Erasmus University Rotterdam

School of Economics

Are Loyalty Programs Overrated? Analyzing the Impact of Loyalty Program Rewards on Customer Retention: A Case Study

Thesis Final Draft

Name student: Maria Bolanos Mejia

Student ID number: 652949

Supervisor: Dr. Ashkan Faramarzi

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Abstract

This master's thesis examines the effect that the type of reward given in a loyalty program has on customer retention for the cosmetics industry in Europe. The type of rewards considered for this research include rewards offered online and offline. Rewards affect the way customers feel and act towards the loyalty programs, which in the end, affects the retention rates that the companies need to maintain profitability and an engaged customer base. This study measures the mediating relationship when customer loyalty is included, as well as the interacting effects of the market saturation and generational differences. The research is conducted through an experimental design. The data is collected through a questionnaire with 4 possible scenarios and results are analyzed using a linear regression. Results indicate that there is no significant difference between offering an online versus an offline reward, and the relationship is not affected by other constructs such as customer loyalty, market saturation or age. The goal of this research is to give insight for future managers and researchers regarding the effectiveness of incorporating these types of rewards into the already existing loyalty programs, and how these rewards, when aligned with other factors, influence the customer retention for the company. Moreover, the research offers a different perception for a different type of rewards insufficiently explored in a thoroughly examined setting of loyalty program rewards.

Keywords

Loyalty programs, Rewards, Customer Retention, Customer Loyalty, Market Saturation, Generation Z, Online Rewards, Offline Rewards

Chapter 1: Introduction

1.1 Background and Context

Relationship marketing is broadly defined as “all marketing activities directed towards establishing, developing, and maintaining successful relational exchanges" (Morgan & Hunt 1994). Moreover, this type of marketing is also an essential factor in increasing and maintaining customer retention (Dewobroto et al., 2022) which leads to growth and profitability, as well as long-lasting valuable relationships with consumers, allowing firms to gain and sustain a competitive advantage in their performing industry. In addition, it has been found that relationship marketing is an implementation of the customer orientation that enables companies to retain customers through their loyalty and commitment towards the brand (Dewbroto et al., 2022), as well as creating lifetime customers that are loyal and willing to avoid other competitors' offers, motivating them through increased efficiency in decision making processes, reducing information processing as well as the perceived risk associated with future decisions (Singh & Imran, 2012). Likewise, in their research, Singh and Singh (2016) found that often, the cost of satisfying one customer is seven times less than the cost required to attract a new customer, which leads to believe that by properly adapting the relationship marketing tools to the company’s customers would help in achieving higher retention rates, as well as profitability and loyalty.

Through the years, extensive research on Customer Relationship Management (CRM) has been conducted, resulting in indicating that organizations are required to retain loyal as well as profitable customers (Kangu et al., 2017), this, is through continuous re-purchasing habits and distinctive incentives. According to Turk and Iscioglu (2019), mostly since the 1980s, firms have been implementing relationship marketing tools to develop customer loyalty and thus enhance purchase intention among their customer base. In this same order, among these tools are loyalty programs, which represent a big part of relationship marketing and a key success factor for customer loyalty and retention, both shaping a company’s profitability.

Loyalty programs are among the most popular marketing tools that companies use to collect information, increase customer retention and enhance customer relationships and loyalty (Stathopoulou & Balbanis, 2016). Through the adequate implementation of this relationship marketing tool, brands can capture missed opportunities and bring loyalty into the customer experience, leading to program members feeling more loyal to the brand and therefore

spending more on the products (Dougall, 2022). Therefore, the use of these types of programs can be positively beneficial for companies and their customers across several industries, especially ones where there is high competitiveness, and a differentiating loyalty program is key for success. Magatef and Tomalieh (2015) found that customer loyalty is an important issue for the success of any retail organization and there is significant evidence of the effect of all loyalty programs on building and maintaining customer retention (Magatef & Tomalieh, 2015; Dewobroto et al., 2022; Basha et al., 2020). What's more, retailers should implement loyalty programs to foster customer retention and provide personalized marketing (Singh & Imran, 2012).

A category of retailers that benefits constantly from various marketing activities is the cosmetics industry, through their engagement and membership programs, the brands taking part in this distinct market are able to connect with their customers and, according to their awareness and competitiveness in the market, they can also gain a competitive position. In the 2022 edition, The Loyalty Report found that by implementing effective loyalty programs, customers of health and beauty retailers were 3.4 times more likely to recommend the brand and 9.9 times more likely to spend more on it. In addition, 74% of the customers were more likely to recommend brands with good loyalty programs and 72% said that the loyalty programs were a big part of the relationship with the health and beauty brands (Dougall, 2022). Most advertising campaigns and strategies are designed with new customers in mind (Bojei et al., 2013) but few are putting effort towards maintaining their current customer base and finding new ways to continuously increase their loyalty which in the end, results in better and more profitable margins. Loyalty programs need to be designed with more targeted rewards, differ according to different groups of members based on their value, and they need to provide greater value at higher customer value tiers, by rewarding the best customers to encourage higher spending levels (Magatef & Tomalieh, 2015).

1.2 Purpose

The purpose of the present study is to determine and analyze which factors make the best combination and better help in shaping the relationship marketing strategies used by firms participating in the cosmetics industry, such as those taking part in retailing products destined for health and beauty care. Moreover, this research intends to understand the impact of incorporating online rewards versus offline rewards into a loyalty program on customer retention in the cosmetics industry. Furthermore, the study focuses on understanding how

loyalty programs are carried out in the cosmetics industry (i.e., all firms participating in the health and beauty retailing sector), as well as the most effective type of loyalty programs according to the market size and competitiveness, and attitude of the targeted customers.

With this in mind, the following research question is constructed:

What is the effect of the type of reward given in a loyalty program on customer retention in the cosmetics industry?

To understand more in-depth this relationship, the following questions are proposed to investigate in this study:

I. Is this effect mediated by the loyalty of the customers?
II. How is this relationship influenced when customers are exposed to the moderation effect of saturation of loyalty programs in the market?
III. How does the generational difference moderate this relationship?

1.3 Significance and Scope

The marketing literature available provides an extended amount of research related to loyalty programs and their relation to customer behavior exploring a variety of topics including customer loyalty (Pekovic and Rolland 2020), the benefits of having a loyalty program, and things to keep in mind when designing a loyalty program (Bijmolt et al. 2011), the impact of tangible and intangible rewards on loyalty programs (Haverila et al., 2022) and the effects of loyalty card attitude for retailers (Turk & Iscioglu, 2019), some concluding important findings and others discussing controversial outcomes of loyalty programs. However, little work has been done regarding the impact of customer loyalty programs on customer retention for customers in the cosmetics industry, as well as the best mix of tools in each loyalty program for health and beauty brands. Thus, the scope of this research aims at capturing the existing need to understand the impact of incorporating the type of reward given in a loyalty program and how it shapes the relationship with customers, more precisely, how customer retention can be achieved. Furthermore, it aims at understanding how other forces in the relationship, such as customer loyalty, and external environmental factors, such as market saturation, influence the retention and the decision for customers to continue maintaining the relationship with the firm.

Given the fact that loyalty programs often require high-cost long-term investments, and that the cosmetics industry is considered a competitive high involved market with saturated loyalty programs, a need exists for a well-targeted and established loyalty program that ensures customer engagement, builds trust, and retains an existing customer base. This is an existing gap in the literature that still needs to be filled, even more for the European cosmetic industry. For this reason, this study not only contributes to the existing literature regarding the effectiveness of loyalty program rewards but also in more depth by providing a realistic and informed approach that helps cosmetic and beauty firms operating in Europe to understand, with its current loyalty programs, which combination of rewards and activities are more successful and worthwhile according to their already targeted customer base so that they can achieve high rates of customer retention while extending their customers lifetime value and trust in the brands. Through this research, not only marketeers will be benefited from the information but also all managerial parties taking part in the decision-making process for sales and customer insights, such as the sales and business development managers, account managers, marketing managers, and brand managers.

1.4 Thesis Outline

The present Master Thesis research is structured in a flow sequence. The first chapter focused on the background and context that led to the purpose of the research. The following chapter, Chapter 2, provides a theoretical framework and hypotheses development based on existing academic research in the retailing industry, thus providing insight into the literature available and the rationale behind this study. Chapter 3 consists of the research design and methodology implemented to carry out the analysis, as well as the questionnaire and data descriptives of the research. After that, Chapter 4 summarizes the statistical results of the data collected. Chapter 5 carries out the analysis of the results provided by the data and their significance for the research, and finally, Chapter 6 draws the conclusions and relevant implications for future research and specialists devoted to the loyalty programs study and exploration in the current market.

Chapter 2: Theoretical Background

2.1 Literature review

Loyalty programs have been extensively researched throughout the years, cultures and industries, with most researchers coming to a similar general idea about this marketing technique, seen as a strategy that builds customer relationships and enhances sales and profit over time, especially when the competitive intensity in the industry is high (Kumar et al. 2011), as the cosmetics industry is. Therefore, it has become a popular marketing tool in highly competitive industries where high involvement from the customer is present, such as health and beauty retailers. These marketing programs are designed and implemented as an incentive for customers to maintain loyalty to a specific brand or company by offering rewards or additional benefits for repeat purchases. As such, loyalty programs can positively impact customer retention rates. However, not all loyalty programs are created the same, and the type of program or combination of benefits offered can have different effects on customer retention. This research aims to explore the impact of online vs offline rewards of loyalty programs on customer retention and seeks to provide insights into which program designs are most effective for capturing long-term customer loyalty in health and beauty brands for the cosmetics industry when factors such as market saturation and generational differences are at stake.

Even though the effectiveness of loyalty programs has been measured in multiple ways, we focus on types of rewards in the loyalty programs (TR), Customer Loyalty (CL), Generation Z, and Customer Retention (CR) for the cosmetics industry in Europe.

2.1.1 Cosmetics industry

The cosmetics industry is one of the most interactive industries in retailing, often employing programs to engage with customers in the forms of loyalty programs, special seasonal discounts, and other non-economic benefits. In the article issued by The Loyalty Report (Dougall, 2022), health and beauty brands are placed high on the table with one of the most active and increasing loyalty programs. Additionally, the cosmetics industry has been growing in recent years and customers have been spending more on cosmetics than they previously have except for 2020 when the demand was impacted by the pandemic (Haverila et al., 2022). Furthermore, the expansion of the retailing industry is expected to continue in future years, more specifically for skincare, haircare, and make-up categories as well as

increased fragmentation with a great number of participating brands. Moreover, in their research, McKinsey and Company (2020) found that evidently, the companies taking part in the cosmetics industry need to invest more in the new consumer trends and therefore, the significance of understanding the preferred rewards system and method on loyalty programs will result in a growth of the existing customer base and improved profitability.

2.1.2 Loyalty programs

More often than not, loyalty programs are seen as a relationship-building technique with a common objective, to capture and grow a strong customer base that keeps coming back to the company and maintains its loyalty to the brand and are often installed by firms as a core component of their marketing strategy (Liu & Yang, 2009). As Beck et al. (2015) mention in their study, these programs include a wide portfolio of marketing activities including rewards cards, gifts, tiered service levels, and other methods that positively influence consumers' attitudes and behavior towards the brand (Henderson et al., 2011). Loyalty programs are also named as as membership programs, loyalty cards, reward programs, cashback cards, customer support programs, and membership clubs, and they are designed to involve customers in long-lasting relationships (Wait, 2022). According to Melnyk and Bijmolt (2015), the incentives that a loyalty program provides can be grouped into two broad categories, economic benefit, and relational benefit. The former has a direct impact on the sales and growth of the company because it leads to incentives that stimulate the repeat purchase of customers. In contrast, the latter is a noneconomic benefit, which adds up to the customer's feelings and attachment towards the firm and leads to creating lasting relationships, beyond a repeat purchase but more oriented towards commitment and allegiance.

Furthermore, for a loyalty program to be effective in building customer relationships from the design perspective, it needs three key specifications: participation requirements, point structure, and rewards (Liu & Yang, 2009). Additionally, it is crucial to bear in mind that loyalty programs for customer retention need to be convenient for consumers to participate, in terms of design, choice, and availability of rewards, consequently, it is significantly relevant to develop a proper structure that fits the customers' needs and preferences, whether online or offline, to deliver the highest perceived utility to the customer and build relationships that end up in the continuous re-visiting of the brand. Previous researchers, such as Gabel and Guhl (2022) have shown that often, a loyalty program approach relies on three

mechanisms to increase customers' expenditures on a firm. First, the feeling of being close to obtaining rewards increases the likelihood of additional purchases (points pressure mechanism). Second, rewards reinforce customers' attachments to firms (rewarded behavior mechanism). Third, leveraging customer data obtained through loyalty programs for marketing, such as purchase histories, can increase customers' expenditures (personalized marketing mechanism).

Consequently, loyalty programs are designed to retain customers and develop stronger bonds between customers and retailers and, from a customer's perspective, can be defined as a marketing process that aims to generate rewards based on repetitive purchases (Kawiatek & Thanasi-Boçe, 2019). Despite the popularity of loyalty programs, the link between the loyalty program and customer loyalty is mixed or controversial (Bruneau et al. 2018), therefore, one reward structure of loyalty programs that fits a group of customers may not be equally attractive to another and will affect the quality and length of the relationship (Wait, 2022). Based on the foregoing studies, a key aspect of a successful online loyalty program is "to reward and to bond with customers" in the loyalty program (Haverila et al., 2022; Koetz 2018), which in the end is the main point of implementing a loyalty program for any firm.

In the current marketplace setting, where omni channels integrating the offline and online world are leading and shaping the retailers' industry, developing a loyalty program that adapts to this channel strategy is key to attracting and maintaining customers. With the integration of retailing channels, consumers can begin their shopping journey in one channel and fulfill it in another, resulting in a 'seamless experience' and an increase in engagement (Mosquera et al. 2018). Shifting strategies from multi-channel retailing to Omnichannel retailing is, however, challenging, and even more so attempting to create a seamless and integrated retail experience (Boardman & McCormick, 2018).

In the same sense, retailers in the health and cosmetics industry should focus on finding the optimum mix of offline versus online rewards offered in their loyalty programs to deliver a personalized customer experience that adds value to their customers and leads to continuous engagement and loyalty with the brand, in other words, a customer-centric strategy for the type of reward given in the loyalty programs. This process for improving customers' loyalty and presenting a personalized purchase experience delivered through different physical and online channels as well as rewards places the customers in the core of a retailer's strategy and results in an advantage over their competition (Demko-Rihter & ter Halle, 2015).

Christoforou and Melanthiou (2018) found that implementing and following an integrated omnichannel strategy that delivers an optimal combination of offline and online rewards, engages the customer and incentives repurchase behavior has the potential to improve customer loyalty, retain existing customers, and prevent competition in achieving an increase in market share.

2.2 Hypotheses development

2.2.1 Customer retention (H1)

When developing and implementing marketing strategies, firms often aim towards the same goal, to increase the customer base and incentivize repeat purchases. Through customer retention, companies can assure constant growth and loyal customer bases that allow them to place themselves in the market as leaders with high shares. This has led to the conclusion that loyalty is a key determinant for improving customer retention, therefore being an essential lead for retailers to ensure a competitive advantage in the market. What's more, Magatef and Tomalieh (2015) found significant evidence of the positive effect of implementing loyalty programs for building and maintaining customer retention. The most impactful effect found was for Tier system rewards and the weakest effect was for non-monetary programs, which leads to believe that through the implementation of certain combinations of rewards in a loyalty program, the customer retention outcome can be affected positively or negatively. More in detail, customer retention often refers to the continuity of relationships between the organization and the customer (Ibojo & Asabi, 2015), therefore retailers need to focus their efforts on said relationship to improve the base of returning customers. It also represents the ability of a company to keep its customers by providing a great customer experience alongside the sale process, and, on that account, customer retention results in being key to healthy business growth (Magatef & Tomalieh, 2015).

For effective customer retention, firms must understand the targeted customers and their experience, so that they can build trust and loyalty to retain the most valuable customers (Magatef & Tomalieh, 2015), hence the importance of building and implementing a satisfactory loyalty program. According to Dougall (2022), the practice of fostering loyal customers through loyalty programs continues to drive increased customer advocacy, retention, and spending. In the same sense, firms should focus their efforts on maintaining a loyal customer base that strives toward repeat purchase behavior. This is because marketing managers tend to invest twice as much in customer retention compared to acquisition (Pemberton, 2017), therefore by the correct execution of an adapted loyalty program, and by understanding which rewards work best for the targeted audience, a firm can optimize the costs associated with their customer retention. Previous research has supported the idea that there are important differences in customers´ attitudes and purchase behavior when exposed

to a loyalty program in an online environment versus an offline environment (Shankar et al., 2023; Bijmolt & Verhoef, 2017; Lim & Lee, 2015) leading to believe that loyalty programs have higher success when in online environments rather than offline. The findings suggest that in an offline loyalty program system, the personalized rewards and promotions given can be less rewarding for the firms. Therefore, previous research leads to conclude that either customers are more devoted to online rewards and loyalty program benefits, or their preference for the loyalty program strives towards a more focused online environment.

Overall, for retailers, there is an unobserved need of understanding of the effectiveness of loyalty programs and the combinations of elements inside the programs that offer the most value to their customers such as a rewards system, for firms to achieve repeat purchase behavior and high retention rates, which leads to the following hypothesis:

H1. Compared to offline rewards, offering online rewards in a loyalty program has a significant and positive impact on customer retention.

2.2.2 Customer loyalty (H2)

Customer loyalty is an important issue for the success of any retail organization because it is known that drawing new customers is more expensive than keeping existing ones (Singh & Imran 2012). According to a study performed by Hammory and Black (2016), it is estimated that at least 85 percent of the growth in mature brands comes from loyal customers, which directly relates to the use of loyalty programs by firms as a powerful tool of relationship marketing to encourage customer loyalty (Roking, 2005). As such, the use of loyalty programs can introduce benefits to both customers and companies. Previous studies found that to build and manage customer loyalty, more than 90 percent of companies dedicated marketing solutions, usually in the form of a loyalty program (Wollan et al., 2017) which leads to understanding the positive impact of building customer loyalty when designing and implementing loyalty programs for customer retention.

Customer loyalty has also been defined as to what extent are customers commited to a firm's product and to what extent they have a belief about the features and quality of the product. What's more, it's also defined as how strong their tendency towards a particular brand to purchase repeatedly, leading to more customer satisfaction which results in increases in

customer loyalty and retention (Basha et al., 2020). According to this, by building an attitude of loyalty in the customer base, the retention rates can be positively affected, resulting additionally in the strengthening of the relationship between the firm's brands and the consumers, delivering a unique shopping experience and therefore, leading to consumers which tend to align their own image with the image of the brands they choose and are then, less likely to switch to the competitor's offerings (Parmar, 2014). Authors Magatef and Tomalieh (2015) found that more than half of consumers admitted that they had abandoned at least one loyalty program, hence the need for building strong and loyal customer bases and develop a good mix of rewards and perceived benefits that engage their attitude into customer loyalty. Previous research evidenced that there is indeed an impactful relationship between type of reward, reward timing, and customer loyalty (Chhabra, 2017; Keh & Lee, 2006; So et al., 2015; Yi & Jeon, 2003) which leads to the need for understanding the magnitude of said relationship and how it can improve the existing loyalty programs for firms competing in an industry where high involvement from customers is key. Moreover, the need appears to understand how companies can foster loyalty from their customers and retain them in a way that, beyond the economical benefits, the attitudinal and emotional benefits are perceived.

In their research, Haverila et al. (2022) refer to customer loyalty in a loyalty program and explain how it is not only about signing up as many customers as possible to the program, but it is about nurturing the relationship and encouraging customers to use the program and take advantage of the benefits provided, thus creating an attitude of attachment and loyalty to the firm's brands. In contrast, research on the impact of loyalty programs on customer loyalty for firms has proven to be controversial. As evidence, several research results state that loyalty programs have a positive effect on customer loyalty (Berezan et al., 2015; Lo et al., 2017) and several studies that state loyalty programs do not affect customer loyalty (Kim et al., 2012; Ma et al., 2018; Khairawati, 2019). More importantly, Nikhashemi et al. (2013) found that for firms with CRMs that involve internet technology (i.e., online rewards programs), the relationship between customer loyalty and customer retention has a positive impact. Nonetheless, one of the most recent studies regarding the role of customer value and trust as a mediator of flexibility influence on customer retention carried out by Dewobroto et al. (2022) concluded that customer loyalty is a long-term relationship of firms with their customers and a strategic objective for companies to follow. In the same sense, Basha et al. (2020) conducted research finding that the moderating factor of customer loyalty has shown a significant relationship with customer satisfaction followed by it has proved that customer

retention can also be enhanced. Hence, organizations should strive to strengthen loyalty among their customers, in this way, maintaining the customer base in the long with higher retention rates.

Kwiatek et al. (2020) argue that the role of loyalty programs is to offer customers additional value beyond the transactional value of the purchase and to achieve this, firms should shift their efforts to a customer perspective from a single transaction to an enduring relationship formed out of a series of transactions, thus the importance of understanding and optimizing the positive returning attitude and therefore increasing customer loyalty and building a strong relationship with the customer base.

Often, research has found that the attitude of loyalty to the program encourages customers to realize the value of their loyalty rewards by making repeat purchases, and the promise of future value via rewards contributes to ensuring customer loyalty (Başgöze et al., 2021). In addition, Bašgöze et al. (2021) indicated that the type of reward given has a positive impact on the perceived value of a loyalty program and that the loyalty that firms create towards the program mediates the relationship between type of reward given and customer loyalty. This suggests that indeed a positive relationship between these last-mentioned constructs is present. However, it is in this research's interest to analyze how much influence both have on the continuous re-purchase behavior of consumers.
Consequently, the following hypothesis will be tested to assess the mediating impact of customer loyalty in the relationship between the type of reward offered in a loyalty program (online vs offline) and customer retention.

H2. Customer Loyalty has a mediating positive effect on the relationship between the Type of Reward given in the loyalty program and Customer Retention.

2.2.3 Market saturation (H3)

Over time, many firms coexisting in the retailing industry have implemented multiple forms of relationship marketing to capture customers. In parallel to favorable responses from consumers, multiple firms have applied loyalty programs as a core component of their marketing strategy and, as a consequence, increased adoption of loyalty programs,

competition among rival programs has resulted, especially in high-involvement sectors such as retail, airline, financial services, hotel and gaming where consumers are continuously looking for rewards and benefits aligned with their loyalty to the brands (Liu & Yang, 2009). Accordingly, this expansion reflects a market setting in constant change and intense competition, where customers' preferences are constantly shifting and becoming more demanding, thus mirroring the development of companies' actions towards relationship marketing and strategies aiming at a closer approach to activities such as loyalty programs and customer loyalty that stimulate the continuous re-purchasing behavior.

In the current retailing industry, most loyalty programs are continuously facing competition from counterpart companies that offer similar benefits, and enrollment in multiple programs is a common practice. As an example, consumers hold an average of three loyalty program cards (Meyer-Waarden 2007). In the same sense, Liu and Yang (2009) argued the impact of a loyalty program in the market, concluding that its impact is limited to the competitive offerings in the respective markets in which the programs are implemented. In addition, from a consumer utility perspective, loyalty programs offer added returns to the customers in the form of rewards, shifting the perceived value perception between competing firms in favor of the firm whose loyalty program they're taking part in. In consequence, the firms competing in the industry should and must adjust their strategies accordingly to the competitiveness, to create a redistribution of customers in the market and expand their loyal customer base. However, if the market offers many rival loyalty programs, the novelty and value advantage of a single program diminishes (Liu & Yang, 2009).

In their study, Liu and Yang (2009) attempted to study and understand how loyalty programs are affected by market saturation. The authors found that to achieve a good program performance, it is essential to recognize the forces that act out in the market environment. More in detail, they propose three elements that represent the main market entities involved: the loyalty program, the consumers, and the rival programs and firms; furthermore, they argue that the jointness of said elements is a determinant for the outcome of the loyalty program. They further argued that the impact of these type of programs is limited by the competitive offerings in the market, which leads to decreases in profitability and customer retention. Additionally, Kim et al. (2001) observed that when consumers take part in more than one loyalty program and accumulate points in all of them, loyalty is at risk because the accumulated rewards become a barrier to switching to other programs or staying with just

one, which can pose a risk not only for their loyalty to the firm but also for the profitability and retention. Although, in their results, market saturation did not minimize the effectiveness of the loyalty program significantly, it is in this research's interest to assess the said impact on the cosmetics industry.

Most existing studies have examined a single loyalty program in isolation (Mägi 2003; Meyer-Waarden 2007), however, companies participating in retail need to adress the impact of the loyalty program on customer retention when it performs in a competitive environment, hence the importance of understanding the interaction effect that market saturation has with the type of rewards in loyalty programs to increase customer retention and revenue. Based on this, the following hypothesis is set:

H3. The relationship strength between the type of reward given in a loyalty program and customer retention decreases with higher market saturation.

2.2.4 Consumer Generation (H4)

Generation Z vs Non-Z

It is of key importance cosmetics industry retailers to understand the challenges and trends that come with each generational change. This is to adapt to their needs and obtain not only loyalty from their customers but also a continuous habit of re-purchasing from their specific brands. In the present day, a new generation has placed itself above the overly researched Millennials or Generation Y, it is Generation Z. This generation is continuously becoming a key relevant segment in the beauty market, given the increasing size, purchasing power, and engagement on social media. Gen Z customers are invested buyers of beauty and health brands, making loyalty a big factor for them. However, as loyal as Gen Zers might be, the concept of health and beauty is constantly changing, led by a trendiness factor that delimits which brands are worth staying loyal to or not, and therefore incurring re-purchasing behavior (Kulle & Hellsten, 2017).

Research conducted in previous years has found that the ages delimiting Gen Z are often ambiguous, however, most of them agree this generation was born between the early to mid-1990s and the mid-2000s (Fromm & Read, 2018), thus, for this research Gen Z includes birth

years from 1995 to 2012. Although studied, Generation Z is still in the eye of the scope regarding purchasing trends and behavior. Brands in this industry are continuously launching new products regularly to adapt to these trends, and with short-lifecycle products, an issue raises regarding the need to acquire involvement, loyalty, and product and benefit offerings that lead to a strong brand strategy and appealing marketing outreach (Kulle & Hellsten, 2017).

In the same sense, Somjani (2021) found that activities associated with sales promotions and involvement of the customer, such as loyalty programs and engagement activities, can enhance customer retention for Gen Z. In their research about loyalty rewards for Generation Z, Mustikasari et al. (2022) found that the greater the impact of the rewards given in a program, the higher the level of customer loyalty. Kumar and Lim (2008) found that Gen Y consumers place greater emphasis on emotional value compared with price-conscious Baby Boomers that expect value for money, and Generation Z, who often are impulsive buyers, with a minimal intention to remain loyal (Priporas et al., 2017; Williams & Page, 2016).

Previous studies observed that Generation Zs are digital natives who can accept and use technology without restrictions (Autry & Berge, 2011) and that this digital experience they go through can positively influence their loyalty toward business offerings (Thaipradit & Tantong, 2021). However, with this, the question now arises for this research to understand how Gen Z behaves regarding loyalty towards a company and repurchase behavior that result in customer retention. Accordingly, to understand the ways in which companies can integrate their marketing strategies adapting to changes and preferences of Generation Z to increase loyalty with the loyalty programs established, as well as creating an impactful bond based on customers that in consequence, leads to continued business and retention, the following hypotheses will be tested:

H4. the relationship strength between the type of rewards given in a loyalty program and customer retention is higher for Gen Z consumers than non-Gen Z consumers.

2.3 Summary and Conceptual Framework

Based on the literature review and the development of the research hypotheses, a conceptual framework (Figure 2.1) is established. This framework contains the constructs that will be studied in the present research to understand the effects that shape customer retention in the cosmetics industry when loyalty programs are carried out. The hypotheses to carry out the research are summarized in Figure 2.2.

Figure 2.1- Conceptual framework of constructs shaping the model.

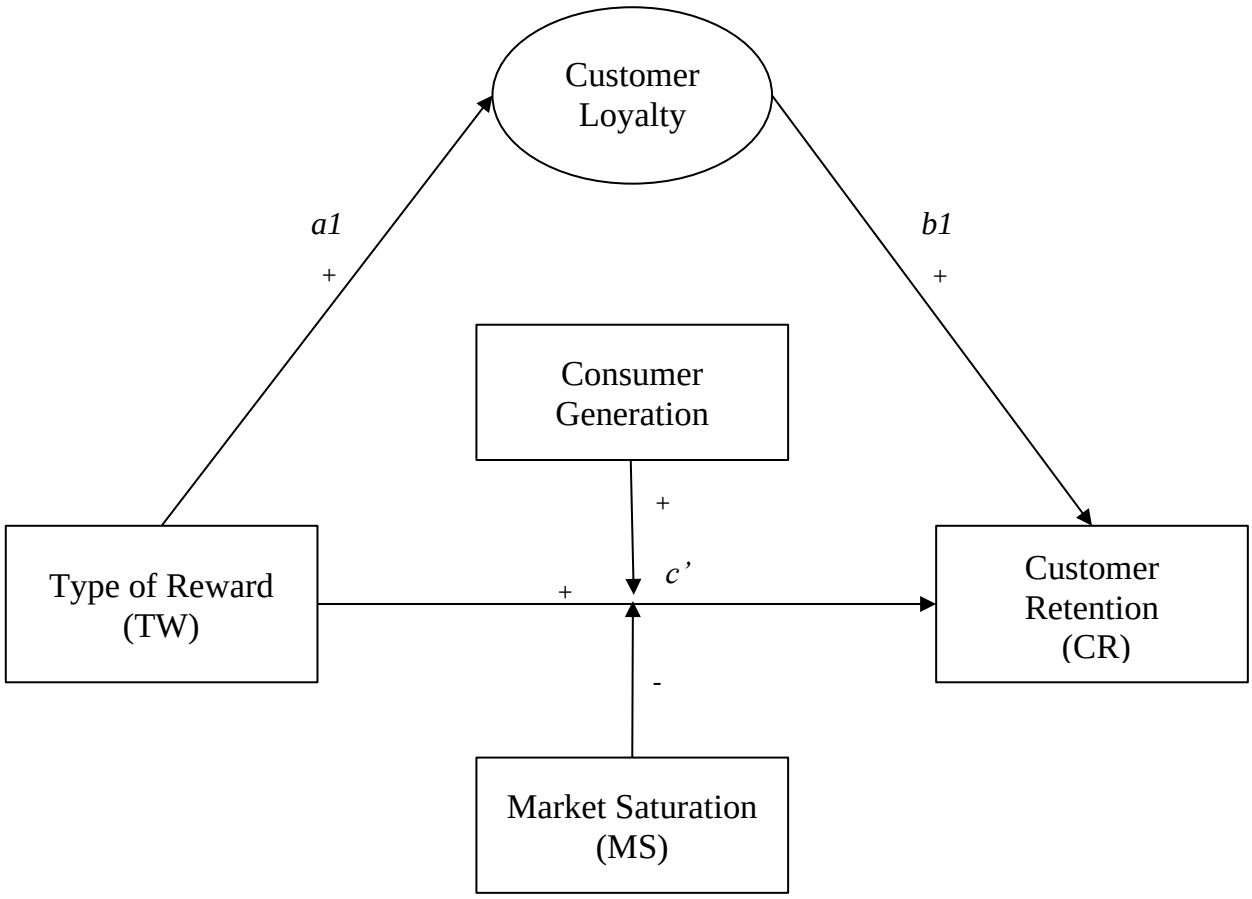


Figure 2.2 - Summary of hypotheses

H1	Compared to an offline reward, offering online rewards in a loyalty program has a stronger significant and positive impact on Customer Retention.
H2	Customer loyalty has a positive mediating effect on the relationship between the Type of Reward given in the loyalty program and Customer Retention.
H3	The relationship strength between the Type of Reward given in a loyalty program and Customer Retention decreases with higher Market Saturation.
H4	The relationship strength between the Type of Rewards given in a loyalty program and Customer Retention is higher for Gen Z consumers than non-Gen Z consumers.

Chapter 3: Research Design

The objective of this research is to evaluate the status quo of loyalty programs on customer retention in the cosmetics industry in Europe. The research focuses on 5 variables, Type of Reward (online vs offline rewards) (TP), Customer Loyalty (CL), Customer Lifetime Value (CLV), Market Saturation (MS), and Customer Retention (CR). In consequence, this study works towards understanding the influence of each of these constructs on customer retention for consumers of the cosmetics industry in Europe, as well as to what extent the type of rewards offered by the loyalty programs impact customer retention for said industry, when all the other factors shape the relationship between the consumers and the leader cosmetics brands, such as customer loyalty and market saturation. Furthermore, this study also aims at analyzing if there is a generational difference when receiving these types of rewards for customers' behavior. It is therefore expected that, first, there will be an observable effect in the difference of using offline versus online rewards for these firms, and second, generational differences and the competitiveness in the industry will also create an impact on the retention of customers for the firms participating in these marketing activities.

For this, a survey implemented through Qualtrics will be done to collect data, and the data will be analyzed with a regression analysis. The sample size will be calculated based on existing research on loyalty programs for retailers in Europe as well as the standard formula for large populations (Cochran, 1963) with a 95% confidence level and 7% precision resulting in a sample composed of 200 respondents, and the targeted sample will consist of

consumers who use or take part in at least one loyalty program for cosmetics brands in Europe, namely Douglas, Ici Paris XL, Rituals, Kruidvat, Yves Rocher and Etos. The respondents, mainly university students, graduates and young professionals currently residing in the Netherlands, will be reached through social media channels, or face-to-face on the university campus.

3.1 Methodology and Research Design

In this section, the research methodology is described. This section explains how quantitative research for this study is developed, examined, and analyzed. This is done by describing the research design in section 3.1, the questionnaire design in 3.2, and the measurements of constructs in 3.3, followed by the sampling and data collection. After this, section 3.4 shows the quality of the data, section 3.5 shows the reliability and validity of the data collected, and finally, section 3.6 corresponds to data analysis.

This research is classified as causal research, which makes use of quantitative primary data. The objective of this research is known and well defined, to understand the effect of loyalty program rewards on customer retention in the cosmetics industry. The research then was set up to further determine and analyze the role of the rewards given in these types of relationship marketing programs when consumers are interacting in an online versus offline environment. Furthermore, the research aims at finding out what drives specific outcomes (Malhotra & Birks, 2006) such as the causality of external conditions of the market in this relationship.

As such, the design of this study was a single cross-sectional design, given the fact that there is only one sample of respondents derived from the target population, the information is obtained from this sample only one time and there is no follow-up on the sample's data (Malhotra & Birks, 2006). Given this, the method chosen to collect the needed data for analysis was a digital survey, with a main benefit obtained regarding the speed of the data collection as well as avoidance of possible interviewer bias. In contrast, a worrying point of improvement implies the fact that because the survey is done completely autonomously, each respondent can have a different understanding and perception of the question, leading to certain levels of ambiguity and inconsistency in the answers.

The used questionnaire was highly structured, meaning most of the questions were measured on a 7-point Likert scale and multiple-choice questions with single-answer options. Logically, the data obtained from the research is primarily quantitative data, which means it consists of standardized variables with a limited number of outcomes. This data is very suitable data to reject or accept hypotheses (Malhotra & Birks 2006). For the analysis of the data collected, a linear regression will be run using IBM SPSS to test the relationship and effects of the constructs presented, as well as the PROCESS Model by Hayes, an add-in into the SPSS program to test for mediation and moderation effects through bootstrapping.

3.1.1 Questionnaire Design

To measure customer retention a questionnaire created in Qualtrics was conducted with 4 possible scenarios (Appendix A). Respondents were asked to give their opinion on 14 questions after carefully reading the randomized scenario presented. Additionally, 4 demographic questions were included.

The questionnaire presented a combination of a 2 (Type of Reward) x2 (Market Saturation) level between-subject experimental design to examine the effects of these groups on customer retention. The study had a 2 (Low market saturation/high market saturation) x 2 (offline/online rewards) structure presented in 4 scenarios randomly shown to the respondent, for a made up company “Skinly”. Both market saturation and the type of rewards were manipulated. The distribution of the constructs in each scenario can be seen below in Table 3.1.

Table 3.1 Distribution of constructs per scenario

	Low Market Saturation	**High Market Saturation**
Offline Rewards	Scenario 1	Scenario 3
Online Rewards	Scenario 2	Scenario 4

Based on the previously mentioned design, there were 4 possible versions of the questionnaire, each containing a different scenario but with the same format and questions across all the versions. The sample was randomly assigned to any of the four possible scenarios after answering the same control questions. The purpose of this randomizer tool in the questionnaire was to distribute specific characteristics of each situation for each participant during the experiment, therefore easing the selection bias of the result of the survey link (Kirk, 2013).

For this study, all respondents were exposed to 2 control questions regarding the knowledge and continuous involvement in loyalty programs and rewards before being presented with the scenario, as well as 3 demographic questions acting as a control. Regardless of the scenario assigned, the questions asked to measure Customer Retention (dependent variable), Consumer Generation (moderator), and Customer Loyalty (mediator) remained the same across the survey. More details about the respective measurements are presented in the following section.

The statements presented in the questionnaire were retrieved from existing academic research focusing on loyalty programs and their drivers in the retailing industry (i.e., grocery and supermarket, banking, clothing and apparel, electronics, health, and personal care, eCommerce...). All statements in the questionnaire were presented in English, given that the research focused mainly on European consumers, making it universally understandable. The statements employed in the survey, which assessed a specific variable, were derived from prior research conducted with firms participating in the retail sector. The items measuring Customer Loyalty were based on the research of Lewis and Soureli (2006), Lu (2007), Tifliyah, Rohman, and Noermijati (2021), and Kim et al. (2013). Regarding the items measuring Customer Retention, the statements were adapted from the research conducted by Chaudhuri and Holbrook (2001), Hansen (2006), Lu (2007), Keiningham, Aksoy, Andreassen and Weiner (2007), Aspinall, Nancarrow and Stone (2001), and Narayandas (1998). Finally, the scale used was a 7-point Likert scale to avoid ambiguity, as well as give the respondent the opportunity to give answers in a way that is not too neutral or too extreme (Rombouts, 2009; Taherdoost, 2019).

3.2 Measurements

To thoroughly understand the effect of the type of rewards given in a loyalty program on customer retention through a questionnaire, several constructs were identified and reviewed with previous literature. These constructs are represented in the variables Type of Reward, Customer Loyalty, Market Saturation, Customer Retention, and the moderator Age (Consumer Generation). For this study, the variables Type of Reward and Market Saturation were measured through a created scenario where the respondent was exposed to the situation. The former was measured by presenting an online reward or an offline reward, depending on the random scenario assigned. Whilst the latter was measured by creating a situation where the respondent was either already part of 2 loyalty programs in the same retailing industry (high market saturation) or no member at all of any loyalty programs in the same retailing industry (low market saturation). The combination of these 4 conditions built the 4 different possible scenarios presented. Table 3.2 summarizes the items in the questionnaire used for each construct.

Customer Loyalty

The construct of Customer Loyalty has been measured in multiple ways across a wide variety of studies. For this research, the construct was measured with 6 items based on previous research that focused on the retailing industry. Amongst this, the most used questions came from the research made by Lewis and Soureli (2006) and Kim et al. (2013) taking into consideration a range of statements that would measure the loyalty of retail customers. These statements appealed mostly to assess whether customers would remain shopping at the store, spread good word of mouth, and spend a considerable percentage of their budget shopping in the store.

Customer Retention

To measure customer retention correctly, three categories were added to the construct. In their research about the triggers on customer retention, Gustafsson et al. (2005) found that 3 main drivers impact and define this construct: repeat buying intention, customer satisfaction, and commitment (also perceived as the relationship management between the firm and the customer). For this study, customer retention is measured through these three drivers with 8 statements previously applied in related research (Keiningham et al., 2007; Gustafsson et al., 2005; Ranaweera & Prabhu, 2003; Tifliyah et al., 2021, Aspinall et al., 2001).

Attention checks

To successfully gather accurate responses, an attention check was placed in the questionnaire where respondents were instructed which option in the Likert Scale to select. The statement proposed was: Please select "Strongly Disagree" to indicate that you are paying attention to this question.

Table 3.2 Measurement scales

Variable	***No. Items***	***Source***	***Cr. Alpha***
Customer Loyalty	*6*	*Lewis, 2006; Kim et al., 2013*	0.790
Customer Retention	*8*	*(multiple sources, see below)*	0.915
Customer Retention: Repeat Buying Intention	*3*	Chaudhuri & Holbrook, 2001; Hansen, 2006; Lu, 2007; Keiningham et al., 2007	0.785
Customer Retention: Customer Satisfaction	*3*	Keiningham et al., 2007	0.921
Customer Retention: Commitment	*2*	Aspinall et al., 2001; Narayandas, 1998	0.837

3.3 Sampling and Participants

For this research, data were collected from primary sources using a cross-sectional study. The participants in this study were contacted through social media platforms such as LinkedIn, Instagram, and Facebook as well as in person with a QR code of the questionnaire to be scanned by anyone. In addition, the survey was spread through the website Survey Circle, a platform designed to share and participate in academic surveys. Because this study aims at understanding generational differences, there was no age or gender restriction. However, a filter question was asked to participants, regarding their previous experience with loyalty programs and rewards. Because it is in this study's interest to assess the attitude of customers toward loyalty program rewards, participants needed to be somewhat familiar with loyalty programs. Those respondents who hadn't previously interacted with this marketing activity, would not be considered for further analysis. Before starting the survey, participants were

informed of the anonymity and confidentiality of their answers, as well as requested consent to proceed with the storage of their answers.

3.4 Quality of Data

For this study, initially 233 answers were collected from respondents, where 32.7% were male and 67.3% Female, mostly aged between 18 and 27 years old between June 29th and July 7th. However, it is critical to ensure that the data is reliable and representative, which is why it should be clean of errors and missing responses. In the next section, the process of data cleaning that was conducted will be explained.

3.4.1 Data Cleaning

After collecting the total number of respondents (N=233), data were examined to assess if there were missing values or observations that shouldn't be used. 7 observations were found to have missing values, which were removed from the total sample. Furthermore, 30 respondents hadn't had any previous experience interacting with loyalty programs, therefore the observations were not included in the final data set. Overall, a total of 37 observations were removed from the data set, which resulted in a new sample size of N=189 observations.

3.4.2 Representativeness

After performing the cleaning of observations that are not relevant to this study, a new variable was computed to identify the 4 scenarios. With this variable as starting point, two dummy variables were coded to classify the independent variable (Type of Reward) and the moderator (Market Saturation) within the scenarios displayed. If the scenario randomly assigned to the participant displayed an online reward, the value would be 1 in the dummy. Otherwise, it would be 0. In the same sense, when the scenario presented a high market saturation situation, the dummy would have an assigned value of 1, versus having low market saturation with a value of 0. Table 3.3 displays the distribution of observations per scenario (condition) assigned.

Table 3.3 Number of Respondents (*N*) per Scenario

	Low Market Saturation	***High Market Saturation***	***Total***
Offline Rewards	50	47	97
Online Rewards	48	44	92
Total	98	91	189

Furthermore, a Cross-tabs Pearson Chi-square test is performed to assess the randomization of the scenarios through the age and gender of the participants. Results show that the age (*p=0.127*) and gender (*p=0.820*) are not significant, leading to conclude that the variables are independent of each other and significantly vary across the scenarios. Therefore, it can be concluded that the randomization performed for the four conditions is successful.

3.5 Reliability and Validity

First, an independent sample T-test was run to verify if there was a significant difference between the means and homogeneity in variances of the data. This is in order to assess whether a parametric test would be the appropriate path to analyze the data. Results show that equal variances are assumed (*p=0.075*). Further effects will be shown in the next section.

Second, to verify the reliability of the questions used to measure the constructs of this study, Cronbach's Alpha was calculated. Results (see Table 3.2) show that the scales measuring the Customer Retention (*0.915*) and Customer Loyalty (*0.706*) constructs are reliable. Moreover, the scale integrates Customer Retention, which consists of the items Repeat Buying Intention (*0.785*). Customer Satisfaction (*0.921*) and Commitment (*0.837*) also shows high reliability.

3.6 Data Analysis

The purpose of this study is to evaluate the effect of the type of rewards on customer retention, when the rewards are offered through online media versus offline in a highly competitive and saturated market versus a low competitive non-saturated market, taking into consideration the customer loyalty and the role of age in the decisions.

Once the data was cleaned and the representative answers were kept, the observations were analyzed in the statistical program IBM SPSS. In the following chapter, multiple analyses are

conducted and further explained, such as linear regressions, bootstrapping, and moderating effects, to obtain the results of the study and drive conclusions regarding the proposed hypotheses.

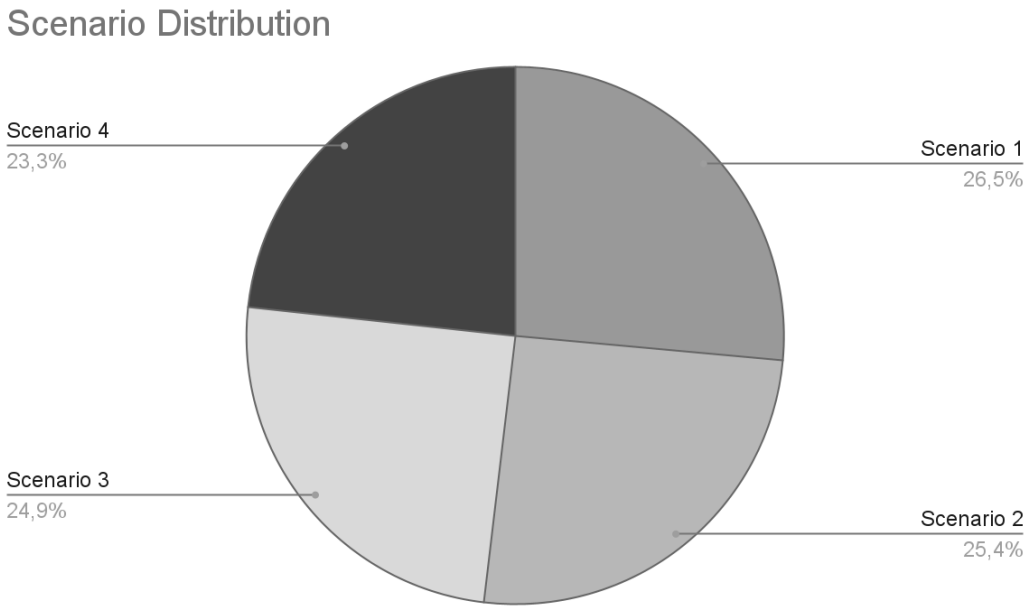
Chapter 4. Results

To test and assess the effect of the Type of Rewards given in a loyalty program on Customer Retention for the cosmetics industry, this chapter will demonstrate the analyses conducted with the data collected from the questionnaire. The first section of this chapter will cover the descriptive statistics for the demographics collected through the questionnaire. Section 4.2 provides an overview of the measurement validation of the items in the questionnaire. In section 4.3 a regression model is used to determine the linear relationship between the dependent and independent variables thus giving a preliminary answer to the first hypothesis presented, followed in section 4.4 where a regression is developed to determine the relation between the variables with a mediation effect. Section 4.5 provides a view of the interacting effects of the moderators in the relationship between the variables through a specialized regression measuring interactions. Finally, the chapter ends with a summary of the most relevant findings along with a short conclusion in section 4.6.

4.1 Descriptive Statistics

In this section, the descriptive statistics and measurement validations will be conducted, in order to make the data analysis and communication of results more well-defined. As previously mentioned, the total number of respondents that took part in this survey was 233, where 37 observations failed to meet the acceptable criteria and consequently, were excluded from the analysis, leaving a new sample size of N=189 observations. Each scenario randomly presented was answered from at least 30 respondents. Overall, the sample composed was approximately equally distributed across all 4 conditions, as can be seen in Figure 4.1.

Figure 4.1 Scenario distribution across observations



In the first instance, four questions were asked regarding the familiarity of respondents with loyalty programs and their involvement with these activities. All participants (*N=189*) had been involved or are currently involved in a loyalty program, since this was a requirement to complete the survey.

Results show that out of 189 respondents, 157 have received rewards whilst taking part in loyalty programs, which represents 83% of the total respondents. Furthermore, the distribution on frequency in which the respondents took part in a loyalty program showed that 45% “sometimes” engaged in loyalty programs in which they are members, followed by 25.9% “rarely” engaging and 20.6% “frequently” engaging. The lowest frequencies of engagement were “never” and “always”. Regarding the sectors in which the respondents had been involved the most in loyalty programs were grouped into clothes and apparel (*n=121*) followed by groceries and supermarkets (*n=109*), cosmetics and skincare (*n=69*), and electronics and tech (*n=37*). Respondents could select more than one option for this question, which is why the total of observations for each industry sector does not add up to the total number of observations in the data (*n=189*). The descriptives regarding these 4 questions are summarized in tables 4.1 and 4.2.

Additionally, respondents were asked to answer questions related to their demographic background. A summary of the answers collected can be seen in Table 4.3.
The distribution of the participant's gender showed that most of the respondents identified themselves as female (*n=126*), whereas a lower portion identified themselves as males (*n=63*). No respondents selected a third gender. Regarding the age of the participants, four age groups were presented: 18- to 27-year-olds (equal to Generation Z), 28 to 44 years old (Millennials), 45 to 58 years old (Generation X), and 59 and older (Baby Boomers; Silent Generation). Due to the low response rate of the last two age groups (Generation X; Baby Boomers; Silent Generation), the categories were integrated into the same category. Results show that the distribution was higher for observations of the first age group (*n=114*), followed by the second age group Millennials (*n=49*), and finally the third generational category (*n=26*). Because the main interest of this study focuses on analyzing the behavior of Generation Z for loyalty programs, it was important to have a significant number of observations per age group to compare with the baseline. Both Gender and Age variables are further tested for reliability and representativeness in the following section.

Furthermore, respondents were also asked to state their current occupation. Firsthand descriptive statistics show that 51.9% (*n=98*) of the participants are students, followed by 37.6% (*n=71*) who are full or part time employees, and 10.5% (*n=20)* who are entrepreneurs or are involved in other types of occupation not mentioned previously. Following this, a question asking the highest level of education achieved was presented. The distribution of the answers is as follows. 9% (*n=17*) of the respondents completed a high school diploma. 42.3% (*n=80*) respondents achieved a bachelor's degree, while 45.5 (*n=86*) completed a master's degree. Finally, 3.2% (*n=6*) respondents achieved a doctorate or professional degree.

Table 4.1 Descriptives for control variables

Control Variable		**Frequency**	**Percentage**	**Mean**	**Standard Deviation**
Rewards Received	Yes	157	83.1	1.17	0.376
	No	32	16.9		
Frequency of Use	Never	6	3.2	2.99	0.899
	Rarely	49	25.9		
	Sometimes	85	45.0		

	Frequently	39	20.6
	Always	10	5.3

Table 4.2 Descriptives for sector of use

Variable		**Frequency**	**Percentage**
Sector of LP used	Clothes and Apparel	121	64
	Groceries and Supermarket	109	57.7
	Cosmetics and Skin Care	69	36.5
	Electronics and Tech	37	19.6

**Totals of frequency and percentage should not add to the total sample size since respondents could select more than one option for this question*

Table 4.3 Distribution of demographic questions across the sample

Demographic Variable		**Frequency**	**Percentage**	**Mean**	**Standard Deviation**
Gender	Female	126	66.7	1.67	0.473
	Male	63	33.3		
Age	18 to 27	114	60.3	1.56	0.794
	28 to 44	49	25.9		
	45 to 58	21	11.1		
	59 and older	5	2.6		
Occupation	Student	98	51.9	1.61	0.747
	Full/Part time employee	71	37.6		
	Entrepreneur	15	7.9		
	Other	5	2.9		
Education Level	High School Diploma	17	9.0	2.43	0.701
	Bachelor’s degree	80	42.3		
	Master’s degree	86	45.5		

	Doctorate or Professional Degree	6	3.2

Following the four assessment questions are the statement questions for the mediator customer loyalty and the dependent variable customer retention measured through a 7-point Likert Scale. The determinants of customer loyalty included in the questionnaire.

4.2 Measurement Validations

For reliability and validation of the data, the means and standard deviation of the constructs were calculated. For the first control question, frequency of use, the response choices ranged in a 5-point Likert scale from "Never" to "Always". Results of the analysis showed that most participants tend to engage rarely or sometimes in loyalty programs with a neutral sentiment, compared to fewer participants that engage frequently, and other few that strive towards never or always engaging, representing a wide variability (M=2.99, SD=0.899). Following this, the second control question asked participants if they had received rewards with the programs in which they had taken part in. Two possible answers were recorded (Yes or No) with a mean score of 1.17 (SD=0.376), which leads to conclude that most of the observations collected in this data for analysis answered yes to having received rewards before. Moreover, this can also lead to believe that the respondents are customers who tend to be engaged with the loyalty program that they take part in.

The items measuring Customer Loyalty (M=4.77, SD=0.896) and Customer retention (M=5.23, SD=0.951) demonstrate that respondents have a tendency towards "Somewhat Agree" in the 7-point Likert scale going from "Strongly Disagree" to "Strongly Agree" leaning towards the upper level of the scale, however the results have a moderate degree of variability according to the standard deviation of both items, indicating diversity in the respondent's answers, deviating from the average response. Further analysis for the means and variances of the items will be explained in section 4.2.1

It is important when conducting a study collecting data through a questionnaire, to ensure that the internal consistency within each scale measuring a construct is present and relevant. For this, the Cronbach Alpha's measurement is tested. Alpha was developed by Lee Cronbach in

1951 to provide a measure of the internal consistency of a test or scale; it is expressed as a number between 0 and 1, and usually, an acceptable value ranges from 0.70 to 0.95 (Nunnally et al., 1994; Bland et al., 1997; DeVellis, 2003; Tavakol and Dennick, 2011). As it was demonstrated in table 3.2, chapter 3, the Cronbach Alpha measured for the items Customer Loyalty and Customer Retention was 0.790 and 0.915 respectively, showing a high level of acceptance for each scale. Moreover, the three items composing Customer Retention (Repeat Buying Intention, Customer Satisfaction, and Commitment) also proved to be highly acceptable as a measuring scale (0.785, 0.921, and 0.837 respectively). A more detailed description of the Cronbach Alpha value per question used for each can be found in Table 1 in Appendix B. Based on this, it can be concluded that the items chosen to measure the constructs were appropriate and enough, therefore no need of removing items from the questionnaire was required.

4.2.1 Independent Sample T-test

In order to proceed with further parametric tests for the hypotheses' validation, an independent sample t-test was performed to ensure that the assumptions necessary are met, such as independence, normal distribution, homogeneity of variances and equality of means. Section 4.2.2 will carry out the collinearity tests.

The results of the T-test, which can be seen in Table 4.4, showed that homogeneity of variance can be assumed, and the interpretation of the mean and the standard deviation of the independent variables can be done. This can be seen with Levene's test for equality of variances (F=3.201, p=0.075>0.05) where equal variances are assumed. Furthermore, the independent sample T-test shows that the difference in mean of customer retention is not statistically significant (t=0.533, p=0.595>0.05) at a significance level of 5%. Furthermore, the data follows a normal distribution and complies with the linearity assumption (Appendix C)

Table 4.4 Independent Sample T-test Results

Construct		Levene's Test for Equality of Variances		T-Test for Equality of Means				
						Significance		
		F	**Sig**	**t**	**df**	**1-sided p**	**2-sided p**	**Mean Difference**	**Std. Error Difference**
CR	Equal variances assumed	3.201	0.075	-.533	187	.297	.595	-.074	.139
	Equal Variances not assumed			-.536	182.994	.296	.593	-.074	.138

4.2.2 Collinearity

In order to assess the collinearity and relationship between the constructs, a collinearity analysis was run on SPSS for the constructs Type of Reward (TR), Market Saturation (MS) and Customer Loyalty (CL). The findings indicate that there is no risk of multicollinearity among the predictor variables, given that the tolerance value is closer to 1 than 0 for all variables (TR=0.998, MS=0.967, CL=0.965). Additionally, the Variance Inflation Factor (VIF) is a measurement that indicates linear dependencies. When the VIF is at its lowest value (1), it represents the lowest possible point that allows the observation of a lack of linear dependencies. For the observed constructs, all VIF values are closer to 1 (TR=1.002, MS=1.035, CL=1.036) which leads to conclude that there are no linear dependencies between the variables analyzed.

Furthermore, through collinearity diagnostics, further issues with collinearity were checked. First, the condition index for the constructs was examined. At a first glance, no value appears to be higher than 30, therefore it is safe to conclude that there is no collinearity between the constructs. Second, one important indicator to keep in mind is the variance proportions. Here, the values among predictors should remain around 0.5 or lower in order to exclude the variables from any multicollinearity problem. In the data, only the construct Customer

Loyalty (0.97) seems to exceed the value of the rule, possibly indicating a collinearity issue with the constant (0.98), however, this does not represent a significant multicollinearity problem for the rest of the data to be analyzed. Tables 4.5 and 4.6 summarize the coefficients mentioned above.

Table 4.5 Collinearity coefficients

Variable	**Unstandardized B**	**Coefficients Std. Error**	**t**	**Sig.**	**Collinearity Statistics**	
					Tolerance	**VIF**
(Constant)	1.161	.244	4.749	<.001		
Type of Reward	-.017	.083	-.204	.839	.998	1.002
Market Saturation	.000	.084	-.001	.999	.967	1.035
Customer Loyalty	.854	.047	18.120	<.001	.965	1.036

Table 4.6 Collinearity Diagnostics results

Dimension	**Eigenvalue**	**Condition Index**	**Variance Proportions**			
			(Constant)	**Type of Reward**	**Market Saturation**	**Customer Loyalty**
1	3.120	1.000	.00	.03	.03	.00
2	.520	2.450	.00	.45	.52	.00
3	.345	3.009	.01	.50	.37	.02
4	.016	14.158	.98	.02	.08	.97

4.3 Linear Regression Testing: Hypothesis 1

Before starting the regression analysis for the first hypothesis regarding the relationship between the Type of Reward given in a loyalty program and the Customer Retention, a check was done through a t-test to observe whether an online reward has a stronger impact on customer retention than an offline reward, as expected by the literature review done. The results showed that the mean retention after receiving an online reward (M=5.19, SD=0.850)

does not differ significantly from an offline reward (*M*=5.27, *SD*=1.041). In the same sense, the result is higher for an offline reward than an online reward, not expected according to the literature review presented in this study. Further analysis will test whether the moderating variables Market Saturation or Age will alter this relationship.

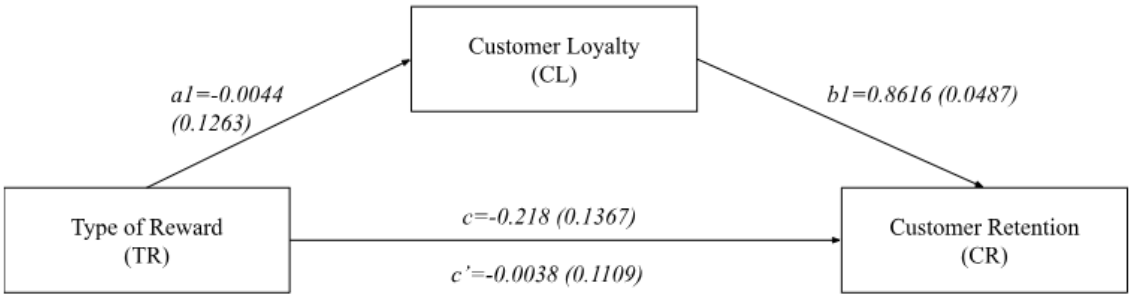
As a next step, a linear regression was run on SPSS (Further details can be seen in the Table 1 in Appendix D), with the independent variable Type of Reward and the dependent variable Customer Retention. The latter was composed from the average of scores, with values from 1 to 7, corresponding to the answers of respondents to the questions assessing this construct. The former was built as a dummy variable from the scenarios presented, where 1 would be a value assigned to the observations that had scenarios 2 and 4 assigned (online), and 0 to scenarios 1 and 3 assigned (offline). Control variables were added to the regression, namely corresponding to the questions of rewards received in loyalty programs and frequency of use, as well as gender, occupation and education level. These control variables were also added as dummies coded from the original questions in the survey. Results show that the regression coefficient is not statistically significant (*p-value>0.05*), therefore there is no significant effect of the type of reward given in a loyalty program on customer retention. Furthermore, results show that when the only variables in the model are the independent variable (Type of Reward) and the dependent variable (Customer Retention), the effect of online rewards compared to offline rewards for customer retention is not statistically significant (*B*=-0.074, *t*=-0.533, *p*=0.595) at a significance level of 5%. An interesting behavior occurs when the control variables are added to the regression model. With these included the significance level of the type of reward increases to 0.986 (*B*=0.002. *t*=0.017) which proves further that there is no statistically significant effect of online rewards on customer retention, compared to offline rewards.

4.4 Mediation Effect: Hypothesis 2

For the mediation analysis, a test was conducted using the model by Hayes, Process Macro in SPSS. For this, the variables included in the analysis were the dependent variable Customer Retention (CR), the independent variable Type of Reward (TR), the mediator Customer Loyalty (CL), and 5 control variables (Rewards Received, Frequency of use, Gender, Occupation and Education Level), with 95% confidence interval and 5000 bootstrap samples. Results of the model show that there is no mediation of the relationship between the Type of

Reward on Customer Retention when Customer Loyalty takes part. In more depth, in order to prove statistical significance in a mediation model, the requirement of having a *p-value* lower than 0.05 needs to be met, as well as the lack of the value 0 on the confidence interval (Lower Limit LLCI; Upper Limit ULCI). With this, results demonstrate that there is no statistical significance of a total effect on the mediation (p=0.8736, CI=-0.2915;0.2480). Furthermore, according to the results of the data analyzed, there doesn't seem to be a statistically significant result for the direct effect of the mediation (p=0.8285, CI=-0.1818;0.1458). Taking a closer look to the information provided in the output (Appendix D, Table 2), the effect of Type of Reward on Customer Loyalty (path a) is not significant (p=0.9724), however it does seem to impact on a lower level the customer loyalty construct. Results of the output show that 11.47% of the change in Customer Loyalty is being accounted for by the Type of Reward presented in the randomized scenario (R-sq=0.1147). In contrast, data shows that there is a significant impact of the mediator Customer Loyalty on Customer Retention (p=0.000). While it can't be said that a statistically significant effect exists on this mediated relationship, results demonstrate that 66.26% of change in Customer Retention is being accounted for by Customer Loyalty and Type of Reward. Figure 4.2 shows a summary of the coefficients of paths in the mediation analysis.

Figure 4.2 Mediation analysis coefficients



4.5 Moderation Effect: Hypotheses 3 & 4

For the moderation effect, two paths were conducted. The first path tested the effect of the moderators through a regression. This implied creating dummy variables for the moderator as well as a variable for the interaction between the moderator and the independent variable. The second path made use of the system add-in Hayes PROCESS Macro. Detailed results are shown in sections 4.5.1 and 4.5.2.

4.5.1 Hypothesis 3

To test the moderation effect that the variable Market Saturation has on the relationship between the Type of Reward and Customer Retention, two variables were created. The first one, a dummy, Market Saturation, took the value 1 if the scenario represented a high market saturation, and 0 otherwise. In the same sense, the variable IntMS was created, and represented the interaction between the values of the independent variable Type of Reward and the moderator dummy Market Saturation. The regression was run first with the independent variable, the moderator and the interaction variable, showing that with the interaction in place, there is no statistically significant evidence to conclude that the relationship strength between the type of reward presented and the customer retention decreases for highly saturated markets (B=0.157, t=0.568, p=0.571) at a significance level of 5%. Furthermore, when the control variables are added into the regression, the significance level for the interaction does not improve (B=0.143, t=0.504, p=0.615). Regardless of the effect, it is important to highlight that the variable is significant for the mode (p=0.067) at a significance level of 10%. In this model, it can also be concluded that 12.5% of the variance in Customer Retention is explained by the interaction between the Type of Reward and the

high Market Saturation (R-sq=0.125). In consequence, the remaining 87.5% of the variance may be attributed to other factors not included in this study. The results of the regression can be seen more in detail in Appendix D, Tables 5 to 7

As a second measurement for the moderation effect of Market Saturation, an analysis was run using the Model PROCESS by Hayes using Model 1, which assumes the independent variable and moderator as continuous variables. The model included the independent variable Type of Reward (TR), dependent variable Customer Retention (CR), the moderator Market Saturation (MS) and 5 control variables, with a 95% level of confidence for all confidence intervals. Results show that the interaction term between Market Saturation and Type of Reward was created (Int_1), and it is not statistically significant in the relationship (p=0.6281). However, the moderating variable Market Saturation appears to be statistically significant for the model (p=0.0467) at a 5% alpha value. Even though the results are not statistically significant overall, the output of the data shows that 10.78% of the change in Customer Retention is being accounted for by the Type of Reward, Market Saturation, and the interaction term between both variables. Furthermore, when taking a deeper look at the output, it can be seen in the test of higher order unconditional interactions that the interaction between the variables Type of Reward and Market Saturation is not significantly impacting the dependent variable Customer Retention (p=0.6281) and the square change in the interaction is not statistically significant (R-sq=0.0012). The detailed output of the analysis can be seen in Appendix D, Table 8.

4.5.2 Hypothesis 4

The fourth hypothesis proposed an interaction effect between the age of the customer and the independent variable, on Customer Retention. More specifically, the relationship between the Type of Reward and Customer Retention is strengthened for consumers of Generation Z, compared to other generations.

For this regression, two variables were created. The first one was the dummy variable Age1, which took the value 1 for all the cases in which the age selected by the respondent was equal to the category 1 in the question, 18 to 27 years old, and 0 for all the other cases. The second variable created was the interaction term between Age1 and the independent variable Type of Reward. The regression was run, and the following results were obtained. At a first glance, with the regression including just the independent variable, moderator and interaction term,

there seems to be no statistical significance that indicates that the relationship strength between the Type of Reward and Customer Retention is higher for Generation Z customers (*B*=-0.298, *t*=-1.070, *p*=0.286) at a significance level of 5%. However, the variable age is statistically significant for the model (*p*=0.005). When a second model of the regression is presented, including the control variables, the moderating effect of the age in the type of rewards remains statistically insignificant (*B*=-0.281, *t*=-0.989, *p*=0.324) but the variable Age1 remains significant (*p*=0.04) at a significance level of 5%. With these regression results, it can also be concluded that 12.1% of the variance in Customer Retention is explained by the interaction between the Type of Reward and the high Market Saturation (R-sq=0.121). In consequence, the remaining 87.9% of the variance may be attributed to other factors not included in this study. Detailed information about the coefficients and the model of the regression can be seen in Tables 9 to 11 in Appendix D

In contrast to the regression testing for the effect of the moderator Age in the relationship between Type of Reward and Customer Retention, the Process Model by Hayes was run, though a Model 1 assuming a continuous independent variable and categorical moderator, including the 5 control questions, with a 95% level of confidence. First, the output shows a new variable (Int_1) which represents the interaction term of the variables Type of Reward and Age. The results show that there is no statistically significant effect of the interaction between these two variables on Customer Retention (*p*=0.8727). In this scenario, the moderation variable Age is not statistically significant in the model by itself either (*p*=0.3451), which explains in certain part why the interaction would not appear to be significant, consistent with the results. Furthermore, the test of highest order unconditional interaction shows that the interaction between the independent variable and the moderator in this model is not significant (*p*=0.8727) and the square change in the interaction is not statistically significant (R-sq=0.0001). Along with the results obtained, it can also be concluded that 29.11% of the change in Customer Retention is being accounted for by the Type of Reward, the Age and the interaction term (R-sq=0.2911). Table 12 in Appendix D shows a detailed overview of the results obtained.

4.6 Conclusion

This study aims at understanding the effect of the Type of Reward given in a loyalty program for Customer Retention. After collecting the data and running all the needed analyses, the

output of the tests showed results that contrast highly with what was established in the literature review and hypotheses development chapter. Further analysis in Chapter 5 explains what these results mean for this study and future studies. To sum up, Table 4.7 shows the hypotheses formulated at the beginning of this research, and whether they were supported with the data collected and the analyses developed.

Table 4.7. Overview of hypotheses results

Hypothesis	**Results**
H1. Compared to an offline reward, offering online rewards in a loyalty program has a stronger significant and positive impact on Customer Retention.	Not Supported
H2. Customer Loyalty has a positive mediating effect on the relationship between the Type of Reward given in a loyalty program and Customer Retention.	Not Supported
H3. The relationship between the Type of Reward given in a loyalty program and Customer Retention decreases with higher Market Saturation.	Not Supported
H4. The relationship strength between the Type of Reward given in a loyalty program and Customer Retention is higher for Gen Z consumers than non-Gen Z consumers.	Not Supported

Chapter 5. Discussion

The purpose of this research was to analyze the effect that the type of reward in a loyalty program has on customer retention in the cosmetics industry, and furthermore, in which way is this relationship affected by the level of market saturation, generational differences and customer loyalty. As a result, the problem statement was created:
What is the effect of the type of reward given in a loyalty program on customer retention in the cosmetics industry?
To answer this, multiple constructs had to be developed and further questions formulated, in order to thoroughly understand if there was indeed an effect, and if so, what type of effect it would be (i.e., how would it influence the customer retention). In this chapter, a discussion will be carried out according to the performed study and the results of the analysis. Next to that, a discussion about the hypotheses and their results will be conducted. Finally, the chapter ends with implications for future researchers and retailers, and limitations.

5.1 Hypotheses Discussion

Hypothesis 1 was developed in order to understand the effect that an online reward can have on customer retention, compared to an offline reward in the same nature. With this, the aim was to assess if there is an impact on the type of reward the customer receives when taking part in a loyalty program, and if so, how does this affect the customer retention for companies participating in the cosmetics industry. Results showed that an online reward does not significantly affect the customer retention in a more strong and positive effect, compared to offline rewards. Moreover, results suggest that there is no significant difference for a customer participating in a loyalty program, between receiving an online versus an offline reward. This could be seen through the T-test results, proving that the mean retention after receiving the rewards does not vary significantly from the type of reward presented. If anything, there appears to be a slightly higher tendency for retention when the reward is offered offline. According to existing literature, there are theories that explain the lack of a significant difference between the type of rewards provided in a loyalty program, and more specifically, receiving these rewards in an online versus offline setting (Gable & Ghul, 2022; Basha et al., 2020; Wait, 2022). Further research has established that the effect of a given

reward lies in the extent to which it supports an individual's goal (Brendl & Higgins, 1995) which leads to believe that consistent with the results obtained, the rewards presented did not appeal to the customers' persona (i.e., hedonic vs utilitarian), hence leading to reject the hypotheses proposed. Furthermore, the type of reward given also has a highlighted preference for the customers, that often strive towards receiving a direct reward instead of an indirect one (Dorotic et al., 2011). To add on, Chaabane and Pez (2020) found results consistent with the ones obtained for this first hypothesis tested. In their research, they show that the nature of the benefits allocated to loyalty programs does not affect the customer purchase frequency or choice or retailer.

Given that the main relationship of this study did not show any statistical significance, more constructs were proposed to test whether they would change this main effect. Hypothesis 2 proposed including a mediating variable, Customer Loyalty, to assess the changes in the main relationship between the type of reward offered and the customer retention when the construct was added to the relationship. This helped in understanding if customer loyalty would intermediate or intervene the main relationship effect. Results of the mediation showed that there is no total effect of mediation in the relationship, therefore the construct did not play an intermediating effect. In more detail, the bootstrap result showed that while there is no significance between the independent variable and the mediator, and between the independent and dependent variable when the mediator is intermediating, there is a significant relationship between the mediating construct and the dependent variable, Customer Retention. However, this is not enough evidence to show a mediation effect. Roehm et al. (2022) found that the type of reward can reinforce emotional attachment and positively influence attitudinal loyalty, especially in high involvement settings, however the construct loyalty is often broadly defined and there are many factors influencing it's effect on customer retention.

Hypothesis 3 aimed to test the effect of the main relationship between the type of reward and customer retention, when the moderator Market Saturation was interacting in the relationship. It is important to recapitulate that for this study, market saturation was defined as the level of competitiveness in the cosmetics industry (i.e., the amount of loyalty programs competing against each other in this retailing sector). According to the literature review presented, it was expected for the customer retention to decrease as more loyalty programs were competing in the market, hence the relationship between the type of reward and customer retention was

expected to decrease with higher market saturation. Results found that there is not enough evidence to prove this decrease. Whereas the variable Market Saturation was shown to be statistically significant in the model, the interaction term between this variable and the independent variable wasn't found to be significant, therefore leading to reject the hypothesis. Yang et al (2019) found that the average person has several loyalty cards and can't be loyal to all of them. This can help in supporting the findings for this hypothesis, since it also creates a scenario where high involvement and competitiveness is present. Additionally in their research, Kwiatek and Thanasi-Boce (2019) found that while strong customer-retailer relationships may be a consequence of a loyalty program, the level of relationship strength differs according to the perceived additional value that the loyalty program is delivering.

Like the previous hypothesis, hypothesis 4 aimed at measuring the moderating effect of the age in the relationship between the type of rewards and customer retention. More specifically, the statement proposed that the relationship strength between the independent variable and the dependent variable was higher for Generation Z customers, compared to non-Generation Z. Results of the moderation analysis showed that there is no statistical significance to back up this strength effect, and that for Gen Z customers, there is no difference between receiving offline or online rewards for their retention. As Market Saturation, the moderator Age was proven to be statistically significant in the model, however the interaction term with the independent variable Type of Rewards was not significant, hence not supporting the hypothesis 4.

5.2 Implications and Recommendations

5.2.1 Implications for future research

After reviewing the literature available concerning the use of rewards in loyalty program for customer retention in chapters 1 and 2, various gaps were found. This study was then proposed to contribute to the existing literature and filling some of these existing gaps. Results showed that contrary to most research done before, there is no significant effect of the type of reward given in a loyalty program on customer retention. The reasoning behind this can be seen in the limitations of the study, in the next section. Previous studies which focused on loyalty program rewards were mostly focused on customer satisfaction, brand loyalty, brand awareness, and different nature of rewards such as unconditional versus conditional rewards, utilitarian versus hedonic, and economical versus non economical (Mcllroy &

Baarnett, 2000; Choi & Kim, 2013; Magatef & Tomalieh, 2015; Melancon et al., 2010; Wait, 2022; Wetzel et al., 2014). While this research focuses on a less studied type of reward system (online versus offline rewards), it also contributes to the literature about customer loyalty and retention for loyalty programs. Additionally, it provides insight into the significant effectiveness of loyalty program rewards for new generations and different market conditions, which hasn't been vastly explored before.

Additionally, the study and its results contribute to assessing the market saturation or competitiveness which was not included in many previous studies. Results showed that contrary to most research done before, there is no significant effect of the type of reward on customer retention regardless of the saturation and competitiveness in the cosmetics loyalty program market. However, it provides a new insight into the widely studied and implemented loyalty program strategies and poses a new perspective into the use of these marketing tools for customer engagement and relationship growth. Moreover, with the inclusion of Generation Z into the study, a still growing generation, better results can be drawn to elaborate and implement these strategies in the market and differentiate the loyalty program from others already competing in the industry. In the same sense, further research should also focus on analyzing the effects of these marketing strategies on the retailing industry, because most studies about loyalty programs have mainly focused on the effect for customer retention in the service sectors (Orantes-Jimenez et a., 2017; Fook & Dastane, 2021; Yi & Jeon, 2003; Magatef & Tomalieh, 2015), instead of the FMCG sector.

5.2.2 Recommendations for retailers and managers

The findings of this research show that loyalty card rewards system and customer retention need to be re-evaluated and new strategies need to be put in plan in order to improve existing loyalty programs in the cosmetics industry, an industry weaking in the Dutch market. Moreover, marketers and managers participating in retailing should direct their focus to look for new strategies to differentiate their established loyalty programs, with the end goal of attracting new customers and most importantly, increasing the engagement and re purchasing behavior of the existing customer base. This study proved that the execution of loyalty programs in the cosmetics industry needs a change, given that the trends and changes in the market are shifting towards a new way of consuming the loyalty rewards. Managers should assess in more detail what is their desired goal with the customers and in the same sense,

adapt their loyalty programs to make a better fit for the existing customer base, keeping in mind the market characteristics and level of involvement.

5.3 Limitations and Future Research

While this study provides valuable insights into the relationship between Type of Reward and Customer Retention, as well as interacting factors such as Customer Loyalty, Market Saturation and Generational Differences, various limitations need to be considered. This section will run over the limitations of this research.

In first place, this study was a cross sectional single study, limited to a one sample size with answers collected only one time in a single service industry. This represents a limitation given that the answers from the sample, although meeting the representativeness criteria, might not be the most accurate to generalize for the entire cosmetics market in Europe. Moreover, because it was collected one time only in a period frame, customer's answers might change overtime and their perspectives can shift. Additionally, the study relied on scenarios to provide a simulated shopping situation, and although commonly used for these types of research, it can lack the consistency and richness of an actual shopping encounter. It would be more beneficial if future research focused on sampling the participants in the field, i.e., in shopping centers, near the cosmetics stores, or online through social media related groups. This, to increase the base of respondents that know about the market and the rewards' dynamics.

Furthermore, a limitation exists regarding the difference and variety of responses, and it can be due to differences in the familiarity of the respondent with the type of reward program tested in this study. Even though it was a requirement for the respondent to be familiar and have previous experience participating in a loyalty program, the reward system and type may have differed from what they were used to. Often, customer familiarity with a particular business practice causes significant differences in customer responses (Wirtz and Kimes, 2007), therefore further studies should control the effect of customer familiarity as well for the overall topic of the study.

Another limitation present in this research is the measurement of customer loyalty. This study was designed to measure customer loyalty based on the most common items used in previous literature, however a vast number of additional factors were not added for this measurement. Because customer loyalty is affected by other factors such as satisfaction, gratitude, behavior and emotional attachment, the questions used in the survey might not have included these components fully or the respondents were not emotionally attached to the presented brand, leaving a gap in the complete measurement of the construct. Biesok and Wyrod-Wrobel (2011) state that to offer a proper grasp of customer loyalty, it is necessary to include not only the connected emotions of the customer with the purchasing process, but also the atmosphere of execution before and after purchase. To add on, the scenarios presented situations where a made-up brand was offering benefits to customers, under certain market circumstances, however this can limit the accuracy of responses because the respondents are not properly engaged or have any type of feelings toward the presented brand in the scenarios. Further limitations arise when the respondent is only answering based on a scenario explained in one paragraph with no further explanation. Future research needs to keep this in mind and add more explanatory information accordingly to the planning and testing, when designing the scenarios and questionnaires for the analysis of these type of attitudinal and behavioral constructs.

Another limitation important to consider includes the type of reward chosen to present in the scenarios. The questionnaire presented a loyalty card reward scheme, which consisted of an economic immediate direct reward. This poses a limitation given that different customers respond to different types of reward schemes, and by choosing to present just one type across 4 different generations of respondents, the feelings towards loyalty and retention, as well as the accuracy of the answers can be flawed. This research focused on consumer generation Z to assess the effect of the type on reward for customer retention, through a loyalty card reward scheme, however, Magatef and Tomalieh (2015) found that for this specific generation, the Tier-System reward is significantly more valuable. Future research should assess beforehand which type of reward is more suitable for the type of respondents that will be considered for the questionnaire, therefore easing the ambiguity and inaccuracy that this limitation may cause.

Overall, Future research could benefit from larger and more diverse sample, scenarios built according to the sample characteristics, objective measures of the type of reward presented and the inclusion of cultural background to enhance the external validity of the findings.

Chapter 6. Conclusions

To sum up, chapter 1 covered the introduction and managerial relevance of this study. Chapter 2 took over the literature review and sources that back up the hypotheses development, further discussed in the same chapter. Chapter 3 explained the methodology to be used, as well as the research design and data to be collected. Chapter 4 showed the results of the tests ran and their significance for the research, as well as the results for each hypothesis. Discussion and further implications were considered regarding the results and their meaning for this study and future studies. Finally, this chapter will carry out a summary of the information obtained, as well as offer a comprehensive synthesis of the research, providing then a closure to this study.

The purpose of this thesis was to understand the effect that loyalty programs have on customer retention, more precisely, the effect of giving an online reward, compared to an offline reward, for customer retention. Adding to that, this study also sought to test and analyze how this relationship shifts when other constructs common in the marketing practice, such as customer loyalty, intermediate in the relationship. Furthermore, the goal was also to understand whether the interacting effects of market saturation and age would affect this main relationship. A regression analysis was used to test all the researcher's proposed hypotheses, as well as mediation and moderation analyses using both regression and the PROCESS Model by Hayes, through IBM SPSS. No statistical evidence was found to back up the proposed hypotheses, however this led to prove that there is a need in the existing marketing setting to adjust the loyalty program rewards strategy to the emerging customer needs and align these strategies to the company's goals and objectives in order to achieve the most profitability and gather a valuable customer base.

As explained before, several reasons can interact with this study to cause the obtained results. Some attributes such as the scenario and the rewards system proposed might not fully align with the consumer generation targeted for this study. Additionally, factors such as familiarity and items building the constructs may not be fully included given the nature of this research and its focus. Nevertheless, important findings are achieved which are meant to act as an

incentive for future researchers to seek out more ways of contributing to the gaps in the existing literature and improve the retailing companies' strategies. In conclusion, this study provided insights regarding some effects that in today's day and age need to be adjusted and re-adapted. A more thorough and comprehensive research effort could potentially yield significant discoveries that offer managers and stakeholders a deeper comprehension of effectively implementing these rewards and loyalty programs to newer generations in the according market conditions.

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Appendices

Appendix A

Scenarios and Questionnaire

Scenario 1 – Offline reward in low saturation market

Imagine that you are in the shopping center searching for skincare to purchase, and you come upon a beauty store "Skinly" that displays an ad in one of their windows with the following message:
"Skinly members only: get 15% off your next purchase, **in-store only**"
You are **not a member of any loyalty program for a beauty brand** yet, so you take advantage of the discount and become a member of "Skinly's" loyalty program to get the 15% off.
You go inside and purchase the skincare item you needed, with the advantage of the discount, and remain a member of the program.
The promotional message you saw had the following context:

Please focus on the information given in the promotional message and not the aesthetics of the picture

Scenario 2 – Online reward in low saturation market

Imagine that you are searching for skincare to purchase online, and you come upon the beauty store "Skinly" that displays an ad in their website with the following message: "Skinly members only: get 15% off your next purchase, **online only.**"
You are **not a member of any loyalty program for a beauty brand** yet, so you take advantage of the discount and become a member of "Skinly's" loyalty program to get the 15% off.
You add the product to your cart and purchase the skincare item you needed, with the advantage of the discount, and remain a member of the program.
The promotional message you saw had the following context:

Please focus on the information given in the promotional message and not the aesthetics of the picture

Scenario 3 – Offline reward in high saturation market

Imagine that you are in the shopping center searching for skincare to purchase, and you come upon a beauty store "Skinly" that displays an ad in one of their windows with the following message:
"Skinly members only: get 15% off your next purchase, **in-store only.**"
You are **currently participating in 2 loyalty programs of other beauty brands**, but you still want to take advantage of the discount and become a member of "Skinly's" loyalty program to get the 15% off.
You go inside and purchase the skincare item you needed, with the advantage of the discount, and remain a member of the program.
The promotional message you saw had the following context:

Please focus on the information given in the promotional message and not the aesthetics of the picture

Scenario 4 – Online reward in high saturation market

Imagine that you are searching for skincare to purchase online, and you come upon the beauty store "Skinly" that displays an ad in their website with the following message: "Skinly members only: get 15% off your next purchase, **online only.**"
You are **currently participating in 2 loyalty programs of other beauty brands**, but you still want to take advantage of the discount and become a member of "Skinly's" loyalty program to get the 15% off.
You add the product to your cart and purchase the skincare item you needed, with the advantage of the discount, and remain a member of the program.
The promotional message you saw had the following context:

Please focus on the information given in the promotional message and not the aesthetics of the picture

Questionnaire

Dear Participant,

My name is Maria Paula Bolanos, and I am conducting a survey for my master's thesis in Marketing at the Erasmus School of Economics.
A scenario will be described to you, and you will be asked to answer some questions. You will be able to go back and forth.

It is of high importance that you read every piece of information given in this survey carefully before moving to the next step. The information that is given to you is the only information available. Therefore, try to base your choices on this information only.
This survey should not take longer than 5 minutes.

The data will be processed strictly anonymously, and all data will be treated confidentially. Your participation in this survey is voluntary. You may stop participating at any time by closing the browser window.
Please note that there are no right or wrong answers, only your own opinion matters

Thank you for your participation in my master's thesis survey.
Sincerely,
María Paula Bolanos

Hereby, I consent to participate in the research study as described above.

- I consent.
- I do not consent.

Loyalty programs are effective marketing strategies used by numerous companies to engage with their customers and provide them with added benefits, typically in the form of rewards or incentives. These advantages are usually presented online through company websites and mobile apps, as well as offline at physical store locations. Loyalty programs have gained tremendous popularity across various industries, including hospitality, grocery, and beauty, as they foster increased customer loyalty, and engagement, and ultimately, encourage repeat purchases.

1. Have you ever taken part (or are currently taking part) in a loyalty program for a beauty brand?
    a. Yes
    b. no
2. In which retail sector(s) have you participated in loyalty programs?
   (You can choose more than one answer)
        a) Clothing, Sportswear, and Apparel
        b) Groceries and Supermarkets
        c) Cosmetics and Skincare
        d) Electronics and Tech
        e) Other (Please fill in only one sector, your most used one)
3. Did you receive rewards or benefits from these programs?
    a. yes
    b. no
4. How often do you engage in the loyalty programs for which you are a member?
    a. Never
    b. Rarely
    c. Sometimes
    d. Frequently
    e. Always

Questions

Please indicate in the following statements to what extent you agree with them (1 = Strongly disagree, 2 = Disagree, 3 = Somewhat disagree, 4 = Neither agree nor disagree, 5 = Somewhat agree, 6 = Agree, 7 = Strongly agree).

1. Repeat buying intention.
    a. I intend to continue purchasing products with the loyalty program presented in the scenario.
    b. I intend to continue purchasing skincare and beauty products from Skinly in the future.
    c. Next time I'm in a shopping center, I will look for this store to buy my skincare and/or beauty products.
2. Customer satisfaction
    a. I am satisfied with Skinly's loyalty program offered.
    b. I am satisfied with Skinly's membership benefits received.
    c. Considering my total experience, I am overall satisfied with Skinly.
3. Commitment
    a. I am willing to choose Skinly over other skincare and beauty stores for future purchases.

b. The next time I'm looking to purchase a cosmetics product (skincare or beauty product), I will buy again from Skinly, taking advantage of the loyalty program.

Please indicate in the following statements to what extent you agree with them (1 = Strongly disagree, 2 = Disagree, 3 = Somewhat disagree, 4 = Neither agree nor disagree, 5 = Somewhat agree, 6 = Agree, 7 = Strongly agree).

1. I will do most of my future shopping at the physical store.
2. I will do most of my future shopping through the online store.
3. I will recommend this store to friends, neighbors, and relatives.
4. I will use this store the very next time I need to shop for a beauty item.
5. I will spend more than 50% of my cosmetics and beauty budget at this store.
6. I will speak positively about Skinly and its loyalty program to other people.

Demographic Questions

1. Please indicate your age (Froom and Read, 2018):
    a. 18-27
    b. 28-44
    c. 45-58
    d. 59 and older
2. Please indicate your gender:
    a. Female
    b. Male
    c. Non-Binary
    d. Other
3. Please indicate your age (Froom and Read, 2018):
    a. 18-27
    b. 28-44
    c. 45-58
    d. 59 and older
4. Please indicate your occupation:
    a. Student
    b. Full-time/Part-time employee
    c. Entrepreneur
    d. Other
5. Please indicate your highest education level:
    a. High school diploma
    b. Bachelor's degree
    c. Master's Degree
    d. Doctorate or professional degree

Attention checks

Please select "strongly disagree" to show that you are paying attention.

End of survey

You have reached the end of your questionnaire. Continue to make sure your answers will be registered. In case you have any questions or remarks, please contact me:

E-mail address:
652949mb@eur.nl

The data will be processed strictly anonymously and will not be used for any other purposes.

Thank you very much for your participation!

Appendix B

Table 1. Cronbach Alpha testing for reliability of questionnaire items

Variable	Item	Mean	Std. Deviation	Cr. Alpha
Customer Loyalty *(M=4.77, SD=0.896)*	Item 1 (remaining customer)	4.25	1.662	0.790
	Item 2 (remaining customer)	4.69	1.365	
	Item 3 (recommend)	5.27	1.375	
	Item 4 (first choice)	5.06	1.245	
	Item 5 (continue doing business)	3.92	1.466	
	Item 6 (word of mouth)	5.44	1.298	
Customer Retention (*M=5.23, SD=0.951*)	Item 1 (repeat buying intention)	5.59	1.198	0.785
	Item 2 (repeat buying intention)	5.17	1.222	
	Item 3 (repeat buying intention)	4.66	1.297	
	Item 4 (customer satisfaction)	5.45	1.169	0.921
	Item 5 (customer Satisfaction)	5.47	1.137	
	Item 6 (customer satisfaction)	5.60	1.110	
	Item 7 (commitment)	4.65	1.236	0.837
	Item 8 (commitment)	5.25	1.223	

Table 1.1 Cronbach alpha testing for reliability of questionnaire items for scenario 1

Variable	Item	Mean	Std. Deviation	Cr. Alpha
Customer Loyalty *(M=4.97, SD=1.086)*	Item 1 (remaining customer)	5.28	1.604	0.860
	Item 2 (remaining customer)	4.16	1.267	
	Item 3 (recommend)	5.32	1.435	
	Item 4 (first choice)	5.32	1.435	
	Item 5 (continue doing business)	4.20	1.471	
	Item 6 (word of mouth)	5.54	1.249	
Customer Retention (*M=5.44, SD=1.075*)	Item 1 (repeat buying intention)	5.70	1.282	0.941
	Item 2 (repeat buying intention)	5.38	1.398	
	Item 3 (repeat buying intention)	5.18	1.320	
	Item 4 (customer satisfaction)	5.58	1.214	
	Item 5 (customer Satisfaction)	5.60	1.050	
	Item 6 (customer satisfaction)	5.68	1.168	
	Item 7 (commitment)	5.02	1.286	
	Item 8 (commitment)	5.36	1.467	

Table 1.2 Cronbach alpha testing for reliability of questionnaire items for scenario 2

Variable	Item	Mean	Std. Deviation	Cr. Alpha
Customer Loyalty *(M=4.89, SD=0.780)*	Item 1 (remaining customer)	3.46	1.166	0.678
	Item 2 (remaining customer)	5.38	1.282	
	Item 3 (recommend)	5.17	1.260	
	Item 4 (first choice)	5.42	1.069	
	Item 5 (continue doing business)	4.33	1.449	
	Item 6 (word of mouth)	5.58	1.302	
Customer Retention (*M=5.29, SD=0.887*)	Item 1 (repeat buying intention)	5.63	1.299	0.900
	Item 2 (repeat buying intention)	5.35	1.229	
	Item 3 (repeat buying intention)	4.42	1.127	
	Item 4 (customer satisfaction)	5.50	1.111	
	Item 5 (customer Satisfaction)	5.48	1.111	
	Item 6 (customer satisfaction)	5.60	1.086	
	Item 7 (commitment)	4.85	1.271	
	Item 8 (commitment)	5.46	0.988	

Table 1.3 Cronbach alpha testing for reliability of questionnaire items for scenario 3

Variable	Item	Mean	Std. Deviation	Cr. Alpha
Customer Loyalty *(M=4.63, SD=0.843)*	Item 1 (remaining customer)	4.94	1.451	0.678
	Item 2 (remaining customer)	4.04	1.398	
	Item 3 (recommend)	5.30	1.502	
	Item 4 (first choice)	4.72	0.994	
	Item 5 (continue doing business)	3.49	1.266	
	Item 6 (word of mouth)	5.30	1.488	
Customer Retention (*M=5.08, SD=0.982*)	Item 1 (repeat buying intention)	5.47	1.018	0.927
	Item 2 (repeat buying intention)	4.91	1.158	
	Item 3 (repeat buying intention)	4.83	1.167	
	Item 4 (customer satisfaction)	5.30	1.366	
	Item 5 (customer Satisfaction)	5.30	1.366	
	Item 6 (customer satisfaction)	5.40	1.245	
	Item 7 (commitment)	4.43	1.098	
	Item 8 (commitment)	5.02	1.189	

Table 1.4 Cronbach alpha testing for reliability of questionnaire items for scenario 4

Variable	Item	Mean	Std. Deviation	Cr. Alpha
Customer Loyalty *(M=4.58, SD=0.787)*	Item 1 (remaining customer)	3.20	1.357	0.678
	Item 2 (remaining customer)	5.25	0.892	
	Item 3 (recommend)	5.30	1.322	
	Item 4 (first choice)	4.75	1.296	
	Item 5 (continue doing business)	3.61	1.528	
	Item 6 (word of mouth)	5.34	1.140	
Customer Retention (*M=5.09, SD=0.805*)	Item 1 (repeat buying intention)	5.57	1.189	0.876
	Item 2 (repeat buying intention)	5.00	1.012	
	Item 3 (repeat buying intention)	4.16	1.363	
	Item 4 (customer satisfaction)	5.41	0.948	
	Item 5 (customer Satisfaction)	5.50	1.000	
	Item 6 (customer satisfaction)	5.70	0.904	
	Item 7 (commitment)	4.23	1.138	
	Item 8 (commitment)	5.14	1.173	

Appendix C

Regression Assumptions

Test for Independence

Table 1. Chi-Square test for assumption of independence

	Value	**df**	**Asymptotic Significance (2-sided)**
Pearson Chi-Square	0.921	3	0.820
Likelihood Ration	0.920	3	0.821
Linear-by-Linear Association	0.212	1	0.645
N of Valid Cases	189		

*p-value=0.820>alpha 0.05, the hypothesis that states that the variables are dependent of each other is rejected, the two variables are independent of each other.

** variables tested: age and gender across 4 scenarios.

Test for Normality

Table 2. Test of Normality for the data

	Kolmogorov-Smirnov			**Shapiro-Wilk**		
	Statistic	df	Sig.	Statistic	sf	Sig.
Customer Retention	0.095	189	<.001	0.945	189	<.001

*For an alpha value of 0.05, results are significant, proving normal distribution of data.

Figure 1. Normal Q-Q Plot of CR

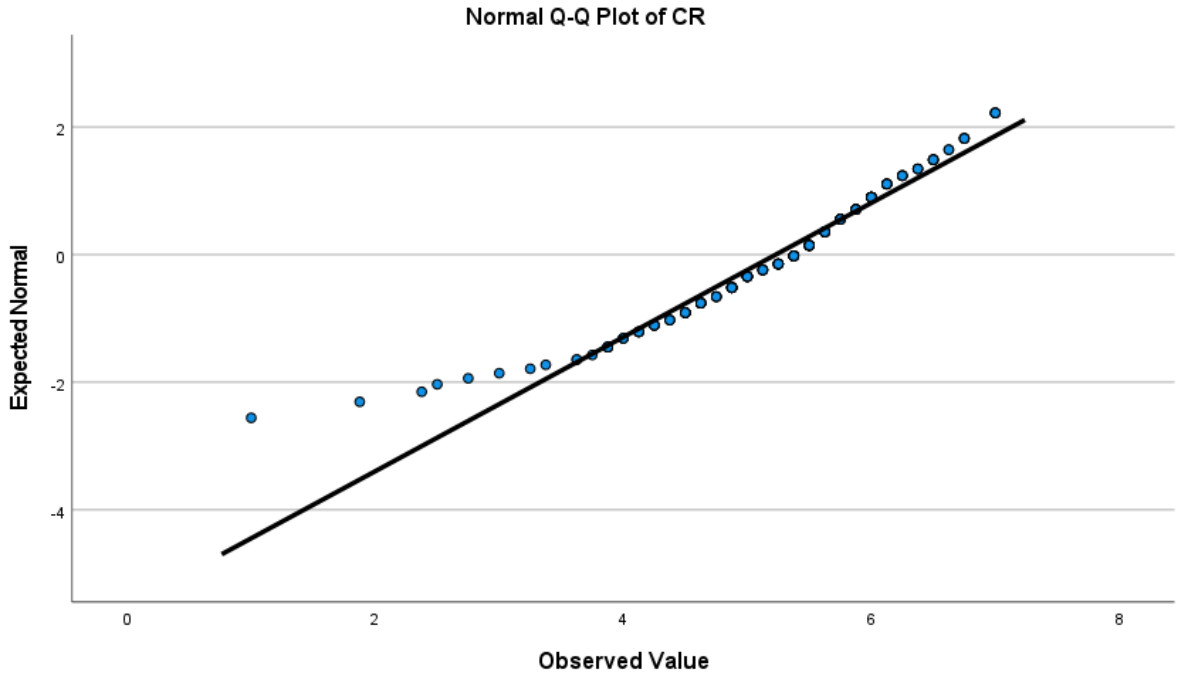
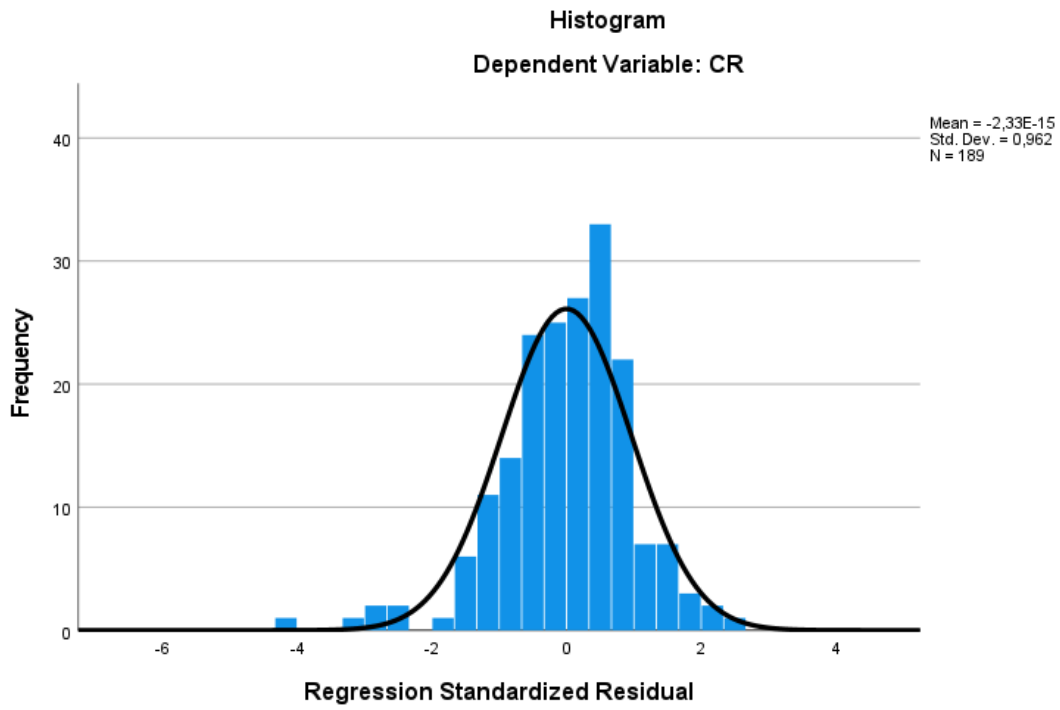
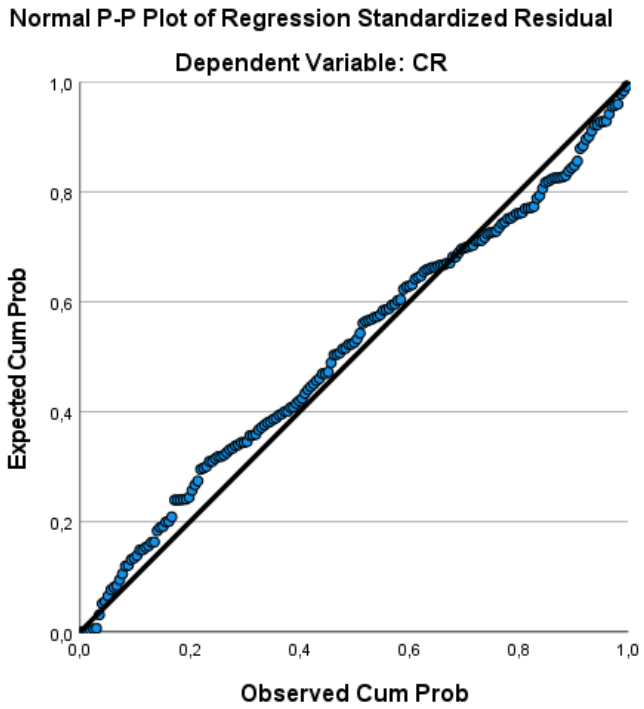


Figure 2. Histogram for normal distribution of residues



Test for linearity

Figure 3. P-P Plot for linearity testing of residuals

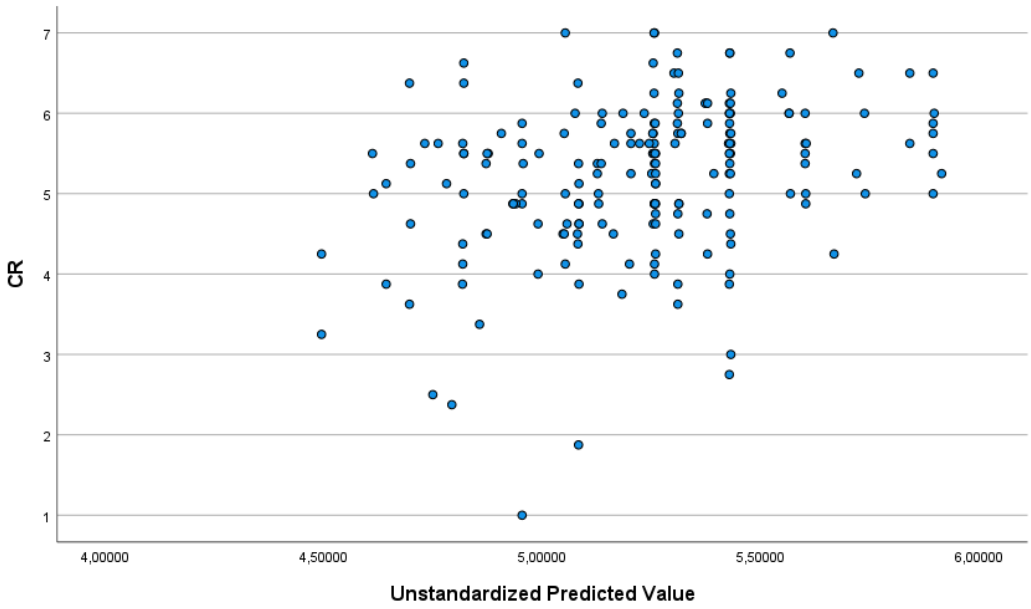


*According to Figure 2 and 3, it can be assumed that the error terms also follow a normal distribution, complying with the normality assumption for linear regressions.

The data analyzed follows a normal distribution, as well as a linearity assumption.

Test for Homoscedasticity

Figure 4. Scatterplot of residuals



Appendix D

Hypothesis 1 Output

Model 1 contains the regression without control variables.
Model 2 shows the regression results including the control variables.

Table 1. Linear Regression Coefficients

Model		Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig
1	(Constant)	5.265	.097		54.411	<.001
	Type of Reward	-.074	.139	-.039	-.533	.595
2	(Constant)	5.741	.258		22.265	<.001
	Type of Reward	.002	.140	.001	.017	.986
	Rewards Received	-.311	.211	-.123	-1.476	.142
	Frequency: Never	-.075	.430	-.014	-.174	.862
	Frequency: Rarely	-.439	.182	-.203	-2.419	.017
	Frequency: Frequently	-.001	.184	.000	-.006	.996
	Frequency: Always	.466	.328	.110	1.418	.158
	Gender	-.175	.151	-.087	-1.160	.247
	Occ: Full/part time employee	-.053	.167	-.027	-.320	.749
	Occ: Others	-.379	.242	-.123	-1.566	.119
	Educ: Highs School	.173	.255	.052	.677	.500
	Educ: Masters	-.119	.165	-.062	-.721	.472
	Educ: Doctorate/Professional	-.144	.415	-.027	-.347	.729

a. Dependent variable: CR

Table 2. Model Summary Linear Regression

Model	R	R Square	Adjusted R Square	Std Error of the Estimate
1	.039[a]	.002	-.004	.953
2	.314b	.099	.037	.933

a. Predictors: (Constant), Type of reward

b. Predictors: (Constant), Type of reward, Rewards Received, Frequency: never, Frequency: rarely, Frequency: frequently, Frequency: always, Gender, Occ:Full/part time employee, Occ: others, Educ: high school, Educ:Masters, Educ: Doctorate/Professional

c. Dependent Variable: CR

Table 3. ANOVA

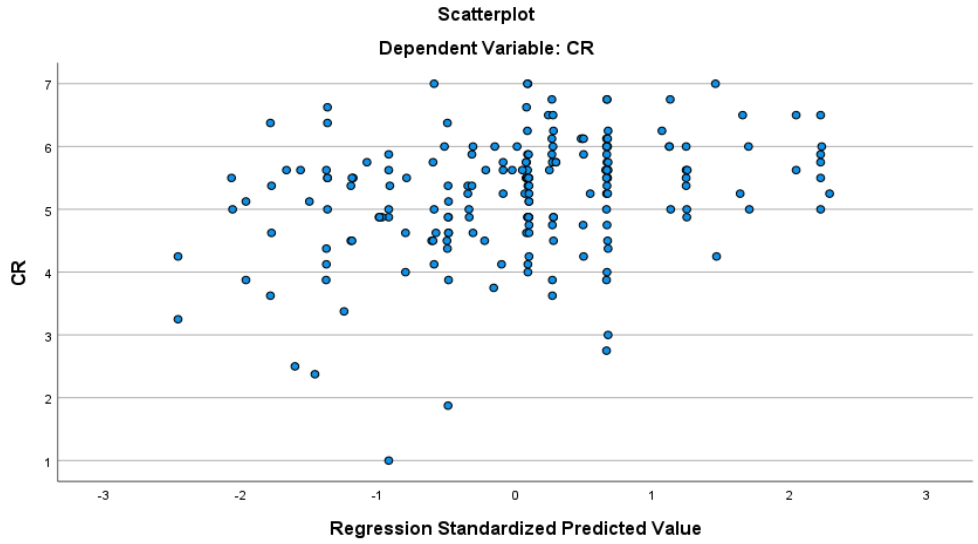
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.258	1	.258	.284	.595b
	Residual	169.866	176	.908		
	Total	170.124	188			
2	Regression	16.824	12	1.402	1.610	.092c
	Residual	153.300	176	.871		
	Total	170.124	188			

a. Dependent Variable: CR

b. Predictors: (Constant), Type of Reward

c. B. Predictors: (Constant), Type of reward, Rewards Received, Frequency: never, Frequency: rarely, Frequency: frequently, Frequency: always, Gender, Occ:Full/part time employee, Occ: others, Educ: high school, Educ:Masters, Educ: Doctorate/Professional

Figure 1. Scatterplot



Hypothesis 2 Output

Table 4. PROCESS mediation output

Matrix

Model: 4
Y: CR
X: TR
M:CL

Covariates:
Rewards Received, Frequency of use, Gender, Occupation, Education
Sample size: 189

Outcome Variable: CL

Model Summary

R	R-Sq	MSE	F	df1	df2	p
.3386	.1147	.7342	3.9294	6.0000	182.0000	.0010

Model	Coefficient	se	t	p	LLCI	ULCI
Constant	3.3847	.5322	6.3598	.0000	2.3347	4.4348
TR	-.0044	.1263	-.0346	.9724	-.2535	.2448
Rewards received	.5885	.1836	3.2056	.0016	.2263	.9508
Frequency	.1971	.0776	2.5409	.0119	.0440	.3502
Gender	.2969	.1352	2.1953	.0294	.0300	.5637
Occupation	-.1609	.0887	-1.8131	.0715	-.3360	.0142
Education	-.0502	.0943	-.5317	.5956	-.2363	.1360

Outcome Variable: CR

Model Summary

R	R-Sq	MSE	F	df1	df2	p
.8140	.6626	.3171	50.7856	7.0000	181.0000	.0000

Model	Coefficient	se	t	p	LLCI	ULCI
Constant	1.6494	.3867	4.2656	.0000	.8856	2.4124
TR	-.0180	.0830	-.2169	.8285	-.1818	.1458
CL	.8616	.0487	17.6874	.0000	.7655	.9578
Rewards received	-.2122	.1240	-1.7106	.0889	-.4569	.0326
Frequency	.0319	.0519	.6158	.5388	-.0704	.1343
Gender	-.1068	.0900	-1.1864	.2370	-.2845	.0708
Occupation	-.0119	.0588	-.2015	.8406	-.1280	.1043
Education	-.0718	.0320	-1.1568	.2489	-.1942	.0507

********** Total Effect Model **********

Outcome Variable: CR

Model Summary

R	R-Sq	MSE	F	df1	df2	p
.2820	.0795	.8604	2.6200	6.0000	182.0000	.0185

Model	Coefficient	se	t	p	LLCI	ULCI
Constant	4.5658	.5761	7.9248	.0000	3.4291	5.7026
TR	-.0218	.1367	-.1593	.8736	-.2915	.2480
Rewards received	.2950	.1988	1.4840	.1395	-.0972	.6871
Frequency	.2018	.0840	2.4028	.0173	.0361	.3675
Gender	.1490	.1464	1.0175	.3103	-.1399	.4378
Occupation	-.1505	.0961	-1.5665	.1190	-.3400	.0391
Education	-.1150	.1021	-1.1260	.2616	-.3165	.0865

**********Total, Direct and Indirect Effects of X on Y**********

Total effect of X on Y

Effect	se	t	p	LLCI	ULCI
-.0218	.1367	-.1593	.8736	-.2915	.2480

Direct effect of X on Y

Effect	se	t	p	LLCI	ULCI
-.0180	.0830	-.2169	.8285	-.1818	.1458

Indirect effect (s) of X on Y

	Effect	BootSE	BootLLCI	BootULCI
CL	-.0038	.1109	-2205	.2159

Level of confidence for all confidence intervals in output: 95.0000

Number of bootstrap samples for percentile bootstrap confidence intervals: 5000

*****End Matrix*****

Hypothesis 3 Output

Linear Regression SPSS

Table 5. Model Summary Linear Regression

Model	R	R Square	Adjusted R Square	Std Error of the Estimate
1	.157[a]	.025	.009	.947
2	.353[b]	.125	.055	.925

a. Predictors: (Constant), Type of reward, IntMS, Market Saturation

b. Predictors: (Constant), Type of reward, IntMS, Market Saturation, Rewards ReceivedReceived, Frequency: never, Frequency: rarely, Frequency: frequently, Frequency: always, Gender, Occ:Full/part time employee, Occ: others, Educ: high school, Educ:Masters, Educ: Doctorate/Professional

c. Dependent Variable: CR

Table 6. ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.125	3	1.405	1.567	.199[b]
	Residual	165.908	185	.897		
	Total	170.124	188			
2	Regression	21.252	14	1.518	1.774	.046[c]
	Residual	148.872	174	.856		
	Total	170.124	188			

a. Dependent Variable: CR

b. Predictors: (Constant), Type of Reward, IntMS, Market Saturation

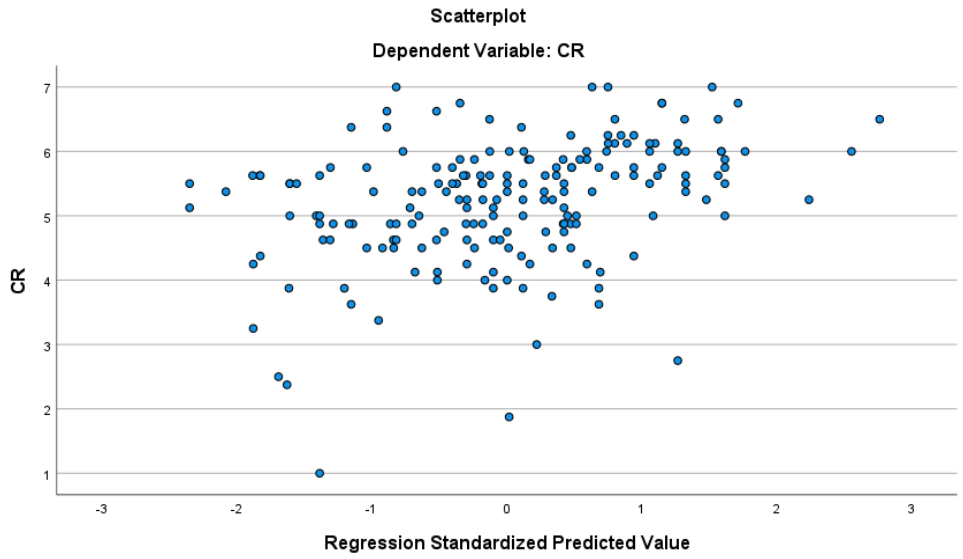
c. B. Predictors: (Constant), Type of reward, IntMS, Market Saturation, Rewards Received, Frequency: never, Frequency: rarely, Frequency: frequently, Frequency: always, Gender, Occ:Full/part time employee, Occ: others, Educ: high school, Educ:Masters, Educ: Doctorate/Professional

Table 7. Linear Regression Coefficients

Model		Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig
1	(Constant)	5.438	.134		40.601	<.001
	Type of Reward	-.151	.191	-.080	-.789	.431
	Market Saturation	-.355	.192	-.187	-1.845	.067
	IntMS	.157	.276	.070	.568	.571
2	(Constant)	5.939	.276		21.507	<.001
	Type of Reward	-.070	.195	-.037	-.359	.720
	Market Saturation	-.385	.203	-.203	-1.894	.060
	IntMS	.143	.285	.064	.504	.615
	Rewards Received	-.324	.209	-.128	-1.547	.124
	Frequency: Never	-.199	.431	-.037	-.461	.646
	Frequency: Rarely	-.441	.180	-.204	-2.450	.015
	Frequency: Frequently	.039	.184	.017	.214	.831
	Frequency: Always	.542	.327	.128	1.655	.100
	Gender	-.176	.150	-.087	-1.175	.242
	Occ: Full/part time employee	-.017	.166	-.009	-.102	.919
	Occ: Others	-.350	.240	-.113	-1.455	.147
	Educ: Highs School	.059	.262	.018	.226	.822
	Educ: Masters	-.157	.165	-.082	-.954	.342
	Educ: Doctorate/Professional	-.090	.416	-.017	-.217	.828

a. Dependent variable: CR

Figure 2. Scatterplot



PROCESS Model by Hayes

Table 8. Process Moderation Output

Matrix

Model: 1
Y: CR
X: TR
W: MS

Covariates:
Rewards Received, Frequency of use, Gender, Occupation, Education
Sample size: 189

Outcome Variable: CR

Model Summary

R	R-Sq	MSE	F	df1	df2	p
.3283	.1078	.8432	2.7187	8.0000	180.0000	.0075

Model	Coefficient	se	t	p	LLCI	ULCI
Constant	4.5261	.5711	7.9253	.0000	3.3992	5.6530
TR	-.0884	.1897	-.4661	.6417	-.4628	.2859
MS	-.3851	.1923	-2.0028	.0467	-.7645	-.0057
Int_1*	.1319	.2719	.4852	.6281	-.4046	.6684
Rewards Received	.3156	.1974	1.5988	.1116	-.0739	.7050
Frequency	.2410	.0848	2.8424	.0050	.0737	.4082
Gender	.1483	.1449	1.0232	.3076	-.1377	.4343
Occupation	-.1309	.0955	-1.3718	.1718	-.3793	.0574
Education	-.0923	.1024	-.9012	.3687	-.2942	.1097

*****Matrix continuation*****

Product terms key:
Int_1: TR x MS

Test of higher order unconditional interaction:

	R2-chng	F	df1	df2	p
XxW	.0012	.2354	1.0000	180.0000	.6281

Level of confidence for all confidence intervals in output: 95.0000

*****End Matrix*****

Hypothesis 4 Output

Linear Regression SPSS

Table 9. Model Summary

Model	R	R Square	Adjusted R Square	Std Error of the Estimate
1	.227a	.052	.036	.934
2	.348b	.121	.051	.927

a. Predictors: (Constant), Type of reward, IntAge1, AgeGenZ

b. Predictors: (Constant), Type of reward, IntAge1, AgeGenZ, Rewards ReceivedReceived, Frequency: never, Frequency: rarely, Frequency: frequently, Frequency: always, Gender, Occ:Full/part time employee, Occ: others, Educ: high school, Educ:Masters, Educ: Doctorate/Professional

c. Dependent Variable: CR

Table 10. ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.795	3	2.932	3.362	.020[b]
	Residual	161.329	185	.872		
	Total	170.124	188			
2	Regression	20.638	14	1.474	1.716	.056[c]
	Residual	149.486	174	.859		
	Total	170.124	188			

a. Predictors: (Constant), Type of reward, IntAge1, AgeGenZ

b. Predictors: (Constant), Type of reward, IntAge1, AgeGenZ, Rewards ReceivedReceived, Frequency: never, Frequency: rarely, Frequency: frequently, Frequency: always, Gender, Occ:Full/part time employee, Occ: others, Educ: high school, Educ:Masters, Educ: Doctorate/Professional

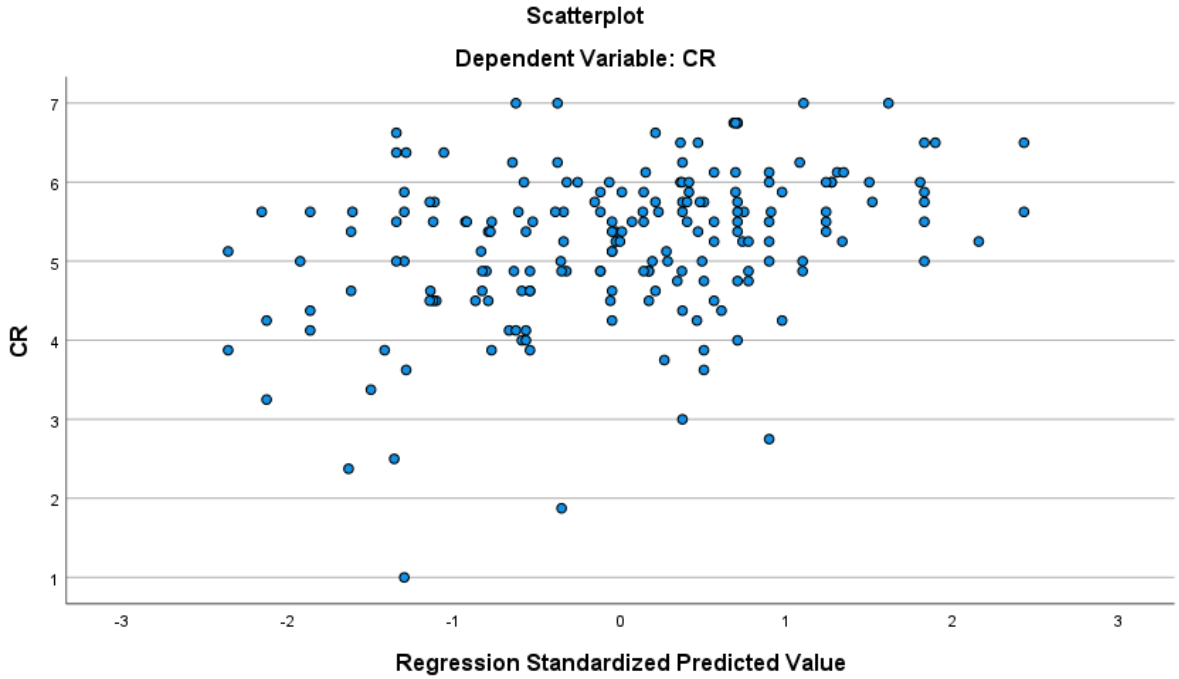
c. Dependent Variable: CR

Table 11. Linear Regression Coefficients

Model		Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig
1	(Constant)	4,901	,160		30,601	<,001
	Type of Reward	,145	,217	,076	,669	,504
	AgeGenZ	,562	,199	,290	2,826	,005
	IntAge1	-,298	,279	-,140	-1,070	,286
2	(Constant)	5,261	,343		15,336	<,001
	Type of Reward	,172	,221	,090	,777	,439
	AgeGenZ	,553	,267	,285	2,074	,040
	IntAge1	-,281	,285	-,132	-,989	,324
	Rewards Received	-,351	,210	-,139	-1,669	,097
	Frequency: Never	-,050	,428	-,009	-,118	,906
	Frequency: Rarely	-,430	,181	-,199	-2,381	,018
	Frequency: Frequently	,063	,185	,027	,340	,734
	Frequency: Always	,372	,329	,088	1,131	,259
	Gender	-,164	,150	-,081	-1,089	,278
	Occ: Full/part time employee	,199	,207	,101	,958	,339
	Occ: Others	-,060	,294	-,019	-,205	,838
	Educ: Highs School	,177	,254	,053	,694	,489
	Educ: Masters	-,067	,166	-,035	-,404	,687
	Educ: Doctorate/Professional	,009	,419	,002	,023	,982

a. Dependent variable: CR

Figure 3. Scatterplot



PROCESS Model by Hayes
Table 12. PROCESS Moderation Output

Matrix

Model: 1
Y: CR
X: TR
W: Age

Covariates:
Rewards Received, Frequency of use, Gender, Occupation, Education
Sample size: 189

Outcome Variable: CR

Model Summary

R	R-Sq	MSE	F	df1	df2	p
.2911	.0847	.8651	2.0825	8.0000	180.0000	.0397

Model	Coefficient	se	t	p	LLCI	ULCI
Constant	4.5666	.5979	7.6372	.0000	3.3867	5.7464
TR	-.0756	.3070	-.2462	.8050	-.6814	.5302
MS	-.1328	.1403	-.9467	.3451	-.4096	.1440
Int_1*	.0282	.1758	.1605	.8727	-.3186	.9150
Rewards Received	.3084	.1999	1.5432	.1245	-.0860	.7028
Frequency	.2100	.0849	2.4731	.0143	.0424	.3776
Gender	.1279	.1484	.8622	.3897	-.1648	.4207
Occupation	-.0719	.1243	-.5785	.5639	-.3171	.1733
Education	-.0824	.1077	-.7652	.4451	-.2949	.1301

Product terms key:
Int_1: TR x Age

Test of higher order unconditional interaction:

	R2-chng	F	df1	df2	p
XxW	.0001	.0258	1.0000	180.0000	.8727

Level of confidence for all confidence intervals in output: 95.0000

*****End Matrix*****