL LOYALTY PROGRAMS AND THE METAVERSE**

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