



## PRIMARY RESEARCH

# The relative contribution of loyalty programs and store attributes to store engagement and equity

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**Abstract.** Within an intense competition in the retail sector, achieving a high store equity may have been a means to gain competitive advantage for retailers. However, their sole reliance on store attributes may not be sufficient to build a relationship with customers, as prior studies have demonstrated the high likelihood of customers opting to shop at stores with loyalty programs. Accordingly, the current study aims at examining the contribution of loyalty program attributes and store attributes to store engagement and store equity in the context of department stores in Malaysia. Survey responses from 484 department store cardholders are gathered, while Partial Least Square (PLS) – Structural Equation Modeling (SEM) are taken to test the hypotheses. The results show that all hypotheses are supported, while the relative contribution of both attributes towards store engagement and store equity provides insightful implications. From a theoretical perspective, integrating social exchange theory and service-dominant (S-D) logic may offer a significant finding in understanding the effect of loyalty program attributes and store attributes on the relationship between a store and cardholders. From a practical perspective, retailers may need to pay more attention in putting more value in their offerings by incorporating experiential and interactive marketing approaches to stimulate customer relationships to further enhance store equity.

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**INTRODUCTION**

The strong equity of a store has become increasingly important as a way to gain competitive advantages for retailers (Pappu & Quester, 2006; Swoboda, Haelsig, Morschett, & Schramm-Klein, 2007). A strong equity may signify the effectiveness of marketing strategies implemented by the store (Keller, 1993). In fact, the contribution of store attributes on store equity have been widely studied in many retail literature (Jinfeng & Zhilong, 2009; Beristain & Zorrilla, 2011; Keller, 1993) due to its major influence on store relationship outcomes, *e.g.* store patronage, commitment, choice

and value (Erdem, Oumlil, & Tuncalp, 1999; Lindquist, 1974; Olsen & Skallerud, 2011; Vázquez, Rodríguez-Del Bosque, Diaz, & Ruiz, 2001). While examining store attributes, which includes core service offerings, seems to be important, the question arises whether focusing on store attributes alone is sufficient to understand the development of customer-store relationship, something that has become an endless interest for scholars and practitioners.

Confronted with an increasingly tight competition, retailers have begun to turn to offer loyalty programs to strengthen their customer relationships and attract new customer (Arbore & Estes, 2013; Leenheer & Bijmolt, 2008; Rowley, 2004). Despite a doubt on the

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effectiveness of the programs in influencing customer behavior (Dowling & Uncles, 1997; Meyer-Waarden, 2008), loyalty programs have been proven in prior literature to contribute in influencing store loyalty (Bridson, Evans, & Hickman, 2008; Kim, Lee, Choi, Wu, & Johnson, 2013), positive word of mouth (Gómez, Arranz, & Cillán, 2006), future sales (Evanschitzky, Ramaseshan, Woisetschlager, Richelsen, Blut, & Backhaus, 2012) and the share of wallet among customers (Evanschitzky *et al.*, 2012; Wirtz, Mattila, & Lwin, 2007). In addition, a recent study conducted by Nielsen (2013) involving 58 countries and 29,000 respondents has found that 80% of customers tend to shop at stores with loyalty programs. In fact, it is even higher for respondents from Southeast Asia at 92%.

Despite the widespread importance of loyalty programs and store attributes as antecedents to store relationship outcome, researches analyzing the effect of both attributes in a single study is in fact limited. The effectiveness of loyalty programs is often studied by focusing solely on the programs alone, *e.g.* loyalty program attributes (Bridson *et al.*, 2008), perceived benefits of the programs (Kim *et al.*, 2013; Mimouni-Chaabane & Volle, 2010; Steyn, Pitt, Strasheim, Boshoff, & Abratt, 2010), program structures (Arbore & Estes, 2013), program status (Espiritu-de Mesa, 2013), item-based loyalty program (Zhang & Breugelmans, 2012), perceived value of the programs, and their perceived equity (Omar, Alam, Aziz, & Nazri, 2011). The trend also applies to literature on store attributes, which exclude loyalty programs as part of the studies (Chebat, Ortinau, & Babin, 2009; Diallo, 2012; Ghosh, Tripathi, & Kumar, 2010; Ngobo & Jean, 2012; Seock & Lin, 2011). Thus, examining the relative contribution of both constructs seems to be an essential issue.

With the emergence of service-dominant (S-D) logic as a new marketing thought, this study incorporates engagement, which refers to customer engagement to a store, due its importance in gaining competitive advantages (Lusch, Vargo, & O'Brien, 2007), building customer relationship (Vivek, Beatty, & Morgan, 2012), and influencing customer loyalty (Bowden, 2009; Hollebeek, 2011). Besides being loyal, engaged customers are anticipated to play a vital role in new product or service developments and in co-creating experience and value (Pralhad & Ramaswamy, 2004; Verhoef, Reinartz, & Krafft, 2010). However, to date, empirical studies on the store engagement are lacking, with most of them are mainly restricted to conceptual papers (Hollebeek, 2011; So, King, & Sparks, 2012; Van Doorn, Lemon, Mittal, Nass, Pick, Pirner *et al.*, 2010).

## Objective of the Study

Underpinned by S-D logic perspective and the social exchange theory, the current study aims at examining the relative contribution of loyalty programs and store attributes on store engagement and store equity, and testing the link between the engagement and equity.

## LITERATURE REVIEW

### Loyalty Program Attributes

Scholars have observed loyalty program in terms of hard and soft attributes (Bridson *et al.*, 2008; Dorotic, Bijmolt, & Verhoef, 2012; Gable, Fiorito, & Topol, 2008). Hard attributes are associated with economic benefits, *e.g.* special discount, coupons or rebate, while soft ones are associated with non-monetary benefits but perceived as highly-valued by customers, *e.g.* recognition, special communication and preferential treatment (Bridson *et al.*, 2008; Gable *et al.*, 2008). Prior studies have indicated that the ineffectiveness of loyalty programs is due to the lack of planning and attention on the design of the programs, and therefore contributes to the similarity of loyalty programs being offered to their competitors, which then subsequently fail to take advantage from competitive differentiation (Keh & Lee, 2006; Kim *et al.*, 2013; Meyer-Waarden, 2008; O'Malley, 1998). Unique loyalty programs are in fact not only favored by customers, but it may have also kept customers from joining loyalty programs offered by close competitors (Meyer-Waarden, 2008).

### Store Attributes

Store attributes are viewed as the overall assessment of a store described in the customers' mind reflecting various attributes related to the store. Prior researches on store image have yielded various types of store attributes, *e.g.* layout, symbols, color, advertising, sales personnel, merchandise, assortment, fashion, location, convenience, services, sales promotion, safety, leisure, store atmosphere, post transaction, institutional factors, *etc.* (Berry, 1969; De Wulf, Odekerken-Schroder, & Iacobucci, 2001; El-Hedhli, Chebat, & Sirgy, 2013; Jinfeng & Zhilong, 2009; Lindquist, 1974; Martineau, 1958; Wang & Ha, 2011). Depending on the objective of each study, the influence of store attributes has been studied by assessing the influences of their dimensions or as a first-order construct.

### Store Engagement

Store engagement refers to the intensity of customers' participation and connection with a store's offerings and activities (Vivek, 2009). Besides, Brodie *et al.*

(2013) have proposed customer interactive activities with others as customer engagement. Many scholars are in a consensus that customer engagement deals with the linking and relationship between customers and a product or service. Van Doorn *et al.* (2010) and Verhoef *et al.* (2010) have described the engagement in terms of a behavioral perspective defining the term as a customer's behavioral manifestations toward a product or service that go beyond purchases arising from motivational drivers, while some others include cognitive, emotional and behavioral perspectives to conceptualize the engagement (Cheung & Lee, 2011; Patterson, Yu, & De Ruyter, 2006; Vivek *et al.*, 2012).

Prior literature have proposed a number of potential antecedents of customer engagement. Wirtz *et al.* (2013) have proposed brand-related, functional and social drivers as antecedents of customer engagement in the context of online brand communities. Besides, Xie & Chen (2013) have proposed marketing effort and loyalty program as mechanisms for service providers to target customers who are seeking engagement with a product or service. In fact, the combination of store attributes and loyalty programs has also been referred to customer engagement tactic (Nguyen *et al.*, 2014). Thus, this study proposes these following hypotheses:

- H1 Loyalty program attributes are positively related to store engagement
- H2 Store attributes are positively related to store engagement

### Store Equity

Stores create their own brand equity by establishing awareness and association to their store marketing activities, *e.g.* merchandise, pricing, credit policy, and service quality (Hartman & Spiro, 2005; Keller, 2003). Swoboda & Berg (2013) have defined store equity as consumer perceptions of a store as a strong brand, which is determined by the store's attributes. Merz *et al.* (2009: 334) have noted that the conceptualization of store equity provided by Keller (2003) has implied the "*joint effort of customers and firms in co-creating brand equity and hence brand value.*"

While there is no prior study that has tested the link between loyalty programs and store equity, there is a highly-potential direct relationship between the two constructs (Capizzi & Ferguson, 2005; Leenheer & Bijmolt, 2008). A good and distinctive loyalty program may be the reason for a store to be the main attraction of customers, and as a means to develop and enhance store equity (Capizzi & Ferguson, 2005). Besides, Leenheer & Bijmolt (2008) have suggested that every

retailer should reward its customers regardless their profitability for the reason of stimulating customer retention and behavioral incentives in optimizing the equity of the company. In fact, store attributes, *e.g.* merchandise, salespeople, atmosphere, distribution, and price have been proven to positively impact store equity (Dolbec & Chebat, 2013; Jinfeng & Zhilong, 2009; Beristain & Zorrilla, 2011). Those explanations then lead to these following hypotheses:

- H3 Loyalty program attributes are positively related to store equity
- H4 Store attributes are positively related to store equity

Wirtz *et al.* (2013) have noted that strong customer engagement with a particular brand or service may increase customer satisfaction, loyalty, commitment and trust, which will then lead to an increase of brand equity of the product or service. Besides, Hoeffler & Keller (2002) have posited customer engagement as a driver in building the brand equity. Tripathi (2009) has also acknowledged the importance of the engagement and its dimension in winning, deepening and retaining relationship with customers, and may enhance brand equity of particular product or services. Therefore, this study proposes the following hypothesis:

- H5 Store engagement is positively related to store equity

### RESEARCH METHODOLOGY

The research setting for this study is the retail industry in Malaysia, while department store is chosen as the research context. Besides, the use of loyalty cards is widely implemented by all department stores in the country. With an increasing number of foreign stores, *e.g.* AEON, Debenhams, Isetan, KLSogo, and Robinsons, alongside existing local department stores, *e.g.* The Store, Metrojaya, Parkson and Pacific, the competition between these department stores are expected to be very intense in retaining and attracting customers. In fact, the huge potential growth of department stores relative to other retail formats has made Malaysia as a promising location for department stores (The Borneo Post, 2014), which also promptly indicates that the finding of the study is of great relevance and interest for either theory or practice.

### Overview of Data Collection

The chosen population includes customers who have been department store cardholders for at least the last 12 months, above 18 years old, and living and working within Klang Valley (Table 1). The place is selected due to its strategic location that lies between Selangor

state and the Federal Territory, which includes the capital of Malaysia, Kuala Lumpur, and other large cities in the country. In addition, Klang Valley may have provided the best representative population of interest as it is regarded as the most advanced region in terms of economy and social, densely-populated area and consists of people from, different level of education, various ethnic groups and diverse income distribution (Euromonitor International, 2011). Self-administered questionnaire and “drop-off and collect” method are taken for data gathering. In total, 484 valid responses are obtained with 82.5% response rate, with a quota sampling takes age and gender distribution into consideration. Respondents are asked to assess on the most preferred department stores.

### Measures

The items of construct are measured on 7-point Likert scales ranging from 1 (strongly disagree) to 7 (strongly

agree). All constructs are adopted and adapted from prior studies. Loyalty program attributes are measured using 13 items adopted from Bridson *et al.* (2008), which include soft and hard attributes of loyalty programs, while store attributes are measured using 12 items adopted from Wang & Ha (2011), including merchandise, service, and store atmosphere. Ten items are taken to measure store engagement (Vivek, 2009), which reflects items of social interaction, conscious participation, and enthusiasm. Then, store equity is measured using 15 items adopted from Pappu & Quester (2006), including perceived quality, loyalty, association, store awareness and loyalty.

### DATA ANALYSIS AND RESULTS

The gathered demographic profile data are analyzed and interpreted using a descriptive analysis. The path modelling from Partial Least Square (PLS) – Structural Equation Modeling (SEM) is used to test the goodness of data and the hypotheses. Hair *et al.* (2013) have commented that PLS-SEM is recommended in studies involving the investigation of any potential significant relationship. Some of the relationships proposed in this study are lack of empirical testing and regarded as new emerging constructs, *e.g.* store engagement. To date, there has been no empirical study examining the link between loyalty program and store attributes to store engagement. In fact, this study also examines the relationship between store engagement and store equity, which has never been empirically tested in the field of retailing previously. Exploring and predicting the relationship between the constructs in the model are in line with the rationale for choosing PLS-SEM, as highlighted by Hair *et al.* (2013).

### Measurement Model

The assessment of the measurement model involves examining the relationship between the construct and its items. Related to indicator loadings, the common rule-of-thumb for item loading is .708 or higher (Chin, 2010; Fornell & Larcker, 1981). In fact, it is a common practice in social sciences to observe weaker item loadings (Hair *et al.*, 2013). Still, removing items with low loadings have to be done with care as it may affect the content validity of the constructs. Accordingly, 3 items from loyalty program attributes and 2 items from store attributes are removed due to low loadings. However, some items with loading above .6 are kept due its content validity. With regards to reliability, the examination of composite reliability reveals that the value exceeds the cut-off value (.7), while the AVE is

**TABLE 1.** The profiles of respondents

Variable	Level	%
Gender	Male	27.9
	Female	72.1
Age	Less than 20	1.4
	20 to 29	29.8
	30 to 39	39.7
	40 to 49	25.4
	50 and above	3.7
Marital Status	Single	25.8
	Married without children	13.4
	Married with children	59.1
	Widowed/divorced	1.7
Income	< RM2,000	14.5
	RM2,000 to RM3,999	30.4
	RM4,000 to RM5,999	20.7
	RM6,000 to RM7,999	8.9
	RM8,000 to RM9,999	11.2
	> RM10,000	14.5
Education	High School	11.8
	Certificate/Diploma/STPM	24.0
	Bachelor Degree	44.4
	Post Graduate	19.8
Occupation	Private Sector	58.5
	Government	34.1
	Own Business	2.7
	Student	3.7
	Not Working	0.6
	Others	0.4

also above .50 (Table 2). These results indicate that the 4 constructs suggested in this study possess a high level of internal consistent reliability.

Next, discriminant validity is assessed by examining the Fornell-Larcker's criterion, cross-loadings, and

**TABLE 2.** Constructs, Items, Indicator Reliability, and AVE

Code	Load	IR	CR	AVE
LPAT1	.647	.419		
LPAT2	.684	.468		
LPAT3	.808	.653		
LPAT4	.877	.769		
LPAT5	.883	.780	.934	.633
LPAT6	.881	.776		
LPAT7	.852	.726		
LPAT8	.827	.684		
LPAT9	.747	.558		
LPAT10	.705	.497		
STAT1	.805	.648		
STAT2	.838	.702		
STAT3	.859	.738		
STAT4	.820	.672		
STAT5	.839	.704	.931	.648
STAT6	.798	.637		
STAT7	.792	.627		
STAT8	.797	.635		
STAT9	.682	.465		
STENG1	.714	.510		
STENG2	.842	.709		
STENG3	.877	.769		
STENG4	.765	.585		
STENG5	.878	.771		
STENG6	.871	.759	.944	.669
STENG7	.887	.787		
STENG8	.809	.654		
STENG9	.801	.642		
STENG10	.707	.500		
STEQ1	.764	.584		
STEQ2	.823	.677		
STEQ3	.868	.753		
STEQ4	.841	.707		
STEQ5	.836	.699		
STEQ6	.878	.771		
STEQ7	.817	.667		
STEQ8	.885	.783	.963	.696
STEQ9	.892	.796		
STEQ10	.873	.762		
STEQ11	.878	.771		
STEQ12	.76	.578		
STEQ13	.711	.506		

Notes: LPAT = loyalty program attributes; STAT = store attributes; STENG = store engagement; STEQ = store equity; load = loadings; CR = composite reliability; AVE = average variance extracted

HTMT criterion of the items. For this purpose, individual item reliability is further examined for its cross-loading, in which each item loading is checked to ensure that the loading is higher in its respective construct than others. As recommended, each item loading should exceed the cross-loading by at least .10 (Gefen & Straub, 2005; Gorla, Somers, & Wong, 2010). During this step, two items from store equity, which have almost indifferent cross-loadings with items from store attributes, are removed.

Table 3 illustrates that the square roots of AVE for 4 reflective constructs are higher than their correlation with other constructs. In other words, they satisfy the Fornell-Larcker's criterion. Another approach to assess the discriminant validity is through HTMT criterion. HTMT approach is suggested due to the low sensitivity issue of cross-loading and Fornell-Larcker's criterion that only works well in a situation with heterogeneous loading patterns and high sample sizes (Henseler, Ringle, & Sarstedt, 2015). Apparently, the HTMT result reveals that the finding satisfy the threshold criteria of HTMT .85 (Table 4). When all things are considered, the finding suggests an adequate discriminant validity of the constructs and items tested for this study.

**Structural Model**

The assessment over a structural model requires determining how well empirical data may support a theory and hence deciding if the theory or concept is

**TABLE 3.** Fornell-Larcker criteria

	LPAT	STAT	STENG	STEQ
LPAT	.796			
STAT	.669	.805		
STENG	.700	.601	.818	
STEQ	.663	.799	.687	.835

**TABLE 4.** Heterotrait-Monotrait (HTMT)

	LPAT	STAT	STENG	STEQ
LPAT				
STAT	.721 CI [.67;.77]			
STENG	0.740 CI [.69;.79]	.636 CI [.58;.69]		
STEQ	.700 CI [.65;.75]	.843 CI [.81;.87]	.715 CI [.66;.76]	

Note: CI = Confidence interval

empirically verified for suggested hypotheses. In fact, collinearity among predictor constructs in this study is not an issue as the VIF output for each construct is less than the cut-off threshold (5). Besides, the conceptual model has displayed a moderate-to-large portion of variance in the endogenous construct as  $R^2$  values for store engagement and store equity are .52 and .71, respectively. In addition, blindfolding procedure (with omission distances of 7) yield positive  $Q^2$  values for all endogenous construct, suggesting predictive relevance of the model (Chin, 2010; Hair *et al.*, 2013).

The significance of the model's structural path is further inspected by running the PLS bootstrapping procedure with 5000 samples and 484 cases. Table 5 exhibits the significance testing results encompassing the path coefficient, the standard error, t-statistic, and the significance level of the analysis. The results of hypothesis testing indicate that the 5 paths are statistically significant at .05 and .001 levels.

Next, path coefficients are statistically significant for the effect of loyalty program attributes and store attributes on store engagement with the  $\beta$  coefficients at .538 ( $p < .001$ ) and .241 ( $p < .001$ ), respectively. In other words, H1 and H2 are supported. As predicted, loyalty program attributes and store attributes are significantly and positively related to store equity. In particular, store attributes display a larger coefficient ( $\beta = .574$ ,  $p < .001$ ) compared to loyalty program attributes ( $\beta = .079$ ,  $p < .05$ ). Thus, H3 and H4 are supported in this study. Then, store engagement demonstrates a significant-positive effect on store equity. The  $\beta$  coefficient between store engagement and store equity is found at .286 ( $p < .001$ ), and H5 is therefore supported.

## DISCUSSION

The current study has a main objective to examine the contribution of loyalty programs and store attributes

on store engagement and store equity. It has been suggested by marketing scholars (Dorotic *et al.*, 2012; Vesel & Zabkar, 2009) to capture the relative meaning of the contribution of both constructs in influencing the relationship between cardholders and a store.

In fact, loyalty programs have a stronger influence on store engagement compared to store attributes. The significant-positive influence of loyalty programs on store engagement is consistent with Xie & Chen (2014), who have argued that the value perception of loyalty programs may have determined the level of cardholders' active loyalty, or referred as proactive behavior, conscious, and deliberate effort in their relationship with service providers. Cardholders with a highly assessed confidence on loyalty program attributes engaged more with a store. The perspective is consistent with the social exchange theory, which states that individuals are more likely to engage in a certain activity if they expect that their participation will be rewarded (Blau, 1964). Any rewards previously obtained by cardholders have the power to motivate them to continue engaging with the store to get more rewards (Dorotic, Verhoef, Fok, & Bijmolt, 2014).

In short, the nature of attributes in loyalty programs is largely different from store attributes since rewards portrayed in loyalty program attributes may trigger cardholders to engage more with the store compared to store attributes. Thus, it is clearly more important in fostering customer satisfaction and trust to the store. A possible reason for the low influence of store attributes on store engagement may be due to the lack of interactive elements in the store attributes. The measurement of store attributes taken in this study reflects the core service offerings of a store. Wang & Ha (2011) have commented that attributes beyond core service offerings may have been more influential in capturing customers' relational responses compared to those core service offerings.

TABLE 5. The results of significance tests

	Path coeff.	S.E.	t <sub>STAT</sub>	P values
LPAT → STENG	.538	.050	10.695	.000
STAT → STENG	.241	.052	4.633	.000
LPAT → STEQ	.079	.043	1.816	.035
STAT → STEQ	.574	.033	17.226	.000
STENG → STEQ	.286	.041	6.949	.000

Notes: \* $p < .05$

\*\* $p < .01$

\*\*\* $p < .001$

coeff. = coefficient

S.E. = standard error

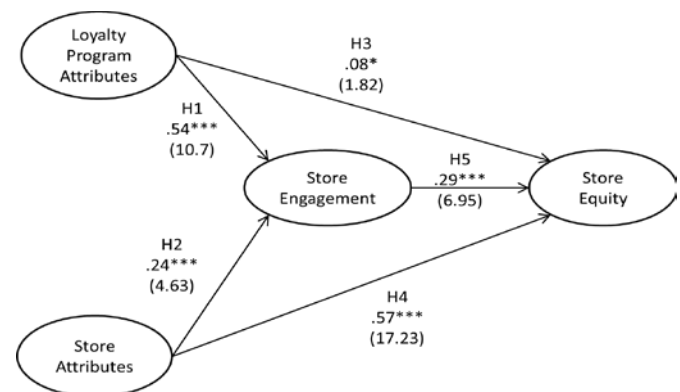


FIGURE 1. The results of significance tests

The results of this study have indicated that both loyalty program attributes and store attributes are significantly and positively related to store equity. The significant relationship between the loyalty program attributes and store equity is in line with Capizzi & Ferguson's work (2005), which have emphasized that loyalty programs can be the main attraction to capture customers' attention and as a means of developing and enhancing store equity. In comparison to loyalty program attributes, store attributes have a stronger influence on store equity. Apparently, core service offering is considered crucial in enhancing the equity.

Then, there is a significant-positive effect of store engagement and store equity. Store engagement is considerably very relevant in the context of retail loyalty programs as it deals with the interactive relationship and connection of customers with product or services; however, studies on engagement from the perspective of customers are quite scarce and lack of empirical testing. The significant findings over the relationship between store engagement and store equity seems to be consistent with the conception proposed by prior literature (Hoeffler & Keller, 2002; Wirtz *et al.*, 2013).

## CONCLUSION AND IMPLICATIONS

Underpinned by social exchange theory and S-D logic perspective, this study has developed theoretical rationales for the hypothesized relationships. While the social exchange theory has been predominantly taken in marketing literature to explain the reason for the exchange to occur, S-D logic, which is centered on relationship building, intangibility and exchange process, has gained more attention of late, as it has a particular emphasize on value co-creations arising from the proactive & interactive contribution and co-creative experience of customers to a company and their stakeholders (Hollebeek, 2011). The significant findings from the hypothesized relationships indicate that the theories taken are complementary to each other, and valuable in explaining the complexity of relationship between customers and a store in today's highly competitive retail environment.

Next, the combination of loyalty program attributes and store attributes in a single study has provided powerful insights into the relative importance of store attributes and loyalty program attribute in enhancing store engagement and store equity, which are highly important for differentiation purposes when dealing with many competitors. In fact, the call to examine the effect of loyalty programs with other attributes has

been suggested in previous literature (Dorotic *et al.*, 2012; Vesel & Zabkar, 2009) with a hope in finding the impact of loyalty program on a firm's success relative to or in combination with other marketing attributes.

Furthermore, this study also suggests the difference between store engagement and store equity, although the two constructs have been frequently associated in existing relationship marketing literatures. The need for customer engagement is more prevalent today, particularly with an intense competition in the retail sector. Haque & Rahman (2009) have noted that it is not sufficient for retailers to keep their stores or brand salient in the customers' mind. Thus, they have to find a way to ensure customer engagement to their stores or brand. Hence, knowing the antecedents of customer engagement to brands and stores has been a key interest of marketing scholars, particularly with the rise of S-D logic perspective that states the creation of customer value as interactional (Vargo & Lusch, 2008).

Moreover, the findings imply important impacts to the management practice of retailers. Despite having cardholders of department stores as the respondents, the result of this study may have provided insightful implications for other retail format that are applying loyalty programs or intending to use the programs as part of their marketing strategy.

First, both store and loyalty program attributes are found to influence store equity; however, the former plays a more critical role in influencing decisions taken by cardholders. Still, retailers should first make sure that their store attributes have offered matching points with their target markets and at par with their closest competitors since the measurement of the attributes is predominantly oriented toward core benefits stated by customers in store selection.

Second, an emphasis on the development of store attributes is crucial in current retail environment due to the growing availabilities of competitors from the same or different retail formats. The increasing entry and opening of foreign department stores in Malaysia have contributed to a highly competitive situation among those stores. While there are similarities in the range of merchandise offered, some department stores provide offerings or attributes, which are relatively distinct to other stores in order to gaining competitive advantages. Hence, retailers should pay attention to the improvement of their store attributes and be well-informed on any offerings by their closest competitors to enhance store relationship quality and store equity of their own stores.

Then, the findings of this study imply that loyalty

program has been becoming an important influence in encouraging cardholders to engage with a store. In line with S-D logic perspective, loyalty programs allow for the creation of a relationship, which is based on interactivity and individualization (Meyer-Waarden & Benavent, 2008). Thus, the attractive benefits provided by a loyalty program may drive cardholders to be alert and well-informed continuously with any activities or programs taken by a store in optimizing the benefits of their memberships. To do so, retailers may make a full use of cardholders' data and provide relevant and

personal offers based on customers' purchase history.

In addition, further research needs to examine the contribution and effectiveness of loyalty programs and store attributes in the context of small stores. In fact, small stores have relationship-friendly characteristics compared to department stores, which are self-service oriented. Besides, the use of loyalty cards is not only widespread among big retailers, but small specialty stores, e.g. clothing boutiques, bookshops, and DIY stores, are increasingly applying loyalty programs to attract and build relationships with their customers.

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– This article does not have any appendix. –