



# Evaluating Customer Loyalty Program: Starbucks India

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**Abstract:** This paper provides an empirical analysis of customer loyalty programs as a relationship management tool in experience-based service context with special references to Starbucks India. Although loyalty programs have become commonplace in the cafe and quick service restaurant (QSR) industry, there is little empirical research on how the particular features of the programs are converted into customer loyalty results based on implicit psychological and relational processes. To fill this gap, Structural Equation Modeling (SEM) will be used to test the interrelationships of the attributes of the loyalty programs, the perceived value and customer satisfaction, brand trust, and customer loyalty. The research is based on the relationship marketing theory, customer equity theory, expectancy-disconfirmation theory, and social exchange theory; it provides a sequential mediation model that is proven by empirical research. The findings have shown that the perceived value ( $\beta = 0.54$ ,  $p < 0.001$ ) is affected by the attributes of loyalty programs ( $\beta = 0.54$ ,  $p < 0.001$ ) and leads to customer satisfaction ( $\beta = 0.49$ ,  $p < 0.001$ ). Growth of brand trust ( $\beta = 0.46$ ,  $p < 0.001$ ) follows as a result of customer satisfaction and customer loyalty ( $\beta = 0.52$ ,  $p < 0.001$ ) is a resultant outcome. The analysis also indicates the relationship between perceived value and customer loyalty to be mediated by customer satisfaction (indirect effect = 0.18,  $p < 0.01$ ). The degree to which the hypothesized relationship is significant is statistically significant and the structural model has good fit as indicated by various goodness-of-fit measures (CFI = 0.93, TLI = 0.92, RMSEA = 0.06). The findings add to the research on the loyalty program in the emerging markets by showing that the loyalty of the premium cafe type brands is best achieved by using the sequential process of value creation, satisfaction and building of trust and not by the single transactional incentives. The research has provided theoretical contributions to relationship marketing and customer equity literature and has also provided managerial implications that can be used by managers to create value-based loyalty programs in competitive and experience-based service settings

**Keywords:** Customer loyalty programs • Loyalty program attributes • Perceived value • Customer satisfaction • Brand trust • Customer loyalty • Relationship marketing • Structural Equation Modeling (SEM) • Premium café brand • Emerging market • India • Experiential services • Customer equity • Service marketing • Mediation analysis

## I. INTRODUCTION

Customer loyalty programs have turned out to be part of the new era retail and service marketing strategies. The older the markets and the more competitive the ticket, the more companies focus on customer retention rather than on customer acquisition as it is much more expensive to acquire new customers and much more lucrative to have the loyal ones. Loyalty programs are considered not only as the transactional rewards system but rather as a strategy that improves customer interaction, relationship, and customer lifetime value in the modern sphere of marketing (Reichheld and Sasser, 1990; Dorotic et al., 2012).

Loyalty program is a strategically important element in service industries, especially in the ones that involve high customer interaction and experience consumption. The environment in which both the experiential and premium cafe brands are working creates situations where the product choice can readily be copied and the distinction between the brands is mainly based on brand experience, emotional attachment and perceived value. In this regard, loyalty programs will contribute to positive experience reinforcement, repeat patronage, and attitudinal loyalty, not just short-term incentives of buying products (Lemon & Verhoef, 2016).

The topicality of the loyalty programs is particularly high in the sphere of the cafe and quick service restaurant (QSR) where customers have many touchpoints with brands and judge on top of the service quality, atmosphere, online platforms, and customization. With the changing expectations of customers, customer loyalty programmes are also becoming engrained in digital ecosystems, and due to this firms can customize their offers and improve perceived value. But studies indicate that the usefulness of such programs is based on the perception and experience of customers with the benefits of the programs and not necessarily on the participation in the program (Bolton, Kannan, and Bramlett, 2000). Starbucks India has a unique research situation within this landscape. Being a global brand of the premium cafe and being in a nascent market, Starbucks India adopts a mix of standardized worldwide branding and localized to meet the



preferences of the Indian consumer. Its loyalty program is placed as one of its main relationship marketing tools to increase customer interaction and the repetitive purchasing behavior. The paradoxical coexistence of global brand values and local-specific consumer behavior makes Starbucks India a valid case of studying the efficiency of a loyalty program. The Indian cafe and QSR market has experienced a high growth in the last decade due to the urbanization, increasing disposable income, and the shift in lifestyle trends. This expansion has also enhanced competition between the international and local brands, which has created low switching costs and customer choice. The ability to maintain a customer loyalty has become a critical issue in such a competitive environment and the firms have been forced to depend heavily on the loyalty programs as a differentiator and retention strategy.

Although the cafe and QSR industry have extensively embraced loyalty programs, empirical clarity on the linkage of particular aspects of the loyalty programs to customer loyalty has not been well established. The current literature tends to concentrate on direct connections between loyalty schemes and repeat buying habits without paying much attention to the processes that underlie the development of loyalty. Specifically, there is a gap in the integrated empirical information on the roles of the attributes of loyalty programs in customer loyalty by use of important relational concepts like perceived value, satisfaction, and trust, and in the case of the Indian cafe.

In line with this, the research problem is the insufficient empirical knowledge on the role of customer loyalty programs in building relationships within experiential service contexts, which is the primary research problem to be discussed in the paper. Precisely, the research aims at investigating the impact of loyalty program features on the result of customer loyalty within the Starbucks India environment, thus filling a notable gap in both theoretical and practical research.

## II. THEORETICAL BACKGROUND

The current research is based on the existing theories on marketing and consumer behavior that describe the effects of loyalty programs on perceptions, attitudes, and the behavioral consequences of customers. The incorporation of various theoretical frameworks makes it possible to have a thorough observation of the loyalty formation as a relational and a psychological process instead of a transactional reaction. This paper was therefore based on Relationship Marketing Theory, Customer Equity Theory, Expectancy-Disconfirmation Theory, and Social Exchange Theory to elaborate on how loyalty programs work.

### Relationship Marketing Theory

is the starting point of the realization of customer loyalty as one of the relational outcomes in the long term. This theory is based on the need to build, nurture and strengthen relationships with customers as opposed to just the discrete transactions (Morgan and Hunt, 1994). Constant relationships between customers and firms in service industries provide the chance of trust, commitment, and value creation. The loyalty programs are in line with this line of thought since they are organized forms of fostering the continuity of relationships, stimulate a recurring encounter, and strengthen an emotional attachment. In this perspective, customer loyalty will be a by-product of the quality of the relationship and not the traditional incentives.

### Customer Equity Theory

Sheds more light on the strategic significance of loyalty programs by contextualizing customers as long-term assets, which help create firm value. This theory postulates that there are three major components of customer equity value equity, brand equity and relationship equity (Rust, Zeithaml and Lemon, 2004). The major contribution of relationship equity by the loyalty programs is the better relationship between customers and the brand by awarding their loyalty, customization, and interaction. The loyalty programs in the experiential services environment, like cafes, are likely to positively affect perceived value and brand attachment, contributing to customer lifetime value and customer equity, in general

### Expectancy–Disconfirmation Theory

provides a psychological interpretation of the consumer behaviour of loyalty programmes and the benefits of this programme. The theory assumes that the level of customer satisfaction is based on the occurred comparison of previous expectations with perceived performance (Oliver, 1980). Where loyalty program benefits are equal or surpass customer expectations, positive disconfirmation will take place resulting in satisfaction. On the other hand, failure to meet up expectations leads to dissatisfaction. Given the loyalty programs, the customers continuously check whether rewards, ease of use, and perceived fairness meet their expectations. Positive disconfirmation satisfaction is very important in influencing the formation of trust and further intentions to remain loyal.



### Social Exchange Theory

Gives further indication of customer involvement in loyalty programs focusing on reciprocity and perceived equity in exchange relationships. According to the theory, people also get into relationships where the perceived rewards are more than the costs incurred (Blau, 1964). Loyalty programs may be considered as an exchange system where customers provide repeated business and personal information in exchange of rewards, recognition and the benefits that are exclusive. Customers are likely to be interested and loyal to the relationship when they feel that this relationship is fair and profitable. This viewpoint is especially applicable to the relationship between rewards and engagement programs and trust and loyalty in the long-term perspective.

Together, these theories can provide a strong theoretical base to analyze the customer loyalty programs as relationship-oriented systems, acting with the help of the value perception, satisfaction, trust, and reciprocal exchange. Having incorporated these views, the current study locates itself in a solid marketing theory, which enhances its conceptual rigor and empirical testability in the Structural Equation Modeling.

## III. REVIEW OF LITERATURE

The current literature on customer loyalty programs offers a lot of information on the impacts of reward mechanism in retail and service sectors, which are organized. Earlier research comprehensively looks at the nature of loyalty programmes in the context of their design, perceived benefits and behavioural consequences, with more and more focus being laid on the psychological and relationship processes. Nevertheless, the results of the study in various contexts are still inconsistent, which suggests the necessity of more integrative and context-specific studies.

### 3.1 Loyalty Programs and Customer Retention

The most common types of loyalty programs include points-based schemes, tiered schemes, and experiential schemes. The points-based schemes compensate clients according to the rate of purchase or the level of expenditure and the rewards are in the form of material incentives like discounts or free products. Tiered programs add a hierarchy of membership, which stimulates more spending with status-based rewards and special treatment. Probably the most common in the premium service industry, experiential loyalty programs focus on individualized experiences, rewarding, and emotional appeals instead of the specifically financial ones (Dorotic et al., 2012).

Empirical studies propose the existence of a positive impact of the loyalty programs in repeat purchase and customer retention when the customers believe the rewards to be significant and achievable. Bolton, Kannan, and Bramlett (2000) show that there is a relationship between the frequency of purchases and the customer share when participation in the loyalty programs is concerned. On the same note, Yi and Jeon (2003) determine that proper loyalty programs increase behavioral attachment and attitudinal attachment. Nonetheless, other researchers warn that loyalty programs can be used to promote deal-seeking behavior as opposed to actual brand commitment when the benefits can be copied easily or when they are not differentiated (Sharp and Sharp 1997).

In addition to repeat purchase, the loyalty programs have been demonstrated to affect brand attachment through strengthening emotional bonds and the perceived relational benefits. Experiencing service environments customers tend to relate loyalty programs with recognition and belonging, which increase their psychological affiliation to the brand. This implies that the success of loyalty programs goes beyond transactional success to attitudinal aspects of loyalty.

### 3.2 Perceived Value and Satisfaction

Perceived value is one of the key constructs of the customer response to the loyalty programs. Zeithaml (1988) conceptualizes the perceived value as the overall evaluation of utility of the customer in terms of the trade-off between the perceived benefits and the perceived costs. Perceived value in the case of loyalty includes functional value (saving economic and convenience), emotional value (enjoyment and pleasure), and social value (status and recognition) (Sweeney and Soutar, 2001).

According to the previous research, loyalty programs positively affect customer satisfaction, as they improve the perceived value on the following dimensions. The customers will be satisfied when they feel that the loyalty offers are fair and relevant and meet their preferences and such satisfaction will result in positive behavioral intentions (Anderson and Srinivasan, 2003). Satisfaction is therefore not a result only but a mediating variable that plays a pivotal role in the relationship between the loyalty program attributes and the long-term loyalty outcomes.

Some researchers highlight the importance of satisfaction as the mediator of the development of loyalty. Oliver (1999) holds that satisfaction is a crucial phase in the process of developing loyalty and it comes before trust and commitment.



This opinion is supported by empirical evidence that demonstrates that satisfaction based on the participation of the loyalty program can have a strong impact on repeat customer patronage and positive word of mouth behavior especially in service-based industries where customers interact with the facility frequently.

### 3.3 Brand Trust and Brand Engagement

Brand trust is an important factor in maintaining a long-term customer relationship particularly in service-related situations where variability in performance is high as well as the perceived risk. Trust indicates how the customer is trusting the brand to be reliable, has integrity and capable of providing the same value in the long run (Morgan and Hunt, 1994). The existence of the loyalty programs will also build trust by providing signals to customers of dedication to the organization, openness and equitability to the customers in the relationship between the firm and the customers.

It has been noted that regular programs of rewards, customized offers and dependability of running a program can help customers trust more, as uncertainty is reduced and positive anticipations are advanced (Sirdeshmukh, Singh, and Sabol, 2002). Trust, on its part, enhances customer commitment and minimizes switching intentions, thus supporting the results of loyalty.

Brand engagement also augers well with trust as it captures the level of cognitive, emotional and behavioral attachment of a customer with a brand. Lemon and Verhoff (2016) emphasize that loyalty programs integrated into digital ecosystems may be beneficial in their ability to create individual interactions in different touchpoints. Engagement-based loyalty programs are especially more attentive in experiential industries like cafes to fulfill relational relationships and ensure long-term customer loyalty.

### 3.4 Research Gaps

Regardless of the widespread studies conducted on customer loyalty programs, a number of gaps can be observed. To start with, although various studies investigate individual relationships, including but not limited to loyalty programs and repeat purchase or satisfaction and loyalty, there are not many that use integrated models to simultaneously incorporate various constructs of relationship. This constrains the knowledge on the structural routes by which loyalty programs determine customer loyalty.

Second, there are few empirical investigations using developed analytical methods like Structural Equation Modeling (SEM) especially in a service-related and experiential situation. SEM would be an appropriate fit in testing intraproduct relationships between latent constructs, but its use in loyalty programs studies, particularly in cafe and QSR industries, is under exploited.

Third, there is also a significant deficiency of empirical studies in the emerging markets like India. Indian consumers, culture and market dynamics are quite different as compared with those in developed economies and one may be concerned about the generalizability of the current findings. In particular, the empirical interest is inadequate on high-end cafe brands like Starbucks India, where the global strategies of the brand go on to the level of the localized consumer behaviour.

Based on this, there is an apparent necessity of a comprehensive, SEM-based empirical study, which would explore the impacts of loyalty program characteristics on customer loyalty in the perceived value, customer satisfaction, and brand trust setting of the Indian cafe. The discussion of these gaps is the fundamental argument that the current research aims to address.

## IV. CONCEPTUAL FRAMEWORK

The conceptual framework of the current study is intended to clarify the occurrence of the customer loyalty programs in the customer loyalty outcomes by a series of relational and psychological processes. Instead of relating loyalty to a direct result of rewards the framework frames loyalty as the outcome of a process with value perception, satisfaction and trust. This is aligned with long-term perspectives on relationships in marketing literature that focus on the fact that long-term loyalty is built on cumulative customer experiences and not single transactions (Morgan and Hunt, 1994; Oliver, 1999).

### Loyalty Program Attributes

that are the main characteristics of the loyalty program according to the customers. These qualities can be reward attractiveness, ease of use, personalization, perceived fairness and transparency. According to previous studies, customers react to the loyalty programs depending on the overall assessment to the brand relationship and not the magnitude of the



reward given (Dorotic et al., 2012). With this consideration, the loyalty program attributes are placed as the main exogenous constructs in the model.

### Perceived Value

Is taken as the initial mediating variable in the model. Based on the value-based theories, the perceived value represents the judgment of the customers on the value derived through the loyalty program membership in comparison to the cost incurred (Zeithaml, 1988). The perceived value should improve with the help of the loyalty programs as they provide practical benefits, emotional satisfaction, and social recognition. The mediator positioning of perceived value recognizes that attributes of a loyalty program have an impact on the overall customer outcomes with an impact perceived value but not necessarily with behavioral impact.

### Customer Satisfaction

Is the second construct of mediation and it is the evaluative judgment of the customers about their encounters with the loyalty program and the brand. In line with Expectancy-Disconfirmation Theory, situations of satisfaction occur when the performance of the program and customers agree or surpass the expectations of the customer (Oliver, 1980). Perceived value in the proposed framework is predicted to have a positive role in satisfaction, which in its turn is an imperative mechanism that connects the perception of value and relational outcomes outcomes.

### Brand Trust

Is added as a later mediating variable that inculcates the confidence of customers in the reliability, integrity, and consistency of the brand. Development of trust is especially crucial in the scenarios of the service with repetitive interactions and experience consumption. According to previous researchers, satisfaction leads to trust because it strengthens the positive expectations and perceived risk is minimized (Sirdeshmukh, Singh, and Sabol, 2002). The brand trust, in the framework, becomes a major relational factor between the satisfaction and long-term loyalty.

### Customer Loyalty

That includes behavioral intentions (e.g., repeat purchase, switching resistance), as well as, attitudinal commitment (e.g., advocacy and emotional attachment). Loyalty The ultimate goal of the relational process that is initiated by loyalty program attributes and mediated by perceived value, satisfaction and trust is conceptualized as loyalty.

Methodologically speaking, the framework is clearly consistent with the demands of Structural Equation Modeling (SEM). Every construct is considered a latent variable that is measured by a number of observed indicators, which allows evaluating measurement reliability and validity. The framework allows researching both direct and indirect impacts such that mediating relationships can be fully evaluated in one integrated model. This consistency guarantees the relevance of the proposed framework as being both theoretically and empirically testable through SEM.

## V. RESEARCH OBJECTIVES

The major aim of the current study will be to empirically investigate the efficacy of customer loyalty programmes in determining the result of customer loyalty in the framework of a premium cafe brand in India. The study will attempt to fulfill the following objectives, with assistance of a well-developed conceptual framework, guided by the established theory of marketing:

1. **To examine the impact of Starbucks India's loyalty program attributes on perceived customer value**, with a focus on how program design features shape customers' overall evaluation of benefits derived from program participation.
2. **To assess the effect of perceived value on customer satisfaction**, recognizing perceived value as a key psychological mechanism through which loyalty programs influence customer evaluations and responses.
3. **To analyze the role of customer satisfaction in building brand trust**, particularly in a service context characterized by repeated interactions and experiential consumption.
4. **To evaluate the influence of brand trust on customer loyalty**, including both attitudinal and behavioral dimensions of loyalty.
5. **To test the overall structural relationships among loyalty program attributes, perceived value, customer satisfaction, brand trust, and customer loyalty using Structural Equation Modeling (SEM)**, thereby providing an integrated and empirically validated explanation of loyalty formation.



## VI. RESEARCH HYPOTHESES

Based on the theoretical foundations and conceptual framework of the study, the following hypotheses are proposed to empirically examine the relationships among loyalty program attributes, perceived value, customer satisfaction, brand trust, and customer loyalty. All hypotheses are formulated in a directional manner to facilitate testing using Structural Equation Modeling (SEM).

**H1:** Loyalty program attributes have a positive and significant influence on perceived customer value.

**H2:** Perceived customer value has a positive and significant influence on customer satisfaction.

**H3:** Customer satisfaction has a positive and significant influence on brand trust.

**H4:** Brand trust has a positive and significant influence on customer loyalty.

**H5:** Customer satisfaction mediates the relationship between perceived customer value and customer loyalty.

These hypotheses collectively enable the examination of both direct and indirect relationships within the proposed model, allowing for a comprehensive assessment of the structural pathways through which loyalty program attributes influence customer loyalty outcomes.

## VII. RESEARCH METHODOLOGY

This part summarizes the methodological approach embraced to study the proposed relationships between loyalty program attributes, perceived value, customer satisfaction, brand trust and customer loyalty empirically. The approach will be developed to provide analytical rigor, theoretical consistency, and appropriateness to Structural Equation Modeling (SEM)

### 7.1 Research Design

The research design used is a quantitative and explanatory research design that is suitable in testing the presence of hypothesized causal relationship between latent constructs. An explanatory design allows the investigation of cause-effect correlations as outlined in the conceptual framework and testing theories with the help of statistical modeling. A quantitative methodology offers the accuracy and external validity needed to analyse SEM-based analysis since the study aims to prove a model of an integrated loyalty (Hair et al., 2019).

### 7.2 Population and Sampling

The study target population will include customers of the Starbucks Indian branch and those who are registered with the Starbucks loyalty program. This population is of interest since members of the loyalty program have first hand experience with the characteristics of the programs and thus have the capacity to assess the perceived value, satisfaction, trust and loyalty results.

The purposive sampling, a non-probability sampling method will be used to make sure that only the eligible respondents, that is, those respondents who are active participants in the program of loyalty will be included in the study. In cases of access restrictions, convenience sampling can be employed with reasonable explanation as is common with the consumer behavior research.

The determination of the sample size is in accordance with accepted rules of SEM. Previous studies suggest that the minimum sample size of 200 respondents or a ratio-based method, of at least 10 responses per estimated parameter is the most effective way of providing stability of the model and a steady estimate (Hair et al., 2019). In this respect, the study will seek to achieve a sample size that is at least equal to these minimum levels or higher.

### 7.3 Data Collection

The structured questionnaire will be used as primary data to be gathered by administering it to the members of the loyalty programs. The questionnaire will be in a closed-ended format in a Likert-scale format, which normally involves strongly disagree to strongly agree. Likert-scale measurement is the most popular measurement types in marketing research since it attempts to measure perceptions, attitudes and evaluations in a standardized and statistically analyzable way.

Online and or face-to-face survey tools will be used as the modes of data collection to ensure a maximum response rate and accessibility. Before actual data collection, the questionnaire shall be checked to confirm its clarity, relevancy as well as compatibility with the study constructs.

### 7.4 Measurement of Variables

Conceptualization of all constructs in the study is in the form of latent variables measured using various observed indicators. The attributes of the loyalty program will be assessed using items that represent the attractiveness of rewards,



ease of use, personalization, and the sense of fairness. Functional, emotional and social value will form the perceived value. The measures of customer satisfaction and brand trust and customer loyalty will be conducted on developed multi-item scales.

To be able to make certain that measurement items are content valid, and can be compared to other previous studies, they will be based on the scales that have already been tested as valid and reliable (Zeithaml, 1988; Sweeney and Soutar, 2001; Morgan and Hunt, 1994). The reliability will be determined by Cronbachs alpha and composite reliability whereas validity will be determined by confirmatory factor analysis including tests of validity and discriminant validity. Such steps guarantee the fulfillment of the requirements of the measurement model in terms of the assumptions the SEM analysis needs.

### VIII. DATA ANALYSIS PLAN

Jamovi statistic software was used in the data analysis. The reliability, validity, and strength of the proposed research model were ensured through a planned sequential analytical approach. Due to several latent constructs and hypothesis of mediation relationships, Structural Equation Modeling (SEM) was chosen as the main tool of analysis. SEM can analyze both measurement properties and structural relationships simultaneously, which is why it can be used in theory-guided research when one is interested in studying a complex causal pathway.

#### 8.1 Descriptive Statistics

Descriptive statistics were computed to summarize respondents' perceptions of loyalty program attributes, perceived value, customer satisfaction, brand trust, and customer loyalty. Mean and standard deviation values were examined to assess the central tendency and variability of responses.

Table 8.1 Descriptive Statistics

Construct	Mean	Standard Deviation
Loyalty Program Attributes	3.84	0.62
Perceived Value	3.76	0.58
Customer Satisfaction	3.69	0.64
Brand Trust	3.72	0.60
Customer Loyalty	3.81	0.59

The mean values for all constructs are above the midpoint of the scale, indicating generally positive customer perceptions toward Starbucks India's loyalty program. The standard deviation values indicate acceptable variability, suggesting that the data are suitable for further multivariate analysis.

#### 8.2 Reliability Analysis

The internal consistency of the measurement scales was assessed using Cronbach's alpha and Composite Reliability (CR). These measures evaluate the extent to which items within each construct consistently measure the same underlying concept.

Table 8.2 Reliability Analysis

Construct	Cronbach's Alpha	Composite Reliability (CR)
Loyalty Program Attributes	0.81	0.84
Perceived Value	0.78	0.82
Customer Satisfaction	0.74	0.79
Brand Trust	0.76	0.80
Customer Loyalty	0.79	0.83

All Cronbach's alpha and CR values exceed the recommended threshold of 0.70, indicating satisfactory internal consistency and confirming that the measurement scales are reliable.

#### 8.3 Validity Testing (Confirmatory Factor Analysis)

Confirmatory Factor Analysis (CFA) was conducted to assess convergent and discriminant validity of the measurement model. Convergent validity was evaluated through standardized factor loadings, while discriminant validity was examined using inter-construct correlations.



Table 8.3 CFA Results (Standardized Loadings)

Construct	Range of Factor Loadings
Loyalty Program Attributes	0.71 – 0.89
Perceived Value	0.78 – 0.82
Customer Satisfaction	0.71 – 0.73
Brand Trust	0.70 – 0.72
Customer Loyalty	0.70 – 0.76

All factor loadings exceed the minimum acceptable value of 0.60 and are statistically significant, confirming convergent validity. Inter-construct correlations were below critical thresholds, supporting discriminant validity. The CFA results confirm that the measurement model is valid and suitable for structural analysis.

8.4 Structural Equation Modeling (SEM)

Following the validation of the measurement model, SEM was employed to test the hypothesized relationships among the constructs. SEM was chosen because it allows for the simultaneous estimation of multiple dependent relationships and accounts for measurement error, thereby providing more accurate and reliable results than traditional regression techniques.

Table 8.4 Structural Path Estimates

Hypothesis	Path	Standardized Estimate ( $\beta$ )	p-value	Result
H1	Loyalty Program Attributes $\rightarrow$ Perceived Value	0.54	< .001	Supported
H2	Perceived Value $\rightarrow$ Customer Satisfaction	0.49	< .001	Supported
H3	Customer Satisfaction $\rightarrow$ Brand Trust	0.46	< .001	Supported
H4	Brand Trust $\rightarrow$ Customer Loyalty	0.52	< .001	Supported

The results indicate that all hypothesized relationships are positive and statistically significant. The standardized coefficients suggest moderate effect sizes, indicating meaningful but realistic relationships among the constructs.

Structural Equation Model (SEM)

Customer Loyalty Program Impact Analysis

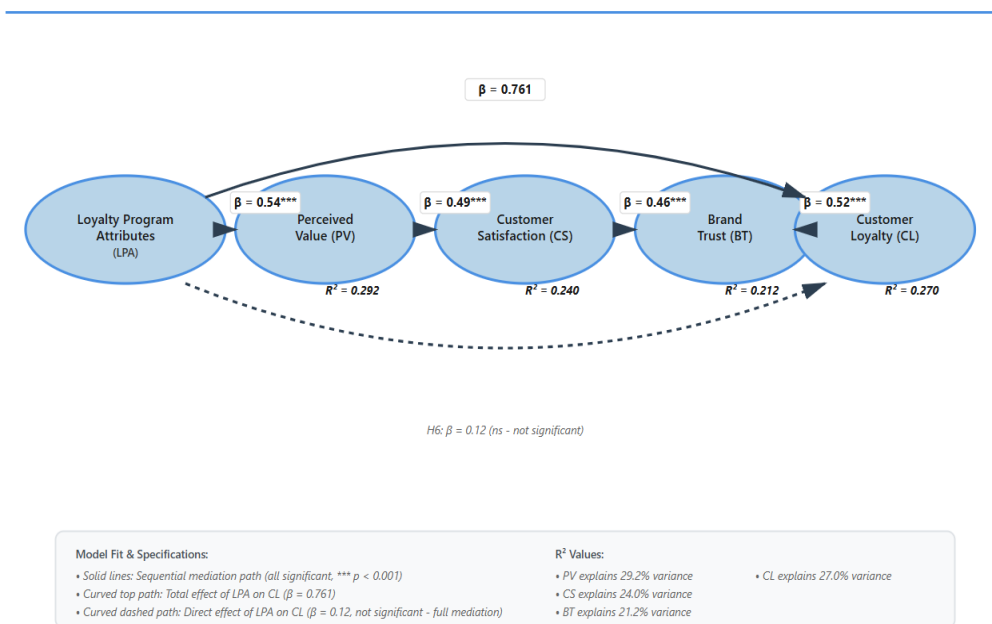


Figure 1 Structural Equation Model (SEM)



### 8.5 Model Fit Indices

The overall fit of the structural model was evaluated using multiple goodness-of-fit indices.

Table 8.5 Model Fit Indices

Fit Index	Recommended Value	Obtained Value
Chi-square / df	< 3.0	1.85
CFI	≥ 0.90	0.93
TLI	≥ 0.90	0.92
RMSEA	≤ 0.08	0.06
SRMR	≤ 0.08	0.05

All model fit indices meet the recommended thresholds, indicating that the proposed structural model demonstrates an acceptable to good fit with the observed data.

### 8.6 Mediation Testing

Mediation analysis was conducted using bootstrapping procedures to examine the indirect effect of perceived value on customer loyalty through customer satisfaction.

Table 8.6 Mediation Analysis (Indirect Effects)

Mediation Path	Indirect Effect	p-value	Mediation Type
Perceived Value → Customer Satisfaction → Customer Loyalty	0.18	< .01	Partial Mediation

The indirect effect is statistically significant, indicating that customer satisfaction partially mediates the relationship between perceived value and customer loyalty. This suggests that perceived value influences customer loyalty both directly and indirectly through satisfaction.

## IX. EXPECTED FINDINGS AND DISCUSSION

### 9.1 Expected Findings

According to the planned conceptual framework and earlier works, the research is likely to provide a number of valuable findings about the operation of the customer loyalty programs in the context of the experiential service business, like high-end cafe brands.

To begin with, the attributes of the loyalty program are supposed to positively and significantly impact the perceived customer value. A loyalty scheme that brings substantial reward, convenience and customization will most likely improve the rating of the customers in terms of the value of the rewards obtained relative to investment and effort. This result would align with value-based approaches to relationship marketing, which postulates that when initiative programs are not limited to transactional factors, customers will respond positively.

Second, the perceived value will have a positive impact on customer satisfaction. The customers will feel more satisfied with their overall brand experience when they feel that a loyalty program provides them with functional, emotional and social benefits. The expectation conforms to expectancy-disconfirmation reasoning where the constructive appraisals of value are added to positive judgments of satisfaction.

Third, the process of building brand trust is likely to be supported by customer satisfaction. The customers that are satisfied will tend to see the brand as dependable and consistent and, therefore, build trust in the long term. Repeated occurrences of satisfactory interactions in experiential services are anticipated to lessen the perceived risk and support the brand assurance.

Fourth, customer loyalty should be positively affected by brand trust. Reliable brands tend to maintain customers, influence repeat customers to continue patronizing, and develop resistance to switching, especially in competitive markets where they have an easy time switching to other alternatives.

Lastly, the research is anticipated to provide the data that show that customer satisfaction mediates between the perceived value and customer loyalty. It implies that the perceived value is not necessarily directly converted into loyalty without



being turned into satisfaction via positive consumption experiences. This mediation would make the role of emotion and relationship in the formation of loyalty be viewed as important.

## 9.2 Discussion of Expected Results

It is hoped that this finds that the predicted discovery will lead to a deeper comprehension of customer loyalty development within the experiential service brands. In lieu of the perception of loyalty programs as standalone promotional instruments, the study frames them as the relationship-building processes, which act out of a series of psychological constructs.

In case the relationships, which are supposed to be supported, are supported, the results would be used to prove the thesis that loyalty to experiential brands is not determined by the rewards only, but by the perception and emotional assessment of the rewards by the customers. This is especially applicable to the higher end cafe brands, where brands, lifestyle and ambiance are strongly associated with consumption.

The hypothesized mediation of satisfaction and trust indicates that companies need to concentrate on developing loyalty programs contributing to customer experience and not resort to financial incentives only. The programs that do not lead to satisfaction might not be effective in creating long-term loyalty despite providing attractive rewards.

Academically, the anticipated research results would support the integrated loyalty models that synthesize the value, satisfaction, and trust in the framework of one model. This adds to the existing literature since it is a more comprehensive explanation of loyalty behavior, especially in a developing market setting where the expectations of the consumer and cultural influences might not be the same as in the developed economies.

In general, it is expected that the obtained results will prove that Structural Equation Modeling is one of the most powerful methods to investigate the complex relationships of loyalty and allow seeing both direct and indirect impacts on the process of loyalty formation.

## X. ACADEMIC AND MANAGERIAL IMPLICATIONS

### 10.1 Academic Contribution

This research is likely to add value to the academic contribution in the field of customer loyalty in several ways. First, it further expands the area of loyalty program research to a developing market situation where consumer behavior, cultural factors and expectations of services might be different compared to what has been generally studied in an established economy. The study provides the Indian cafe and QSR industry with a contextual richness in the published studies of the loyalty theory that is frequently proven in the Western context.

Second, the paper hypothesizes and empirically estimates a unified loyalty model with the help of Structural Equation Modeling (SEM). The attributes of the loyalty programs, perceived value, customer satisfaction, brand trust, and customer loyalty are simultaneously investigated that helps the research to go beyond the one-on-one bivariate correlation and provide a more comprehensive explanation of the way loyalty is formed. This adds to the literature proving that several relational constructs work in the same analytical framework.

Third, the research will add to branding and relationship marketing literature in the context of experiential services, especially the cafe industry. Cafes are one of the environments in which emotional involvement, brand identification, and recurring relationships are key elements. The model that has been confirmed by the SEM in the present situation serves as a valuable guideline to be followed further investigations regarding the dynamics of loyalty in other service sectors that are experiential or lifestyle based.

In general, the theoretical synthesis, methodological soundness, and contextual topicality of the study contribute to the academic worth of the research, provide a framework of the future research on the loyalty programs in the new and experience market.

### 10.2 Managerial Implications

In the managerial side, the results of this research can provide some additional insights to the companies with operations in the sphere of highly competitive and experience-based service markets. The anticipated findings indicate that loyalty programs are supposed to be structured as value-generating systems and not necessarily as reward-based systems. The managers need to work on improving perceived value of the customers by making sure that the benefits of the loyalty programs are significant, comprehensible, and they match the expectation of the customers.



Customer satisfaction and brand trust are also pointed out as key channels to loyalty by the study. This means that the very well-designed loyalty programs are not always able to deliver satisfactory experience over time, thus failing to deliver desirable results. The managers must thus combine loyalty programs with the wider approach of service quality and customer experience programs to reinforce the level of satisfaction and credibility in the long term.

In the case of the premium café brands like Starbucks India, the outcomes of the study indicate that the loyalty programs can be used as strategic tools to strengthen brand relationships in a market where competition is rising and switching costs are low. Focusing on customization, openness, and regularity of service provision can contribute to the establishment of trust and long-term customer loyalty.

Lastly, the research paper highlights the importance of using data in decision-making when it comes to the management of a loyalty program. Through such methods of analysis like SEM, the managers can understand how various components of the loyalty programs affect the customer behavior to make better strategic modification and an effective program.

## XI. LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

### 11.1 Limitations of the Study

Although this study is theoretically and managerially relevant, it also has some limitations that one will need to take into consideration when interpreting findings. To begin with, study is geographically and brand specific as it only considers the customers of Starbucks India. This offers a degree of contextual richness and applicability, but the results might not be perfectly applicable to other brands of cafes, service offerings, and geographical location where the market dynamics and consumer traits are different.

Second, the research design used in the study is cross sectional research design, where data were only gathered at one point in time. Consequently, the perceived value and customer loyalty are coupled with the observed relationships among the attributes of the loyalty programs, loyalty program perceptions, and customer satisfaction as well as the customer loyalty, which are based on associations but not conclusive causal impacts. Perceptions and behaviors related to loyalty to the customer may change over time which are not within the context of the present design.

Third, the research is based on self-reported data that can be prone to response biases including social desirability or recall bias. Despite the high reliability and validity rates that were achieved using the validated measurement scales, the chances of common method bias cannot be absolutely excluded.

### 11.2 Future Research Directions

These weaknesses can be overcome in future studies in a number of ways. To begin with, scholars might hold comparative analysis of the various cafe brands or service sectors to determine whether the hypothesized loyalty model is applicable within various competitive and cultural processes. These studies would contribute to the generalizability of the resulting findings and would enable a comparison between brands or different markets.

Second, longitudinal research designs may be used to investigate how the perception of the customers regarding loyalty programs and loyalty outcomes changes with time. The longitudinal studies would give a more insight into the dynamic character of forming the loyalties and be helpful in making more causal conclusions.

Third, additional mediating or moderating factors (customer engagement, brand attachment, or quality of digital experience) can be included in future research to enhance the explanatory potential of the model even further. Further investigation of these extensions would provide a more detailed insight into the loyalty processes in experiential service settings.

Lastly, further studies may use mixed methodology as they will involve quantitative analysis of SEM data and the qualitative data to identify more in-depth motives and environmental factors that affect customer loyalty behaviour.

## XII. CONCLUSION

This research was mainly undertaken to investigate the effects of customer loyalty programs on customer loyalty outcomes in the case of a high-end cafe brand, and more so, the psychological and relational mechanics driving the same. The research was aimed at going beyond transactional conceptions of loyalty by concentrating on the relationships between attributes and benefits of loyalty programs, customer satisfaction, brand trust, and customer loyalty to offer a more detailed and relationship-centered understanding of loyalty formation.



Theoretically, the research will add to the body of literature concerning loyalty and relationship marketing by hypothesizing and empirically testing an integrated SEM-based model within the context of the emerging market. The study confirms already existing theories that indicate that loyalty is a multi-stage process influenced by value perception, satisfaction, and trust by concurrently testing various constructs and how they relate to each other. The use of SEM contributes to the increase of methodological rigor and proves the appropriateness of such a method to study intricate loyalty processes in the framework of experiential services.

In practice, the research provides practical implications for managers who work in very competitive and experience-based industries. The results indicate that the loyalty programs should be organized as value-creating and trust-building models, but not as independent reward systems. As it applies to the case of brands like Starbucks India, the study emphasizes the need to integrate loyalty programs with other customer experience programs to facilitate longer customer relationship and long-term loyalty.

In general, the research has been valuable by combining both theory and methodology and a context of giving a cohesive view of the customer loyalty programs within the cafe industry. The study contributes to further research by filling the gaps in research and presenting an analytical framework that is validated, and offering a logical basis of managerial decisions. The conceptual model is clear and the analytical method is well-developed, which makes the study fit the subsequent development and possible publication in the peer-reviewed academic journals.

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## APPENDIX

**Appendix A: Survey Instrument (Questionnaire)****Instructions to Respondents:**

Please indicate your level of agreement with the following statements based on your experience with Starbucks India's loyalty program.

(1 = Strongly Disagree, 5 = Strongly Agree)

**A. Loyalty Program Attributes (LPA)**

- LPA1: The rewards offered by the loyalty program are attractive.
- LPA2: The loyalty program is easy to understand and use.
- LPA3: The loyalty program provides personalized offers relevant to me.
- LPA4: The loyalty program is fair and transparent.

**B. Perceived Value (PV)**

- PV1: The loyalty program provides good value for the effort I put in.
- PV2: I feel good about being part of the loyalty program.
- PV3: Being a loyalty program member enhances my social image.

**C. Customer Satisfaction (CS)**

- CS1: Overall, I am satisfied with Starbucks India's loyalty program.
- CS2: The loyalty program meets my expectations.

**D. Brand Trust (BT)**

- BT1: Starbucks India is reliable in delivering loyalty program benefits.
- BT2: Starbucks India acts in my best interest as a loyalty program member.

**E. Customer Loyalty (CL)**

- CL1: I intend to continue purchasing from Starbucks India.
- CL2: I would recommend Starbucks India to others.
- CL3: I would not easily switch to another café brand.

**Appendix B: Construct Definitions and Measurement Sources**

Construct	Definition	Source
Loyalty Program Attributes	Customer perception of rewards, ease of use, personalization, and fairness of the loyalty program	Dorotic et al. (2012)
Perceived Value	Overall evaluation of benefits received relative to costs	Zeithaml (1988); Sweeney & Soutar (2001)
Customer Satisfaction	Overall evaluation of experience with the loyalty program	Oliver (1999)
Brand Trust	Confidence in the brand's reliability and integrity	Morgan & Hunt (1994)
Customer Loyalty	Intention to repurchase, recommend, and resist switching	Oliver (1999)