

ISTANBUL TECHNICAL UNIVERSITY ★ GRADUATE SCHOOL

**THE EFFECTS OF LOYALTY PROGRAMS ON CUSTOMER LOYALTY IN
AUTOMOTIVE INDUSTRY**



M.Sc. THESIS

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Department of Management Engineering

Management Engineering Master Programme

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**OTOMOTİV ENDÜSTRİSİNDE SADAKAT PROGRAMLARININ MÜŞTERİ
SADAKATİNE ETKİSİ**

YÜKSEK LİSANS TEZİ

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FOREWORD

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ABBREVIATIONS

ANOVA	: Analysis of Variance
CRM	: Customer Relationship Management
KMO	: Kaiser-Mayer-Olkin
SPSS	: Statistical Package for the Social Sciences





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EFFECTS OF LOYALTY PROGRAMS ON CUSTOMER LOYALTY IN AUTOMOTIVE INDUSTRY

SUMMARY

The fundamental concepts of customer satisfaction, brand loyalty, and brand association serve as the cornerstones of the companies' marketing strategies. To ensure to have those concepts in their businesses, companies need to place the customer into the center, and implement their marketing strategy with considering these cornerstones effectively. Understanding and assessing the demands, actions, and qualities of the customer is the first step for putting customer into the focus. By gathering, examining, and utilizing the behavioral and characteristic data, brands can enhance their performance. One of the important strategies to implement customer data management within the operations, is customer loyalty program. With loyalty programs, the companies can increase their sales revenues and utilization or purchasing of the products and services. Various businesses such as airlines, retailers and banks develop loyalty programs in order to keep the customer loyal to their brands. One of the key players in the market, automotive companies, also integrate loyalty programs within their strategy. However, there is not sufficient amount of research in the literature that mentions the usage of car brand loyalty programs and clearly demonstrates the impacts of loyalty programs on customer loyalty by taking customer satisfaction into account.

In this dissertation, the impacts of the car brand loyalty programs on customer loyalty were assessed with a survey and previous literature-based research. There were a total of 331 people answered the survey. To fully comprehend the impact of loyalty programs on customer satisfaction, the three main benefits of the programs -utilitarian, symbolic, and hedonic-were initially grouped. After doing so, the relation between customer satisfaction and customer loyalty were examined to figure out the main goal of the study. The studies of the data revealed a favorable relationship between customer satisfaction and the utilitarian, symbolic, and hedonistic advantages of the loyalty program. Additionally, the study demonstrated that customer loyalty grows as customer satisfaction does. The additional variables (gender, age, education level, income group, job, owned car brand, car ownership period and service visit frequency of the customers) were also tested to observe whether they have an impact of the research model. The results showed that customer loyalty differs according to the car ownership period and job of the customer. Besides these, there was not any other significant difference amongst the variables.

During the research, the reasons for not participating in a car brand loyalty program and the preferences of non-members for loyalty program features were also discovered. Lack of information, a lack of perceived need for a loyalty program, the absence of any existing loyalty programs, and the absence of any appealing offers that attract customers are the most frequent excuses given for not enrolling in a loyalty program. Additionally, non-member clients prefer to sign up for a loyalty program that allows for easy registration, benefits for regular use, and point collection.



OTOMOTİV ENDÜSTRİSİNDE SADAKAT PROGRAMLARININ MÜŞTERİ SADAKATİNE ETKİSİ

ÖZET

Müşteri memnuniyeti, marka bağlılığı ve marka çağrısimi gibi temel kavramlar, şirketlerin pazarlama stratejilerinin mihenk taşlarını oluşturan önemli unsurlardandır. Firmaların işleyiş süreçlerinde başarıya ulaşmak için müşteriyi merkeze almaları ve pazarlama stratejilerini bu bahsedilen temel taşları göz önünde bulundurarak etkin ve kendi süreçlerine uygun bir şekilde uygulamaları gerekmektedir. Müşteriyi süreçlerde odak noktası olarak almanın ilk adımı ise, müşterinin isteklerini, davranışlarını ve özelliklerini anlamakla başlar. Bu özellikleri net bir şekilde anlayabilmek için, şirketler müşteri ilişkileri yönetiminden (CRM) yararlanarak veriyi işleyip kullanabilme yeteneklerini geliştirebilirler. Müşteri ilişkileri yönetimi, şirketlere bilgi yönetimi teknolojileri açısından yarar sağlamanın yanı sıra, müşterinin değerini, yüksek kalitede sunulacak hizmet ve ürünler için oluşturulabilecek altyapının sağlanması hususunda da destek sağlar. Bu veri işlemesinin doğru metodlar seçilerek etkili bir şekilde uygulanmasıyla beraber, kuruluşlar müşteri memnuniyetini sağlama konusunda bir adım öne geçme şansı yakaladı olurlar.

Müşteri memnuniyeti ise bir şirketin, markanın veya kuruluşun başarısının ölçülebilmesi konusunda bilgi veren etken faktörlerden biridir. Literatürde yer alan çalışmalarında müşteri memnuniyeti ve bu unsurun ölçümlenmesi farklı şekillerde tanımlanmıştır. Bazı kaynaklarda müşteri memnuniyetinin, alternatifin seçilmesine veya beklenilerin aşılmasına yol açan öznel bir değerlendirme sürecinin sonucu olduğunu belirtirken, bazı çalışmalar ise memnuniyeti alıcının algısındaki ürün performansı olduğunu öne sürümlerdir. Bunlara ek olarak bu konsepti tam anlamıyla süreçlerine entegre edebilen markaların da yüksek müşteri memnuniyetiyle beraber müşteri sadakatini sağlamakta zorlanmadıkları görülmüştür.

Yapılan araştırmalarda, müşteri sadakati kavramı, müşterinin periyodik olarak göstermeye olduğu satın alma davranışının eğilimi olarak açıklanmaktadır. Müşteri memnuniyeti şirketlerin işleyişlerinde uzun süredir önemsenen ve önemi giderek artmakta olan artan bir kavram haline gelmiştir. Literatürde müşteri sadakatının bilişsel, duygusal, ikna ve eylem olmak üzere dört ana aşamadan oluştuğundan bahsedilmektedir. Müşteri bu dört aşamanın her birinde sadakat davranışını göstermeye yatkındır. Bilişsel sadakat aşamasında, tüketici bir markanın hayatı değerlerinden daha iyi performans gösterdiğinin farkına varmaya başlarken, duygusal sadakat aşamasında, bir ürünün sürekli kullanımı içerisinde markaya karşı olumlu bir algı oluştuğu söylemektedir. İkna ismi verilen üçüncü sadakat aşamasında, müşteri, satın alma işlemini tekrarlamak için markaya özgü bir bağlılık üretilir ve markadan tekrar faydalananma isteği bu aşamada oluşur. Son olarak dördüncü aşama olan eylem aşamasında ise tüketici aktif bir sadakat davranışını geliştirir ve “harekete geçmeye hazır” olduğunu net bir şekilde gösterir.

Şirketler için, müşteriye ait, yukarıda da bahsedilen, davranışsal ve karakteristik özellikleri iyi şekilde analiz edip şirketin performansına katkı sağlamanın en etkili yollarından biri müşteri sadakat programlarıdır. Bu programlar sayesinde markalar satış gelirlerini, ürün ve hizmet kullanımlarını artırabilmektedir. Müşteri sadakat programlarından yaralanarak performans artırımını hedefleyen birçok şirket bulunmaktadır. Örneğin, havayolu şirketleri, perakende mağazalar ve bankalar gibi çeşitli işletmeler, müşterileri markalarına sadık tutabilme için sadakat programları geliştirmektedir. Pazardaki kilit oyunculardan biri olan otomotiv şirketleri de sadakat programlarını pazarlama stratejilerine entegre ederek kullanmaktadır. Türkiye'de de otomobil şirketlerinin uyguladığı müşteri sadakat programları bu araştırmada listelenmiştir.

Çalışmanın erken dönemlerinde yapılan kaynak araştırması boyunca literatürde, özellikle otomotiv sektöründe, sadakat programı kullanımı ve müşteri memnuniyetini de göz önünde bulundurarak sadakat programlarının müşteri sadakati üzerindeki etkilerini açıkça belirten yeterli çalışma bulunmadığı görülmüştür. Bu alanda kavramsal bir çerçeve kurmak ve sadakat programlarının etkisini detaylı inceleme motivasyonu ile araştırma modeli oluşturulmuştur.

Bu tez çalışmasında, otomobil markası sadakat programlarının müşteri sadakati üzerindeki etkileri değerlendirilmiştir. Literatürden alınan bilgi ve temel prensiplerden yararlanarak bir araştırma modeli oluşturulmuştur. Oluşturulan bu model, anket ile veri toplanarak analiz edilmiştir. Bu çalışma çerçevesinde yapılan ankete 331 katılımcı katkı sağlamıştır. Oluşturulan araştırma modelindeki ilk aşama sadakat programlarının müşteri memnuniyeti üzerindeki etkisini tam olarak anlamak için, ilk programların sağladığı avantajları gruplandırmak olmuştur. Literatürden de yararlanılarak, sadakat programlarının faydacı, sembolik ve hzacı avantajlar olarak üç ana grupta kümelendirilebileceği uygun görülmüştür. Bu aşama tamamlandıktan sonra ise, yine literatürden edinilen bulgulara göre müşteri sadakatının bu üç avantajdan etkilendiği görülmüştür. Araştırma modelini oluştururken izlenen son aşama ise, çalışmanın ana amacına ulaşabilmek adına, müşteri memnuniyeti ve müşteri sadakati arasındaki ilişkinin incelenmesi gereği olmuştur. Bahsedilen unsurlar göz önünde bulundurularak hazırlanan bu araştırma modeline dair hipotezler de üretilmiş ve bunların ölçümlenmesi için literatürde yer alan sorular seçilerek anket buna göre oluşturulmuştur. Bu anket 331 araba sahibinin katılımı ile gerçekleştirilmiş ve sonuçlar derlenmiştir.

Bu çalışma kapsamında, araştırma modelini ölçümleyebilmek adına 24 ifade kullanılmış olup, bu ifadelerin birbirleriyle ilişkisi istatistiksel olarak test edilmiştir. Faktör analizleri ile değişkenleri ölçümlemek için kullanılan ifadelerin güvenilirliği kontrol edilmiş, regresyon analizi ile de değişkenlerin birbirleri arasındaki ilişki sorgulanmıştır. Yapılan analizler sonucunda, müşteri memnuniyeti ile sadakat programının faydacı, sembolik ve hedonik avantajları arasında olumlu bir ilişki olduğu görülmüştür. Buna ek olarak, değerlendirmeler sonucunda, artan müşteri memnuniyetinin müşteri bağlılığını da artırdığı gözlenmiştir. Bahsedilen hipotezlerin kabul edilmiş olmasıyla beraber, otomotiv endüstrisinde müşteri sadakat programlarının sağladığı faydacı, sembolik ve hedonik avantajlar sunarak müşterinin memnuniyetini pozitif şekilde eklediğini, bunun sonucunda da artan müşteri memnuniyetiyle beraber müşterinin markaya olan bağlılığının da artmakta olduğu kanısına varılmıştır.

Araştırmada elde edilen sadakat programı üyesi olmayan müşterilerin yanıtları baz alınarak, bu müşterilerin bu programa duydukları davranış şekli de ayrıca analiz edilmiştir. Sahip oldukları araç markalarının sadakat programına üye olmayan araç sahiplerinin üye olmama nedenleri ve eğer bir sadakat programından yararlanmak isteselerdi hangi özelliklerin bu program dahilinde yer almasını istedikleri de incelenmiştir. Anket ölçümlemesi sonusunda elde edilen bu veriler ışığında, sadakat programına dair bilgi eksikliği, bir sadakat programına daha önce ihtiyaç duyulmaması, müşterinin araba markasına ait bir sadakat programı bulunmaması ve mevcuttaki programlarda müşterilere yönelik cazip tekliflerin bulunmaması, bir sadakat programına kaydolmamak için en çok listelenen sebeplerden olmuştur. Ayrıca, üye olmayan müşterilerin, eğer bir araba markası sadakat programına üye olsalardı, bu programda yer almasını istedikleri özelliklerin arasında, ilk sırada programa kolaylıkla kayıt olabilmenin önemi yer almaktadır. Bu özelliği programdan düzenli faydalananmanın ödüllendirilmesi takip etmektedir. Müşteriler düzenli bir şekilde araçlarını yetkili servise götürdüğünde, burada yaptığı harcamaların her ziyaretinde daha avantajlı halde sunumunu beklemektedirler. Son olarak, otomobil markasına ait bir sadakat programı üyelik sisteminin puan toplama imkanı sağlamaşının ise başka bir istenen özellik olduğu görülmüştür.

Araştırmayı derinleştirmek adına anket sorularıyla ölçümlenen ek değişkenlerin (cinsiyet, yaş, eğitim düzeyi, gelir grubu, sahip olunan araç markası, araç sahipliği süresi ve servis ziyaret sıklığı) müşteri memnuniyeti, müşteri sadakati, faydacı, sembolik ve hzacı avantajlar üzerindeki etkisi de analiz edilmiştir. Bu analizler sonucunda, müşteri bağlılığının araç sahipliği süresi ve müşterinin yaptığı işe göre değişimdiği görülmüştür. Buna karşılık, sonuçlar, faydacı, sembolik ve hzacı avantajların cinsiyet, yaş, eğitim düzeyi, gelir düzeyi, iş, sahip olunan araç markası, araç sahipliği süresi ve servis ziyaret sıklığına göre farklılaşmadığını göstermiştir. Buradaki gözleme göre, sadakat programı oluşturmayı amaçlayan şirketlerin, programlarını pazarlarken müşterilerinin araç sahipliği süresini ve mesleğini dikkate alabileceği sonucuna varılabilir.

Sonuç olarak, bu tez nihayetinde elde edilen verilerin detaylı analizi gerçekleştirilmiş ve öne sürülen araştırma modeli test edilmiştir. Varılan bulguların yanı sıra, araştırmanın örneklem büyüklüğü, bu örneklem seçimi ve veri toplama yöntemi konusunda limitlenmiş olabileceği gözlemlenmiştir.



1. INTRODUCTION

1.1 Background of the Study

The foundation of marketing strategies of the companies mainly built upon fundamental concepts such as customer satisfaction, customer loyalty, brand loyalty and brand association. To be able to maintain these concepts strongly, the customer oriented point of view is crucial. First step of having the customer in the focus is understand and evaluating the needs, behaviors and the characteristics of the customer. One can achieve such a comprehensive idea by collecting, analyzing and utilizing the behavioral and characteristic information of the customer. In the recent years, businesses have begun to put the customer first while gathering and processing data through the customer relationship management (CRM) system they built. The latest developments in information technology enabled the companies to develop their marketing strategies by taking the customer information and characteristics to the center. One of the strategies that emerged from this customer management techniques is customer loyalty programs. [1]

With customer loyalty programs, the companies aim two main purposes which are improving sales revenues by enhancing the utilization or purchasing rates and constructing and maintaining a strong bond between the brand and the customer. To increase the purchase frequency, it is crucial to ensure the satisfaction of customer [2]. Moreover, to build a solid relationship with the customer, the companies need to have the customer to positively associate with their brand so that loyalty of the customer can be satisfied. The higher the brand association is, the more it is likely to be remembered and emotionally connected with the customer and they become more loyal towards the brand [3].

For retaining the customer to brand and getting benefit from customer relationship management, various industries including airlines, retailers and banks construct loyalty programs. In addition to these sectors, automotive companies also have implemented the usage of customer loyalty programs into their business plan [4].

The impact of the loyalty programs on the customer satisfaction and loyalty has not only been utilized by the companies but also has been a subject to focus on by the researchers. In literature, there are various studies that purpose to investigate the relationship between loyalty programs, customer satisfaction and loyalty [4,5,6,7]. However, in Turkey, there is not such a study that clearly underlines the effects of loyalty programs on customer loyalty by considering customer satisfaction in automotive industry.

1.2 Purpose of Thesis

The main objective of this study to undermine the effects of loyalty program on customer loyalty in automotive industry in Turkey. For attaining this goal, the following main research questions were proposed at first:

- What are the effects of customer loyalty programs of automotive companies on customer loyalty?
- What are the effects of customer loyalty programs of automotive companies on customer satisfaction?
- Does customer satisfaction affect the customer loyalty?

The plan for finding the answer to these questions was made and the following actions were taken:

- The literature was reviewed to obtain the related studies within the loyalty programs in automotive industry, the relationship between customer satisfaction, loyalty and loyalty programs.
- The conceptual framework was constructed in order to propose a research model.
- To define the relations within the research model, a survey was made to collect data from the car owners in Turkey. To investigate the connection between the variables, the collected data were analyzed statistically.

1.3 Contribution of the Study

This study can contribute to both academic and business practice since it would help to fill the research gap for indicating the effects of loyalty programs on customer loyalty by considering customer satisfaction in automotive industry by collecting the data for car owners in Turkey. In addition, for a practitioner from a company, this research can help to deeply understand the loyalty concept through the loyalty programs. Also, benchmark analysis of loyalty programs of the different car brands can help one to develop their own strategy within the loyalty programs.

1.4 Thesis Structure

This master's thesis consists of seven main parts which are introduction, literature review, conceptual framework, research design, research findings, discussion and conclusion. In the first part of the study, the background of the research has been explained. The literature review for the previous papers that investigate the loyalty programs, customer satisfaction customer loyalty concepts, different implementations of the loyalty programs within automotive industry were completed in the second part. In third part, the conceptual framework was built according to the literature findings . For fourth and fifth parts, the research design was explained and the a comprehensive analysis was made with the research findings.

In the last two parts of the thesis, the overall evaluation was completed for the study, the discussion of the results was made and the research was concluded.



2. LITERATURE REVIEW

2.1 Review Of Fundemantal Definitons

2.1.1 Customer relationship management

The customer relationship as a term has been introduced in the mid-1990s with the emerging concepts such as information technology vendor community and practitioner of marketing community. This term usually refers to technologically based solutions to customers for enhancing the business processes, sales and services such as sales force automation. CRM provides corporations not only the information technology solutions, but also the comprehensive understanding of the customer value, high quality operations, fullfilment and service [1]. Although CRM is commonly acknowledged as a fundamental corporate strategy, a single definition of this term does not exists. It is described in the literature as an “enterprise approach to recognizing and influencing customer behavior within effective interactions for enhancing customer retention, loyalty and profitability.” [8]. In another source, CRM is explained as “the strategically utilized information, process, technology and people for managing the way that the customers interact with a company.” [9]. The term is also mentioned in the literature as “a comprehensive method of acquiring, maintaining and working with chosen customers to provide a meaningful value for both the company and the customer.” [10].

Many major organizations are attempting to go global by integrating their operations accordingly. Instead of just conducting business as usual, they are looking for collaborative solutions to accomplish this goal. In order to do so, these companies utilize CRM tools like global account management programs which are vital for marketers who are engaged in being a global player. [11].

CRM concept usually used by corporations to enhance the customer satisfaction and the loyalty that is formed through the brand, which eventuality leads to a greater profitability [12].

2.1.2 Customer satisfaction

Customer satisfaction is one of the crucial factors that enables measuring whether a product or a service is successful. This concept is mentioned in the literature with different definitions. According to Bloemer & De Ruyter (1998), mention in their study that customer satisfaction is the outcome of a subjective evaluation process that led to the choice of the alternative or the exceeding of expectations [13]. Whereas, Kotler & Armstrong (2014) defined the term as the degree for a product performance corresponding with the buyer's perception [14]. In a study, customer satisfaction is interpreted as a difference between what is observed and wanted at the beginning [15]. This explanation is in line with another research within the literature which introduces a "value-percept disparity theory". According to this theory, the customer satisfaction is described as an emotional reaction brought on by a cognitive-evaluative process, which consists of comparing the object (instead of expectations) with one's values. It means that, the customers do not want a lack of disparity between their values and the object that they evaluate [16].

For companies that are focused on this particular concept, it is important to create exceptional value and service for their customers. This can be achieved by taking the customer satisfaction as a core element within the company culture. In the literature, the studies show that a successful application of customer satisfaction results in greater customer loyalty. When there is a promising CRM, the customer satisfaction occurs. This particular circumstance can lead to better customer loyalty. By doing so, the company can increase its performance [14].

2.1.3 Customer loyalty

The loyalty can be explained as the tendency of customer to show buying behavior periodically. This phenomenon has long been a popular subject in business settings and recent years have revealed a rise in this interest [15].

It was mentioned in the literature that the customer loyalty composed of four main stages which are cognitive, affective, conation and action. The customer can show loyalty behavior at each of these four steps. In cognitive loyalty stage, consumer is starting to be aware of one brand performing better than its vitals. In affective loyalty phase, within the constant utilization of a product, a positive perception is formed towards the brand. A brand-specific commitment to repeat the purchase is produced,

and the desire to return is formed, during the third loyalty phase, known as conation loyalty. Finally, upon the fourth stage, which is action, the consumer develops an active loyalty behavior and shows “readiness to act” [13].

Additional to all mentioned above, there are other definitions of the customer satisfaction in literature. One of them is that customer loyalty being an act of a customer demonstrating a faithful adherence to a brand or a company in spite of an error or an incident within the services [17]. Another explanation for customer loyalty is “a physical and emotional commitment made by customers when their expectations and needs have been met.” [18]. It is also mentioned in the literature that loyalty is a firmly held commitment to repeatedly purchase a good or service which leads to use of the same brand regularly even if there is a competition in the market that may cause brand switching [19].

Companies can maintain a business relationship through time and build a shared history with the customers by their loyalty, which is expressed as the trust in one another. Loyalty is a dynamic notion formed within the long-term relationship and confidence level between the exchange actors. A company’s goal is to obtain the loyalty of the customers in such a way that they can be at the top level of their relationship [20]. Therefore, with the long-term occurrence of the customer loyalty towards a certain brand, companies can have brand loyalty from their customers.

2.1.4 Brand loyalty

Brand loyalty can be defined as showing commitment towards repurchasing a certain brand or group of brands despite having external factors that can alter the behavior in any other direction. Since the concept is one of the most important foundations of a company, it is not unexpected that there is a significant attention in marketing literature towards the brand loyalty. In literature, the conceptual definition of brand loyalty was done in different ways. One of them describes the brand loyalty as a decision making unit processing a biased, behavioral response over time to one or more competing brands among the market. It is also mentioned as a function of psychological process. This definition suggests that there must be a regular pattern of purchasing a particular brand or group of brands, with a consistency. According to this explanation, that marketers should take into account both the pattern of purchases made by customer during subsequent buying occasions as well as the frequency of purchases of a specific

brand during that time. In addition to these, the “decision making unit” mentioned in the main definition is clarified with the fact that the decision maker does not necessarily need to be the user or even the purchaser of the product, though it is. For instance, in one family, the father may decide on which toothpaste brand (Brand A) his children use in spite of they prefer another brand (Brand B). In this example, the brand loyal decision maker of the Brand A is the father, not the children [21].

The most frequently cited definition of the brand loyalty mentions the concept as a “deeply held commitment to rebuy or repatronize a preferred brand, which results in repetitive purchasing even if there is a potential of switching behavior.” [13]. Another study emphasizes that true brand loyalty can be achieved by combining the high level of attitude and patronage from the same provider. When a company desires to have loyalty towards their brand, it needs to apply this [22].

It was observed within the literature review that the brand loyalty is linked with the customer satisfaction. The satisfied customers of a brand tend to be the customers with brand loyalty and they are more likely to use the same item or a brand more when compared with the customers who are not satisfied [23]. Then, it can be concluded from the studies within the literature that the brand loyalty has a strong relation with customer satisfaction [13].

2.1.5 Brand association

Brand association can be explained as a brand having a strong personality in such a way that it has a positive effect on the consumers’ intention of purchasing that specific brand. This concept can be created by the companies by carefully analyzing the target consumer and acting according to that specific target. By doing so, the consumer adopts perception towards the brand therefore, purchase intention would be positively affected [6].

The studies which are related with the brand association, the concept is introduced differently. One of them is that it is the potency of the advantages a brand can offer [24]. Another one interprets brand association that it can be a term which can be used as a connection between two nodes in customers mind in such a way that it can help them to search and deal with information about a product or a service [25].

In a research, it was obtained that brand association could give customers a reason to make a purchase since most of the brand associations are connected to brand attributes,

the target consumer market and the advantages which customers need. This can provide a basis for customers' purchasing decisions and brand loyalty [26].

Brand association frequently connects two concepts, for instance, in a study it was seen that customers associate the clothing brand Dolce&Gabbana with "clean" and "simple". Whereas another clothing brand, Giorgio Armani is often associated by customers as "metallic", "glittering" and "bejewelled". It is important for companies to create a brand association in aspect of the customers in such a way that it represent their brand identity and enhance both purchases and the value perceived by the customer [27].

2.2 Loyalty Programs

Loyalty programs are one of the most utilized marketing tools which the companies use in order to attain the detailed information from the customers and prepare necessary strategic actions for them to retain within the brand. These programs can help an organization to enhance their relationships with the customers and increase the loyalty [7].

These programs offer customers different types of value so that they can be retained within the brand. Examples of the value provided to customers through loyalty programs can be cash value, aspirational value, relevance and convenience. Firstly, when cash value is offered, it means that the customers can gain a portion of the spending that they made. Most of the bank credit cards provide such an advantage and give back some percentage of the credit card spending as a point so that the customer can use it as cash for their shopping. Additionally, when a consumer purchases a plane ticket, the airline company awards them with points that may be used to purchase another flight. Secondly, the aspirational value can be explained as the rewards that can affect the customer psychologically in such a way that they alter their purchasing behavior. For example, when a brand creates a loyalty program that offers a chance to indulge in a pampering experience, whether it be a spa visit or a round of golf on the finest course, it is likely for customer to be eager and make every effort to get there. For doing so, it is crucial for brands to investigate and understand their target customer carefully, and find the main motivation of the customer and providing an additional offer to support them. Thirdly, the relevance of the loyalty programs means the

perception of the customer about attaining the rewards. The customers can expect the time required to reach the reward of the loyalty program would be reasonable. Finally, the explanation of convenience value that the loyalty programs provide is that there would not be a need for an additional effort to acquire the rewards for the customer and also for the brand. The reward of the loyalty program should be easy to attain such as there would be no need to exchange coupons or the subscription process of the program should be simple and short [28].

Various companies in different industries benefit from customer loyalty programs. For instance, in Turkey, two airline companies, Pegasus Airlines and Turkish Airlines have loyalty programs which allows customers to collect points for each flights and instead of waiting until they can pay for an entire flight, customers can use reward points as a discount. Additionally, one of the international cosmetic companies, Watsons has a loyalty program which enables their customers to gain points through their purchases in the stores and they can get a discount with their points for their next purchases [29].

2.2.1 Implementation of loyalty programs in automotive industry

In automotive industry, it is not feasible and sustainable to promote the repurchasing behavior of the consumer in a short-term base. It means that, companies cannot offer their consumers a free car for every five cars they buy. In this industry, the companies need to create value for consumers for them to be loyal and repeat the purchase from their brand for a long term period. Therefore, there are different offers and advantages represented to consumers for enhancing their overall experience starting from the purchase of the car from a brand until the selling of the car. For enhancing the customers' experience throughout the ownership, the implementation of the loyalty programs in the automotive industry, the loyalty programs are offered for after-sales services to retain the customer within the brand for long periods of time. These offers include discount in the after-sales services (i.e. car maintenance, spare parts and accessories), gas stations, car wash facilities. In addition to the offers related with the car, these programs provide customers discount in food and clothing purchases with the contracted brands. These programs not only helps customer to spend less within different types of services, but also they reward the regular customers who use that car brand's services with the loyalty program. When the customer benefits from the program continuously, the brand rewards them with extra points and discount offers.

By doing so, brand can maintain the customer loyalty whereas the customer can enjoy the advantages.

For the automobile brands in the Turkey, a benchmark analysis were made for evaluating the loyalty programs of different brands (See Table 2.1).

Table 2.1 : Benchmark analysis for loyalty programs of different car brands [30-36].

Feature	Toyota-Forever	Ford-LifeCard	BMW-Joy Card	Landrover-Go Card	Mini Cooper-Fun Card	Kia-Fan Mobile Application	Audi-My Audi Mobile Application
Discount in after-sales services	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Discount in different brands	Yes	Yes	No	No	No	Yes	No
Collecting points	Yes	Yes	Yes	Yes	Yes	Yes	No
Mobile Application	No	No	No	No	No	Yes	Yes
Rewarding the continuous customers	Yes	Yes	Yes	Yes	Yes	Yes	No
Online purchasing	No	No	No	No	No	No	Yes

2.2.2 Customer satisfaction with loyalty programs

With loyalty programs, brands aim to offer the customers favor so that the it can meet and even exceed the customer's expectation of that particular brand. Typically, satisfaction is the outcome of a perceived disparity between loyalty program's actual performance and their projected performance on a key benefit factor. The expectancy-disconfirmation theory suggests that there are mainly three types of benefits that may lead to satisfaction. These benefits can be classified as utilitarian, symbolic and hedonic [13].

Utilitarian benefits represents the tangible attributes that can enhance the customer satisfaction [37]. With the utilization of a loyalty program, the customer's cognitive decisions may vary according to the monetary savings which reflects the tangible attributes and that can result in a alteration of satisfaction status [38].

Symbolic benefits are mostly observed with the emotional relation that customer builds within the brand throughout using the loyalty program. Which means that,

customer feeling a member of a community, feeling distinguished amongst the other customers and being recognized according to the hierarchical status direct the level of customer satisfaction [39].

Finally, the hedonic benefits that the loyalty program gives are entertainment and joy to customer by making them collect points, experience of an interactive mobile application or a website. These features may create positive emotional interactions with the customer such as pleasure and excitement, therefore the satisfaction can be maintained [40].

2.2.3 Customer loyalty with loyalty programs

Customer loyalty is a crucial concept for brands to create the brand loyalty and the brand association [41]. For achieving the loyalty within the customers, besides the fundamental products and services, companies can offer their customers different advantages through the loyalty programs. Simply being a member of a loyalty program does not mean to be loyal to the brand. However, literature shows that customers are more devoted to the brands when they receive rewards through the loyalty programs [42]. Additionally, the loyalty programs increase the resistance of the customer to competing offers from another brands by their appealing offers, promote the word-of-mouth spread, reduce price sensitivity and create the customer satisfaction which can result in customer loyalty. Thus, it can be inferred that the within the loyalty programs the customer satisfaction increases so that the customer loyalty can be ensured [42].

3. CONCEPTUAL FRAMEWORK

After completing the literature review, the research model for the particular study was constructed (See Figure 3.1). To measure the effects of loyalty program on customer loyalty, the main three benefits which are utilitarian, symbolic and hedonic were focused on. According to literature, benefits that are purely utilitarian are concrete qualities that can increase customer satisfaction. When customer uses a loyalty program, their choices may change in accordance with the financial savings that are offered, which may change their level of happiness [37]. The symbolic benefits of a loyalty program represents the emotional bond that customer develops with a brand. This indicates that the customer can believe that they are unique by attending a loyalty program and feel like a part of a community which may result in customer satisfaction [39]. Hedonic benefits include providing customers with enjoyment by enabling them to earn points or engage in a website or a mobile application. By doing so, customers can experience joy and their level of satisfaction may affect positively [40].

It was obtained from the literature that the mentioned three types of benefits of loyalty programs which are utilitarian, symbolic and hedonic benefits were determined as the independent variables of the model. These benefits were linked with the customer satisfaction in the previous studies, therefore, their relationships are reflected to the model as it is explained in the literature. Moreover, to investigate the influence of these variables on the customer loyalty, the clarifications that are mentioned in literature was used. It was stated that customers who favor from a loyalty program tend to be more loyal to the brand that they use [41]. The companies can make compelling offers within loyalty programs, encourage word-of mouth advertising, lessen the sensitivity of price so that it can foster customer satisfaction. These customers can be more resistant to another offers from the competitors since the brand's compelling offers which may result in customer loyalty. Hence, the increasing customer satisfaction within loyalty programs leads to increasing customer loyalty [42]. These concepts are reflected into the research model and illusturated in Figure 3.1.

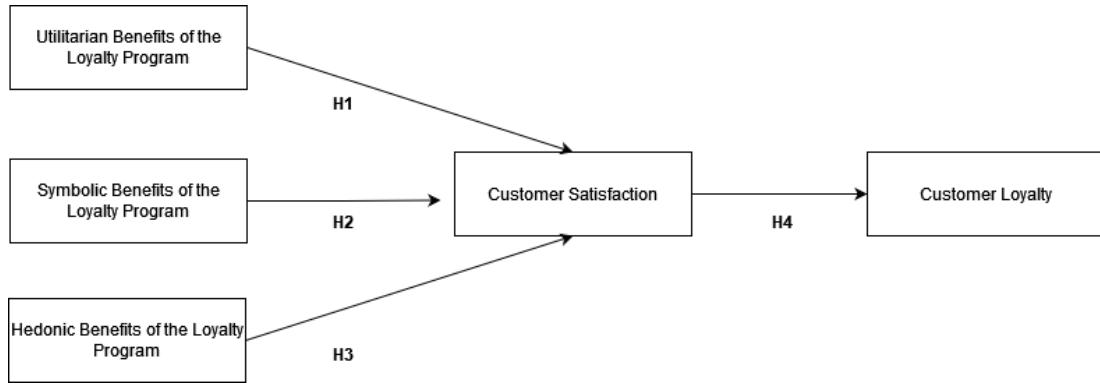


Figure 3.1 : Research model.

The proposed research model was built with 4 main hypotheses. These hypotheses were developed according to the findings from literature and they are listed and explained below.

H1: *Utilitarian benefits of a loyalty program are positively related with the customer satisfaction.*

One of the group of benefits that loyalty programs yields is utilitarian. It was obtained from the literature that the customer satisfaction can be enhanced with utilitarian benefits [39]. Therefore, it is proposed as a hypothesis that these utilitarian benefits of the loyalty program are in a positive relationship with the customer satisfaction.

H2: *Symbolic benefits of a loyalty program are positively related with the customer satisfaction.*

Second type of advantage that loyalty programs offer is symbolic benefits. It was obtained in a study that customers build an emotional link with the brand can improve the level of satisfaction [39]. Hence, the hypothesis of symbolic benefits of a loyalty program being positively related with the customer satisfaction emerged.

H3: *Hedonic benefits of a loyalty program are positively related with the customer satisfaction.*

Another powerful asset of the loyalty program can give is the hedonic benefits. By bringing joy and excitement to the loyalty program experience, the customer can be satisfied more [40]. According to that, the introduced hypothesis is that the hedonic benefits of the loyalty programs have a positive relationship with satisfaction of the customer.

H4: *When customer satisfaction increases customer loyalty increases.*

The literature implements that the customer satisfaction has a positive impact on the customer loyalty. Stronger the satisfaction, better the loyalty. Then, the final hypothesis emerges which is when there is an improved customer satisfaction, the loyalty of the customer enhances [41].





4. RESEARCH DESIGN

4.1 Aim and Scope of the Study

The objective of this study is to contribute to the literature by demonstrating the effects of car brands' loyalty programs on customer loyalty by taking customer satisfaction into account with the data gathered from car owners in Turkey. To do so, the main benefits of the loyalty programs were grouped as utilitarian, hedonic and symbolic and the research was constructed to measure the effects of these benefits on customer satisfaction and loyalty. Additionally, this study can help to build a better understanding of relationship between customer satisfaction and customer loyalty.

4.2 Data Collection and Sampling

Target group of this study was Turkish car owners who are the members of a loyalty program of the car brand that they have. The literature shows that the automobile percentage in Turkey is 25% of the population (people older than 18) [43]. Also, a previous research done by KMPG, the loyalty program membership rate is 42% of consumers of different products such as food, clothing, cosmetics [44]. Therefore, it was expected that a 10% of the customers of car brands to be a member of the loyalty program. Collecting a big sample size from that kind of a small portion would be challenging. Therefore, although it has a risk of accuracy of reaching the population of interest, to obtain the data for the research, convenience sampling technique was used since it is the most prompt and economical method. For the purpose of the research, it was aimed to reach a 250 people who are members of a car brand loyalty program. However, since the target group is composed of a small portion of the population, it would not be feasible to expect to reach that sample size. Then, the survey was sent to the people that have a car. For collecting the data, the survey was conducted by sending the questionnaire to the car owners online via Google Forms. The samples were collected from different demographics by sending the survey to the messaging groups that are used for latest automotive industry updates.

The data collection was completed within 2 weeks and 331 car owners have responded to the survey, 60 of them were members of a car brand loyalty program. As expected at the beginning, there was a sample diminution when collecting data since it was observed that percentage of the number of car owners that are members of a loyalty program was around 20%. Almost 80% of the respondents were not even aware of a loyalty program of their car brand.

4.3 Survey Design and Measurement

To be able to measure the effects of the loyalty program on the customer satisfaction, the questionnaire was prepared according to the literature. The measurement scale and the questions were obtained and adapted from the literature to ensure the reliability of the research. The three main benefits of the loyalty program which are utilitarian, symbolic and hedonic benefits are found to have an impact on the customer loyalty. The measuring methodology for these three benefits are shared in the Table 4.1.

Table 4.1 : Measurement items of three main benefits of loyalty programs.

Dimension	Measurement Items (7-point scale)	Source
Utilitarian Benefits of the Loyalty Program	I am offered a lower after-sales cost with the loyalty program.	[7]
	Loyalty program helps me to spend less within the different services (buying gas, car wash etc.).	
	I save money since I am a member of a loyalty program.	
	Being a loyalty program member allowed me to discover new products.	
Symbolic Benefits of the Loyalty Program	Being a loyalty program allowed me to try new products.	[7]
	I think I get a better service thanks to the loyalty program.	
	Since I am a member of a loyalty program, the brand/retailer staff treat me with more respect.	
	Thanks to loyalty program, I feel I am more distinguished than other customers.	
	Being a member of loyalty program provides me to feel belong to a community of people who share the similar values.	
	With loyalty program, I feel close to the brand.	
Hedonic Benefits of the Loyalty Program	After being a member of the loyalty program, I feel I share the same values as the brand.	[7,45]
	Collecting points with the loyalty program is entertaining.	
	With the loyalty program, when I collect points, I feel good about myself.	
	I find the platform that I use within my loyalty program (e.g. mobile application, website etc.) entertaining.	
The discounted offers provided through the loyalty program makes me feel good.		

For the sake of the study, it is crucial to measure all the items in the research model. For attaining this goal, the literature was scanned in detail to find the accurate questions to measure the elements of the study. As a result of this detail investigation, the measurement scale and the questions that were obtained from the literature are shared for customer satisfaction in Table 4.2.

Table 4.2 : Measurement items of customer satisfaction.

Dimension	Measurement Items (7-point scale)	Source
Customer Satisfaction	<p>I made a good choice when I decided to participate in this loyalty program.</p> <p>My overall idea for this program is positive.</p> <p>The offered advantages from this program suits my expectations.</p> <p>All in all, I am satisfied with this program.</p>	[46]

To be able to measure the customer loyalty, 5 items for measurement were determined from literature and the details are listed in Table 4.3.

Table 4.3 : Measurement items of customer loyalty.

Dimension	Measurement Items (7-point scale)	Source
Customer Loyalty	<p>I am likely to say positive things about my car brand to other people.</p> <p>I would recommend my car brand when asked any advice.</p> <p>I would encourage friends and relatives to purchase from my car brand.</p> <p>I consider this brand as my first choice.</p> <p>I am likely to continue purchasing from the same car brand in following years.</p>	[47]

In order to be able to measure the dimensions that is mentioned above, the 7-point Likert scale were utilized and the survey attendees are asked questions that were scaled from “Strongly disagree”(1) to “Strongly agree”(7). The questions were asked the attendees in Turkish and the English version of the survey questionnaire is listed in Appendix A.

The survey consists of 39 questions in total (See Appendix A). It starts with a question to distinct the car owners and if the respondent does not have a car, the survey ends

there. If the respondent is a car owner, first section of the survey is composed of questions for investigating the demographic profile (questions 2-7) and car ownership details (questions 8-11) of the customer. Then, the respondents ask a question to see whether they are a car brand loyalty program member or not. If not, the attendee is asked about the reasons of not being a loyalty program member and if they would attend in such a program, what features they would prefer (questions 13-15), then the survey ends after that point. For respondents who are members of a car brand loyalty program, the third, fourth and fifth sections of the survey contain questions to measure the benefits of the loyalty program,(questions 16-30) customer satisfaction (questions 31-34) and customer loyalty(questions 35-39), respectively.



5. RESEARCH FINDINGS

For analyzing the data, IBM SPSS Statistics 26 was used, the results are listed and explained in detail in the following sections.

In order to reach the aim of the research, Mann-Whitney U tests were used for analyzing the sample characteristics; factor, reliability and regression analyses were done to test the research hypotheses. Additionally, ANOVA and t-tests were utilized in order to observe the effects of additional variables such as demographics and car ownership details of the respondents.

5.1 Sample Characteristics

Survey was collected online from 331 car owners. The 18% of these respondents was member of a car brand loyalty program which corresponds to 60 people. The research model was tested with these 60 respondents. Remaining 271 respondents who are not a member of a car brand loyalty program were also analyzed in order to deepen the research.

The characteristics of the respondents including demographic profile, car ownership details, are given in Table 5.1. and Table 5.2. The data in Table 5.1 was analyzed, the members and non-members of loyalty program are compared statistically and since the distributions were obtained as not normal with normality test. Therefore, and the p value results of Mann-Whitney U test were obtained for age, education level, income, marital status, job and gender. The p values were 0.498, 0.95, 0.015, 0.022, 0.002 and 0.033, respectively. These results mean that age and education level are not significantly different for members and non-members of loyalty programs whereas, income, marital status, job and gender significantly differ for these two groups.

According to survey questions related with car ownership details, Table 5.2 was constructed so as to investigate the respondent's owned car brand, car ownership period, if the respondent has purchased another car brand before and the frequency of respondents' service visits.

Table 5.1 : Demographic profile of the respondents.

Category	Variables	Loyalty Program Members		Not Loyalty Program Members	
		Frequency	Percentage	Frequency	Percentage(%)
Gender	Male	39	65.00	135	49.82
	Female	21	35.00	136	50.18
Age	18 to 25	1	1.67	15	5.54
	26 to 33	15	25.00	97	35.79
	34 to 41	40	40.00	55	20.3
	42 to 49	15	15.00	29	10.7
	50 to 57	10	10.00	52	19.19
	58 or more	5	8.33	23	8.49
Education Level	High school graduate or less	4	6.67	9	3.32
	University graduate	43	71.67	178	65.68
	Master/PhD graduate	13	21.67	84	31.00
Income	Less than 8,500 TL	1	1.67	8	2.95
	8,501-17,500 TL	5	8.33	46	16.97
	17,501-26,500 TL	13	21.67	77	28.41
	26,501 TL and more	41	68.33	140	51.66
Marital Status	Single	48	80.00	174	64.21
	Married	11	18.33	94	34.69
	Other	1	1.67	3	1.11
Job	Private sector employee	43	71.67	136	50.18
	Public servant	10	16.67	70	25.83
	Worker	-	-	1	0.37
	Small business owner	1	1.67	7	2.58
	Retired	4	6.67	28	10.33
	Housewife	-	-	1	0.37
	Student	-	-	8	2.95
	Other	2	3.33	20	7.38

According to survey questions related to car ownership details, Table 5.2 was constructed so as to investigate the respondent's owned car brand, car ownership period, if the respondent has purchased another car brand before and the frequency of respondents' service visits. The members and non-members of the car brand loyalty program are compared to understand whether these two samples differ in terms of the car ownership details. The two samples were tested for normality and found not normal. Therefore, to compare these two samples, Mann-Whitney U Test is used and the p values of owned car brand, car ownership period, having another car before and service visit frequency are 0.278, 0.037, 0.309 and 0.302, respectively. The interpretation from these values can be the fact that members and non-members of loyalty programs of car brands are not significantly different according to the car ownership details of the respondents.

By investigating Table 5.2, for loyalty program members, Toyota is the most owned brand, the ownership period is 0-5 years for 75%, the 58.33% of respondents have purchased another car brand before and the service visit frequency is done once in a year for 60% of the respondents. Whereas, for non-members of loyalty program owners, Volkswagen is the most owned brand, the ownership period is 0-5 years for 52.73%, the 65.31% of respondents have purchased another car brand before and the service visit frequency is done once in a year for 54.24% of the respondents.

Table 5.2 : Car ownership details of the respondents.

Category	Variables	Loyalty Program Members		Not Loyalty Program Members	
		Frequency	Percentage(%)	Frequency	Percentage(%)
Owned Car Brand	Toyota	20	36.36	22	8.12
	Ford	9	16.36	21	7.75
	Renault	8	14.55	30	11.07
	Volkswagen	5	9.09	34	12.55
	Opel	5	9.09	28	10.33
	Hyundai	5	9.09	13	4.80
	Kia	3	5.45	9	3.32
	Peugeot	3	5.45	13	4.80
	Other	2	3.64	101	37.27
Ownership Period	0 to 5 years	45	75.00	170	62.73
	6 to 10 years	13	21.67	62	22.88
	11 to 15 years	1	1.67	29	10.70
	16 and more	1	1.67	10	3.69
Having Another Car Brand Before	Yes	35	58.33	177	65.31
	No	25	41.67	94	34.69
Service Visit Frequency	Once in a year	36	60.00	147	54.24
	Twice in a year	14	23.33	73	26.94
	When in need	9	15.00	38	14.02
	Never	-	-	11	4.06
	Other	1	1.67	2	0.74

5.2 Results of the Analyses

Before testing the research models' hypotheses, the respondents who does not have any membership for the loyalty programs of an automobile brand has been examined further in order to capture the underlying reasons for them to not be a member, and if they would be a member, what features would they desire to utilize in a loyalty program from their car brand. The details of the related statistics are listed in Table 5.3.

It can be inferred from Table 5.3 that with 49.82%, main reason of the respondents for not having any loyalty program membership is that there is lack of information about the program so that the respondent is not aware of such a program. Second important reason which constitutes 23.35% of the non-member respondents for not being a member is that the customer does not feel any need to be included in a loyalty program. Thirdly, with 6.27%, respondents emphasized that there is not any available loyalty program offered by their car brand. Three of the reasons that are less frequent can be explained as lack of appealing offers presented by the brand to attract the customers towards the program, the fact that the customer does not visit the authorized services so that they can benefit from a loyalty program and insufficient interest from customers. The most uncommon three reasons are the fact that being a member for a loyalty program is perceived as a time waste, respondents not trusting that the extent of loyalty program would be beneficial for them and the rest of the respondents have not given any specific reason.

When non-member respondents were asked to specify the features that they would desire in a car brand loyalty program, 48.71% emphasized that the program should be easy to sign up, so that it would not require a significant amount of time for registering. The second popular feature with 26.94% happened to be the fact that the customers should benefit from the advantages more when they use a loyalty program regularly. Thirdly, respondents favored loyalty systems that let users collect points for each use. The last two perks highlighted by respondents were not requiring a physical card for membership and receiving loyalty program discounts at other types of retailers like gas stations, clothes stores, and restaurants.

Table 5.3 : Loyalty program preferences of the respondents without loyalty program membership.

Category	Variables	Frequency	Percentage(%)
Reason for Not Being a Loyalty Program Member	Lack of information	135	49.82
	Not having any need	63	23.35
	Not any available program	17	6.27
	Not enough appealing offers	14	5.17
	Not preferring to visit authorized services	14	5.17
	Not interested	11	4.06
	No reason	8	2.95
	Perception of wasting time	7	2.58
	Lack of trust	2	0.74
Desired Features of a Loyalty Program	Easy to be a member	132	48.71
	Reward for regular usage	73	26.94
	Collecting points	24	8.86
	No physical card required	23	8.49
	Advantages for other brands with points	19	7.00

5.2.1 Hypothesis testing

With the responses that were given from the members of loyalty programs, the hypotheses were tested and the relationship between variables were studied by using SPSS. There were totally 24 measurement items for five variables which are utilitarian, symbolic and hedonic benefits, customer satisfaction and customer loyalty.

In order to observe whether there is a need for variable reduction by using factor loadings for all items. It can be observed from Table 5.4 that the factor loading for all items are greater than 0.5. The result indicates that all of the factors can be retained for measuring the sample [48]. For testing the internal consistency and reliability of five variables, Cronbach's Alpha was computed. Alpha value of all constructs were obtained close to 1, which means that there is a high reliability within these five variables (See Table 5.4).

Table 5.4 : Factor and reliability analysis results for research model for three variables.

Measurement Items	Factors	Factor Loadings	Cronbach's Alpha
Utilitarian Benefits of the Loyalty Program	-I am offered a lower after-sales cost with the loyalty program.	0.799	0.882
	-Loyalty program helps me to spend less within the different services (buying gas, car wash etc.).	0.649	
	-I save money since I am a member of a loyalty program.	0.910	
	-Being a loyalty program member allowed me to discover new products.	0.838	
	-Being a loyalty program member allowed me to try new products.	0.755	
Symbolic Benefits of the Loyalty Program	-I think I get a better service thanks to the loyalty program.	0.888	0.967
	-Since I am a member of a loyalty program, the brand/retailer staff treat me with more respect.	0.886	
	-Thanks to loyalty program, I feel more distinguished than other customers.	0.929	
	-Being a member of loyalty program provides me to feel belong to a community of people who share the similar values.	0.923	
	-With loyalty program, I feel close to the brand.	0.889	
	-After being a member of the loyalty program, I feel I share the same values as the brand.	0.954	

Table 5.4 (continued): Factor and reliability analysis results of research model for three variables.

Measurement Items	Factors	Factor Loadings	Cronbach's Alpha
Hedonic Benefits of the Loyalty Program	-Collecting points with the loyalty program is entertaining.	0.976	0.934
	-With the loyalty program, when I collect points, I feel good about myself.	0.975	
	-I find the platform that I use within my loyalty program (e.g. mobile application, website etc.) entertaining.	0.816	
	-The discounted offers provided through the loyalty program makes me feel good.	0.768	
	-I made a good choice when I decided to participate in this loyalty program.	0.946	
Customer Satisfaction	-My overall idea for this program is positive.	0.971	0.973
	-The offered advantages from this program suits my expectations.	0.926	
	All in all, I am satisfied with this program.	0.961	
	-I am likely to say positive things about my car brand to other people.	0.907	
Customer Loyalty	-I would recommend my car brand when asked any advice.	0.940	0.964
	-I would encourage friends and relatives to purchase from my car brand.	0.962	
	-I consider this brand as my first choice.	0.893	
	-I am likely to continue purchasing from the same car brand in following years.	0.907	
KMO of Sampling Adequacy = 0.873			
Bartlett Test of Sphericity p=0.000			
Methods: Principal Component Analysis and Varimax with Kaiser Normalization			

Bartlett's test of sphericity with $p=0.000$ shows that the sample is adequate for factor analysis. Also, Kaiser-Mayer-Olkin (KMO) measure of sampling adequacy is 0.873 therefore, it can be inferred that the data is suitable for modelling with the factor analytical model.

After conducting the preliminary item analysis, the hypotheses in the research model were tested with regression analysis that is subjected to Analysis of Variance (ANOVA). The resulting statistical findings are listed in Table 5.5.

Table 5.5 : Regression analysis results of the hypotheses.

Independent Variables	Hypothesis	Dependent Variables	Standardized Coefficient Beta	Coefficients				ANOVA	
				t	Sig.	F	Sig.	Adjusted R ²	Result
Utilitarian Benefits	H1	Customer Satisfaction	0.778	9.429	0.000	88.901	0.000	0.598	A
Symbolic Benefits	H2	Customer Satisfaction	0.745	8.440	0.000	71.234	0.000	0.548	A
Hedonic Benefits	H3	Customer Satisfaction	0.784	9.538	0.000	90.971	0.000	0.608	A
Customer Satisfaction	H4	Customer Loyalty	0.350	2.846	0.006	8.098	0.006	0.107	A

A: Accepted, R: Rejected

In the research model that was purposed, first hypothesis was that there is a positive relationship between utilitarian benefits of loyalty program and customer satisfaction. Since p value for this test is less than 0.05, it can be said that there is a significant relationship between these two variables. With standardized coefficient beta (B) value of 0.778, it is obtained that utilitarian benefits of a loyalty program and customer satisfaction are positively related. Additionally, with an adjusted R^2 value of 0.598, it can be inferred that the research model represents the 59.8% of the relationship between utilitarian benefits and customer satisfaction (See Table 5.5).

The second hypothesis was to investigate that whether there is a positive connections between symbolic benefits of a loyalty program and the customer satisfaction. With $p=0.000$ and $B=0.745$, it can be inferred that the hypothesis can be accepted. Also, adjusted R^2 value shows that the 54.8% of the relationship between symbolic benefits and the customer satisfaction can be explained with the purposed research model (See Table 5.5).

Third hypothesis was to test the existence of a positive relationship between hedonic benefits of a loyalty program and customer satisfaction. The p value is 0.000 and B is 0.784, which means that these two variable are significantly related in a positive way. With adjusted R^2 value, 60.8% of the relationship between these two variables are represented with the research model constructed (See Table 5.5).

The research model was tested with final hypothesis that increasing customer satisfaction increases customer loyalty. With p value of 0.006 and beta value of 0.350, it can be obtained that these two variables have a positive relation with each other. By analyzing the adjusted R squared value, it can be concluded that 10.7% of this relation can be explained with the purposed research model (See Table 5.5).

The research model suggests that utilitarian, symbolic and hedonic benefits affect the customer satisfaction not only individually but also combined together. Therefore, the combined effect of three benefits (utilitarian, symbolic and hedonic) on the customer satisfaction was also analyzed. To do so, the regression analysis was computed again and the results are listed in table 5.6.

Table 5.6 : Regression analysis results of three benefits combined.

Independent Variables	Dependent Variables	Coefficients			ANOVA		
		Standardized Coefficient Beta	t	Sig.	F	Sig.	Adjusted R ²
Utilitarian Benefits	Customer Satisfaction	0.398	3.766	0.000			
Symbolic Benefits	Customer Satisfaction	0.224	2.060	0.044	52.521	0.000	0.741
Hedonic Benefits	Customer Satisfaction	0.331	2.922	0.005			

It can be observed from Table 5.6. that utilitarian, symbolic and hedonic benefits combined have a significant effect on customer satisfaction since the p value of ANOVA test is smaller than 0.05. Moreover, the standardized beta coefficient of the three independent variables shows a positive correlation between customer satisfaction with values of 0.398, 0.224 and 0.331. The adjusted R^2 result of the regression analysis shows that 74.1% of the relationship between combined three benefits (utilitarian, symbolic and hedonic) and customer satisfaction can be explained within the purposed research model.

5.2.2 Analyses of additional variables

After testing the hypotheses of the research model, the effects of the additional variables (gender, age, education level, income group, job, owned car brand, car ownership period and service visit frequency of the customers) are analyzed in order to capture the details of the customer behavior within the car brand loyalty programs. To test these variables' effect on customer satisfaction, customer loyalty, utilitarian, symbolic and hedonic benefits, independent samples t-test is used for gender; ANOVA is used for age, education level, income group, job, owned car brand, car ownership period and service visit frequency of the customers. The result of these analyses for are listed in Table 5.7 and Table 5.8.

Table 5.7 : Test results of analysis for additional variables, customer satisfaction and customer loyalty.

Independent Variable	Dependent Variable	F	Sig.
Age	Customer Satisfaction	0.661	0.654
	Customer Loyalty	0.290	0.916
Education Level	Customer Satisfaction	0.056	0.945
	Customer Loyalty	1.262	0.291
Income	Customer Satisfaction	0.520	0.670
	Customer Loyalty	1.088	0.362
Job	Customer Satisfaction	1.258	0.297
	Customer Loyalty	5.087	0.001
Owned Car Brand	Customer Satisfaction	0.530	0.828
	Customer Loyalty	1.893	0.082
Car Ownership Period	Customer Satisfaction	0.014	0.998
	Customer Loyalty	5.450	0.002
Service Visit Frequency	Customer Satisfaction	0.918	0.438
	Customer Loyalty	0.284	0.837
	Levene's Test	Levene's Test Sig.	Sig. (2-tailed)
Gender	Customer Satisfaction	0.769	0.987*
	Customer Loyalty	0.296	0.603*

*Since p- values of Levene's test results are greater than 0.05, equal variances were assumed.

Table 5.8 : Test results of analysis for additional variables, utilitarian, symbolic and hedonic benefits.

Independent Variable	Dependent Variable	F	Sig.
Age	Utilitarian Benefits	0.647	0.665
	Symbolic Benefits	0.694	0.630
	Hedonic Benefits	0.457	0.806
Education Level	Utilitarian Benefits	0.723	0.490
	Symbolic Benefits	0.069	0.933
	Hedonic Benefits	0.299	0.743
Income	Utilitarian Benefits	1.272	0.293
	Symbolic Benefits	0.566	0.640
	Hedonic Benefits	0.976	0.411
Job	Utilitarian Benefits	2.237	0.077
	Symbolic Benefits	0.290	0.883
	Hedonic Benefits	0.782	0.542
Owned Car Brand	Utilitarian Benefits	1.576	0.155
	Symbolic Benefits	0.662	0.722
	Hedonic Benefits	0.652	0.731
Car Ownership Period	Utilitarian Benefits	0.338	0.798
	Symbolic Benefits	0.798	0.916
	Hedonic Benefits	0.092	0.964
Service Visit Frequency	Utilitarian Benefits	1.426	0.245
	Symbolic Benefits	0.291	0.831
	Hedonic Benefits	0.539	0.658
		Levene's Test Sig.	Sig. (2-tailed)
Gender	Utilitarian Benefits	0.865	0.129*
	Symbolic Benefits	0.731	0.956*
	Hedonic Benefits	0.758	0.444*

*Since p- values of Levene's test results are greater than 0.05, equal variances were assumed.

Table 5.8 shows that there is not any independent variable with p-value smaller than 0.05. This implies that the utilitarian, symbolic and hedonic benefits do not differ according to the gender, age, education level, income level, job, owned car brand, car ownership period and service visit frequency.

According to Table 5.7, only the p-values for job and car ownership period and customer loyalty are less than 0.05. It means that, customer loyalty significantly differs according to the job of the customer. In addition, the customer loyalty is different amongst the car ownership period of the customer. These differences are analyzed by using one of the post hoc tests, Scheffe. When testing for job and customer loyalty, the groups that include data with less than 2 frequency were excluded to conduct the analysis. The results are listed in Table 5.9. It can be observed from this table that the customer loyalty of public servants are significantly lower than private sector employees (with p-value=0.049) and retired customers (with p-value=0.015).

Table 5.9 : Post hoc test results for job and customer loyalty.

Job 1 (a)	Job 2 (b)	Mean Difference (a - b)	Sig.
Private Sector Employee	Public Servant	1.217	0.049
	Retired	-1.116	0.335
	Other	-0.616	0.907
Public Servant	Private Sector Employee	-1.217	0.049
	Retired	-2.333	0.015
	Other	-1.833	0.254
Retired	Private Sector Employee	1.116	0.335
	Public Servant	2.333	0.015
	Other	0.500	0.968
Other	Private Sector Employee	0.616	0.907
	Public Servant	1.833	0.254
	Retired	-0.500	0.968

The results are significant at 0.05 level.

To apply post hoc test to compare the car ownership period and customer loyalty, groups including data less than frequency of 2 were eliminated. After the elimination, there were only two groups remained and there was not any need for post hoc test for these samples anymore. Therefore, to compare these two groups, independent sample t-test were used and results are shown in Table 5.10. It can be said that with p-value

of 0.002, customer loyalty of the respondents who own cars for 0 to 5 years are significantly greater than those who own cars for 6 to 10 years.

Table 5.10 : Independent t-test results for car ownership period and customer loyalty.

Car Ownership Period 1 (a)	Car Ownership Period 2 (b)	Levene's Test Sig.	Mean Difference (a-b)	Sig. (2-tailed)
0 to 5 years	6 to 10 years	0.986	1.233	0.002*

*Since p- value of Levene's test result is greater than 0.05, equal variances were assumed.



6. DISCUSSION

This study was focused on observing the effects of loyalty programs on customer loyalty in automotive industry. To investigate this, with the help of previous studies within the literature, a research model was constructed. A survey was conducted to measure the variables of this model and the results were analyzed in detail. In addition to hypothesis tests, the loyalty program preferences of respondents who are not car brand loyalty program members were analyzed. Also, in order to fully understand the customer behavior within the car brand loyalty programs, effects of additional variables (gender, age, education level, income group, job, owned car brand, car ownership period and service visit frequency of the customers) on the dependent and independent variables of the research model were investigated.

The proposed research model was analyzed and four main hypotheses are listed in Table 6.1. This table shows that the result of the study supports all of the hypotheses. The details of these hypotheses are explained below.

The previous studies showed that when a loyalty member customer benefits from a tangible attributes like discounts in their purchases, they can become more satisfied [37]. This hypothesis was verified within the collected data in this research and it was observed that, with increasing utilitarian benefits from a car brand loyalty program, the customer satisfaction increases.

Table 6.1 : Results of hypothesis tests.

No.	Hypothesis	Result
H1	Utilitarian benefits of a loyalty program are positively related with the customer satisfaction.	Accepted
H2	Symbolic benefits of a loyalty program are positively related with the customer satisfaction.	Accepted
H3	Hedonic benefits of a loyalty program are positively related with the customer satisfaction.	Accepted
H4	When customer satisfaction increases customer loyalty increases.	Accepted

Theoretically, the emotional bond constructed with the brand through the loyalty program affects customer satisfaction in a positive way. This means that the symbolic benefits which a loyalty program provides were expected to enhance customer satisfaction [39]. The results of the survey proved this point and it was seen that when a customer feels like a part of a community and develop an emotional bond with the brand while utilizing a car brand loyalty program, they tend to be more satisfied.

Literature showed that when a loyalty program member engage in collecting points and engaging in a website or another medium like mobile app, they feel excited and experience joy so that it would lead to greater customer satisfaction [40]. The result of this particular study supports this point and it was found that the members of car brand loyalty programs tend to feel excitement while benefiting from the program which increases the customer satisfaction. Moreover, according to the analyses done, it was observed that all three benefits combined (which are utilitarian, symbolic and hedonic benefits) have a positive relationship with customer satisfaction. Therefore, it can be inferred that a car brand loyalty program including these all three benefits can increase customer satisfaction.

In theory, the customer satisfaction and customer loyalty were found as positively related [41]. The analysis results showed that this theory holds, when the car brand loyalty program members experience a greater customer satisfaction , they become more loyal to the brand.

After testing the hypotheses of the research model, the effect of additional variables (gender, age, education level, income group, job, owned car brand, car ownership period and service visit frequency of the customers) were investigated. The effect of these variables on customer satisfaction, customer loyalty, utilitarian, symbolic and hedonic benefits were obtained. It was seen that the customer loyalty is different according the car ownership period of the customer. Customers who own their cars for 0-5 years are more loyal than the ones who own their cars for 6-10 years. It was also observed that the customer loyalty can vary through the job of the customer. Loyalty of public servant customers are significantly lower than customers who are private sector employees and retired. Additionally, the results showed that the utilitarian, symbolic and hedonic benefits do not differ according to the gender, age, education level, income level, job, owned car brand, car ownership period and service visit frequency.

Besides analyzing the research model, since the percentage of the non-members of a car brand loyalty program is significant, the details of them have been investigated to understand the underlying causes of their non-membership. The three main reasons of not being a member were lack of information about the program, not needing a program and their brand not having any available program. Moreover, respondents who were not members of the program were asked to list the elements they would want in a car brand loyalty program. Three main elements that they would desire in a car brand loyalty program were easy to be a member, the program providing reward for regular use and enabling to collect points.

6.1 Managerial Implications

Given that the product sold is made for long-term use, vehicle brands shouldn't just concentrate on selling cars. When a customer purchases an automobile, their journey has only just begun. This implies that car brands can offer advantages for after-sales services and products that the customer may benefit from. Creating a loyalty program is a way for automobile brands to retain customer within after-sales period and provide benefits such as service discounts. With this study, it was obtained that there is a positive relation between benefits (utilitarian, symbolic and hedonic) of a loyalty program and the customer satisfaction, which results in an increase in customer loyalty. For marketers, a beneficial action to provide customer satisfaction would be to have a loyalty program in place to maintain loyalty within customers.

The results of this study indicate essential managerial implications for capturing the effects of loyalty programs on customer loyalty in automotive industry. Also, this research give insights about the utilization of loyalty programs within automobile sector in Turkey.

According to the statistical analysis of the survey results that were made with car owners, 18% of the respondents were a member of a car brand loyalty program whereas 72% of them were not a member. The demographic profile and car ownership details were evaluated for both members and non-members of the loyalty program. When these two samples were compared, it was observed that, income, marital status, job and gender significantly differs for both groups. Key interpretation from this comparison amongst the respondents can be made for ages of members and non-members. Loyalty program members are accumulated around age of 34-40 whereas,

most of the non-members are around 26-30 years old. Automobile brands can benefit from this age interval while conducting a marketing strategy for a loyalty program. For instance, if a car brand is planning to launch a new program or increase the awareness of their loyalty program, that brand can take this information into account in their marketing communications. Moreover, this study shows the car ownership details of the respondents for both members and non-members of a car loyalty program. These details include customers' car brand, period of car ownership, whether or not having another car brand before and the frequency of respondents' service visits. When analyzed, there was not any significant difference between members and non-members according to their car ownership details. However, it was discovered that some of the customers who own the same brand are members of the loyalty program while others do not. Which means that, although there is a loyalty program available, some of the customers are not a member of it. Therefore, this particular brands can investigate the core cause of this loss of potential within their action plans and focus on improving the usage rate of their loyalty program.

Through this research, it was obtained that customer loyalty varies within the job and car ownership period of the customers. The results indicates that customers who are retired and private sector employees tend to have a higher loyalty than public servant customers. In addition, customers having their car for 0-5 years show greater customer loyalty than the ones who have their cars for 6-10 years. The automotive companies which aim to create a loyalty program may consider the car ownership period and job of the customer to market their program according to these findings and differentiate their program strategy for those groups.

In this study, there are significant inferences about the customers who do not have any loyalty program membership of their car brand and the reasons for them not to be a member. Also, it is possible with this study to see if they would sign up for a automobile brand loyalty program, what features they prefer having in that program. The most typical reason for not being a loyalty program member is that customers have any information about the loyalty program, majority of these respondents also stated that if they would have known about such a program, they would be registering immediately. Other common reasons are not feeling any need to be a member, not any available loyalty programs of their car brand and lack of appealing offers to register a loyalty program. Moreover, non-member customers mostly desire to be a member of

a loyalty program that provides easy registration, reward for regular usage, point collection. Marketers can increase the awareness of their loyalty programs and inform the customer more. In addition, if a car brand plans to have a loyalty program, the features mentioned above can be taken into consideration while constructing the content of the program.

6.2 Research Limitations

Limitations for this study could be the sample size and collection method for conducting the survey. Data for this study were collected online by targeting car owners. However, significant percentage of the respondents were not member of any car brand loyalty programs which is not expected at the early stages of the research. For obtaining a larger sample size, data collection from one channel might not be enough because loyalty program participants are not always concentrated in one location or on one platform. For further research, it is suggested that the data collection strategy be a hybrid of online and in-person, by visiting the services of car brands. Additionally, the survey method, which is the most popular way for gathering data, was employed in this study. However, face-to-face interviews can also be undertaken and it may produce different results.



7. CONCLUSION

Automotive industry has reached a turning point in recent years with evolving market trends and increasing customer demand. In order to not only keep ahead of the competition but also to stay afloat, car manufacturers, dealerships and maintenance facilities, find themselves in a position where they must use new, innovative techniques to create value amongst the customer journey and capture the loyalty of the customers. Loyalty programs are one of the key elements to achieve such goal for automobile brands.

In this thesis, the impacts of the car brand loyalty programs on customer loyalty were examined by carrying out a survey with the aid of earlier research in the literature. Three main benefits of the loyalty programs which are utilitarian, symbolic and hedonic, were firstly grouped to deeply understand the effect of loyalty programs on the customer satisfaction. Then, the relationship between customer satisfaction and customer loyalty were evaluated to comprehend the main objective of the study. According to the results of the data collected, the analyses showed that there is a positive relation between the utilitarian, symbolic and hedonic benefits of the loyalty program and customer satisfaction. The study also showed that when customer satisfaction increases, the customer loyalty increases. Additional variables such as gender, age, education level, income group, job, owned car brand, car ownership period and service visit frequency of the customers, were investigated also to understand their effect on the customer satisfaction, customer loyalty, utilitarian, symbolic and hedonic benefits. The findings indicated that customer loyalty varies depending on the customer's job and the length of time a customer has had an automobile. Other than these, there were no other noteworthy differences between those variables.

Throughout the analyses, the reasons for not being a member of a car brand loyalty program and preferences of non-members for features of a car brand loyalty program were also obtained. The common reasons for not signing up for a loyalty program are lack of information, without feeling any need for such a program, the fact that there is

not any available loyalty programs in place and no compelling offers to motivate the customer. Additionally, non-member customers prefer to join a loyalty program that enables simple registration, rewards for regular usage, and point accrual.



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APPENDICES

APPENDIX A: Survey questionnaire



APPENDIX A

This survey is conducted for a Master's thesis at Istanbul Technical University, Graduate School that investigates the effects of loyalty programs on customer loyalty in the automotive industry.

The information to be obtained from you will be used for academic purposes only.

Your information will be kept confidential. Your contributions are important to us. Thank you for your interest and valuable contribution.

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1. Do you own a car?

- Yes
- No

If your answer is “**Yes**”, please continue from **question 2**. If your answer is “**No**” you can end the survey now.

2. Your gender:

- Male
- Female

3. Your age:

- 18 to 25
- 26 to 33
- 34 to 41
- 42 to 49
- 50 to 57
- 58 or more

4. Your education level:

- Highschool graduate or less
- University graduate
- Master/PhD graduate

5. Your monthly income:

- Less than 8,500 TL
- 8,501-17,500 TL
- 17,501-26,500 TL
- 26,501 TL and more

6. Your marital status:

- Single
- Married
- Other..... (Please indicate.)

7. Please choose the most suitable option for the job you have.

- Private sector employee
- Public servant
- Worker
- Small business owner
- Retired
- Housewife
- Student
- Other..... (Please indicate.)

8. Which car brand do you have?

- Toyota
- Ford
- Renault
- Volkswagen
- Opel
- Hyundai
- Kia
- Peugeot
- Other..... (Please indicate.)

9. For how many years do you have your current car?

- 0 to 5 years
- 6 to 10 years
- 11 to 15 years
- 16 and more

10. Did you buy another a car from a different brand before?

- Yes
- No

11. How frequently do you take your car for maintenance?

- Once in a year
- Twice in a year
- When in need
- Never
- Other (Please indicate.)

12. Are you a member of a loyalty program of your car brand? (i.e. Ford LifeCard, Toyota Forever Card or a mobile app of your car brand)

- Yes
- No

If your answer is “Yes”, please continue from **question 16**. If your answer is “No” please continue from **question 13**.

For questions listed below, please choose the answers that suits you the most.

13. Please indicate the reason why you are not a member of any loyalty program within the car brand you own (e.g. Ford Lifecard, Toyota Forever card or mobile applications of your car brand).

.....

14. If you were a member of a loyalty program of your car brand, what features would you like this program to have, please choose the first 3 options that suit your preference.

- Simple registration (for instance, membership requiring simply a phone number or a mobile app)
- No need for a physical card
- More points, benefits, or savings for regular use
- Offers the chance to earn points
- The points earned can be used for a variety of services (fuel, food, clothing, etc.).
- Enabling me to receive special services or prices on a variety of services (fuel, food, clothing, etc.)
- Earning satisfactory amount of points for my spending

15. If you had no financial constraints, which brand of car would you prefer?

- Lamborghini
- Maserati
- Bentley
- Jaguar
- Lexus
- Aston Martin
- DS
- Porsche
- BMW
- Mercedes
- Other (Please write your choice.)

You can end the survey after answering the previous question. Thank you for your participation.

In this section, please consider the loyalty program for your car brand (eg Ford Lifecard, Toyota Forever card or mobile applications of your car brand, etc.) and select the most suitable option from the following statements.

	Strongly disagree	Slightly disagree	Disagree	Neither agree nor disagree	Slightly agree	Agree	Strongly agree
16. I am offered a lower after-sales cost with the loyalty program.	1	2	3	4	5	6	7
17. Loyalty program helps me to spend less within the different services (buying gas, car wash etc.).	1	2	3	4	5	6	7
18. I save money since I am a member of a loyalty program.	1	2	3	4	5	6	7
19. Being a loyalty program member allowed me to discover new products.	1	2	3	4	5	6	7

20. Being a loyalty program allowed me to try new products.	1	2	3	4	5	6	7
21. I think I get a better service thanks to the loyalty program.	1	2	3	4	5	6	7
22. Since I am a member of a loyalty program, the brand/retailer staff treat me with more respect.	1	2	3	4	5	6	7
23. Thanks to loyalty program, I feel I am more distinguished than other customers.	1	2	3	4	5	6	7
24. Being a member of loyalty program provides me to feel belong to a community of people who share the similar values.	1	2	3	4	5	6	7
25. With loyalty program, I feel close to the brand.	1	2	3	4	5	6	7
26. After being a member of the loyalty program, I feel I share the same values as the brand.	1	2	3	4	5	6	7
27. Collecting points with the loyalty program is entertaining.	1	2	3	4	5	6	7
28. With the loyalty program, when I collect points, I feel good about myself.	1	2	3	4	5	6	7
29. I find the platform that I use within my loyalty program (e.g. mobile application, website etc.) entertaining.	1	2	3	4	5	6	7
30. The discounted offers provided through the loyalty program makes me feel good.	1	2	3	4	5	6	7

In this section, please choose the most suitable option from the statements below, taking into account your satisfaction with the loyalty program of your car brand.

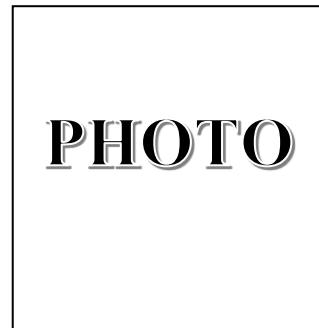
	Strongly disagree	Slightly disagree	Disagree	Neither agree nor disagree	Slightly agree	Agree	Strongly agree
31. I made a good choice when I decided to participate in this loyalty program.	1	2	3	4	5	6	7
32. My overall idea for this program is positive.	1	2	3	4	5	6	7
33. The offered advantages from this program suits my expectations.	1	2	3	4	5	6	7
34. All in all, I am satisfied with this program.	1	2	3	4	5	6	7

In this section, please choose the most suitable option from the statements below, taking into account your experience with the car brand you own.

	Strongly disagree	Slightly disagree	Disagree	Neither agree nor disagree	Slightly agree	Agree	Strongly agree
35. I am likely to say positive things about my car brand to other people.	1	2	3	4	5	6	7
36. I would recommend my car brand when asked any advice.	1	2	3	4	5	6	7
37. I would encourage friends and relatives to purchase from my car brand.	1	2	3	4	5	6	7
38. I consider this brand as my first choice.	1	2	3	4	5	6	7
39. I am likely to continue purchasing from the same car brand in following years.	1	2	3	4	5	6	7



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