

# Exploring the Impact of Loyalty Programs on Customer Satisfaction in the Emerging Supermarkets of Bangladesh

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## Abstract

*This study investigates the impact of loyalty programs on customer satisfaction in the evolving supermarkets of Bangladesh, addressing the critical issue of customer retention amid increasing competition. As the retail landscape in Bangladesh undergoes a significant transformation, supermarkets play a pivotal role in modernizing the shopping experience. Despite their development, these supermarkets struggle to maintain sustained customer bases, stressing the need for effective loyalty programs. Loyalty programs are indispensable to contemporary retail strategies, especially in emerging markets like Bangladesh, where they aim to enhance customer satisfaction and operational efficiency. Data were collected from 421 customers across ten key supermarkets through an online survey, capturing their perceptions of loyalty programs, customer satisfaction, and purchasing behaviors. Statistical analysis using SPSS and AMOS was used to examine the relationships of the variables and validate theoretical models. The findings reveal that loyalty programs significantly enhance customer satisfaction, with factors such as product quality, service quality, store attributes, and hedonic value playing crucial roles. The study underscores the importance of tailored loyalty programs in driving customer retention, offering strategic insights for supermarket entrepreneurs and managers. By leveraging these insights, supermarkets can ameliorate customer engagement, foster long-term relationships, and achieve continued growth in Bangladesh's competitive retail market.*

**Keywords:** Loyalty Programs, Customer Satisfaction, Bangladeshi Supermarkets.

## 1. Introduction

In recent years, the retail landscape in Bangladesh has experienced a noteworthy transformation, with supermarkets playing a momentous role in modernizing the shopping experience. However, despite this growth, the supermarkets' retail sector face challenges that hinder their full potential. One of the most demanding issues is customer retention as the industry struggles to maintain customer loyalty amidst increasing competition. The speedy expansion of supermarkets has not necessarily translated into sustained customer bases, highlighting the need for strategic initiatives to enhance productivity and ensure repeat purchases.

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This study is motivated by the crucial role customer loyalty programs can play in tackling these challenges. These programs reward repeat customers, foster long-term relationships, and enhance satisfaction. While influential globally, their potential in Bangladesh's supermarket sector is underexplored. Supermarkets can achieve tremendous success and stability by incentivizing repeat purchases and building loyalty.

The primary challenge for Bangladeshi supermarkets is retaining customers and encouraging repeat patronage. Consumers now seek value beyond transactions, desiring engaging and rewarding shopping experiences. Effective customer loyalty programs could transform supermarkets by attracting and retaining customers, boosting sales, and driving viability.

This study investigates the impact of loyalty programs on customer satisfaction and effectiveness in Bangladeshi supermarkets. By examining critical factors like product quality, service quality, store attributes, and hedonic value, the research aims to provide actionable insights for supermarket owners and managers. Understanding these dynamics is crucial for developing targeted strategies to address challenges and leverage growth opportunities in Bangladesh's competitive retail market. An in-depth analysis of 421 customers across ten major retailers using SPSS and AMOS seeks to uncover the critical drivers and barriers to customer engagement and retention through loyalty programs.

### **1.1. Research Objectives**

This study explores the key factors influencing loyalty programs' impact amid the evolving landscape of the Bangladeshi supermarket industry. It seeks to understand how these programs perform amidst the dynamic shifts in the country's retail sector, emphasizing the escalating importance of customer loyalty initiatives. The objectives are:

**1.1.1.** To investigate the key factors influencing customer satisfaction and loyalty in Bangladeshi supermarkets, including product quality, service quality, store attributes, and hedonic value, to provide actionable insights for enhancing customer engagement and retention.

**1.1.2.** To evaluate the effectiveness of loyalty programs in driving customer satisfaction within the supermarket sector, offering strategic recommendations for leveraging these programs to achieve sustained growth and competitive advantage.

## 1.2. Scope of the Research

This study thoroughly analyses customer loyalty programs within Bangladesh's foremost supermarkets. It examines the factors of product quality, service, store attributes, and hedonic strategies, aiming to uncover their correlations with loyalty programs and customer satisfaction. Through this research, the goal is to underscore the role of loyalty programs in nurturing customer loyalty and driving business prosperity amid the evolving landscape of Bangladesh's supermarket industry, concentrating specifically on these three critical elements.

## 2. Literature Review

The existing literature on customer loyalty programs in the retail sector offers valuable insights into their effects on consumer behavior and business performance. Hasan (2024) emphasizes that loyalty programs are critical in building long-term relationships between customers and businesses, driving repeat purchases, and boosting customer retention rates. Alam and Noor (2020) further highlight the significance of product quality, service quality, and hedonic value in influencing customer satisfaction and loyalty. In addition, research by Moliner-Velázquez et al. (2018) and Watanabe et al. (2019) underscores the importance of store attributes, such as convenience, ambiance, and hygiene, in shaping customer perceptions and fostering loyalty. These studies suggest that well-maintained and appealing store environments contribute significantly to customer satisfaction and repeat visits.

Furthermore, Hoe and Mansori (2018) identify customer gratification as a crucial mediator between loyalty programs and customer loyalty. Bellizzi and Bristol (2004) support this by noting that loyalty programs enhance customer gratification through incentives, rewards, and personalized experiences. Such programs create value and appreciation among customers, which is vital for maintaining loyalty. Moreover, effective communication and engagement strategies are also pivotal for maximizing the impact of loyalty programs. Hasan et al. (2021) highlight that targeted marketing campaigns and personalized interactions can significantly enhance customer engagement and loyalty. Ahsan et al. (2022) add that businesses can strengthen customer connection through consistent and meaningful communication, increasing loyalty and satisfaction.

Overall, the literature validates the multifaceted nature of customer loyalty programs and their substantial influence on consumer behavior, satisfaction, and business performance. This research integrates insights from these studies to provide a deeper understanding of the effectiveness of loyalty programs within the context of Bangladesh's supermarket industry.

## **2.1. Supermarket Industry**

A supermarket is a large, self-service retail store offering diverse products (Waight and Yin, 2021; Pintel and Diamond, 1991). It provides a convenient, efficient shopping experience, especially for food items (Mahlangu and Makhitha, 2019). Research identifies factors influencing supermarket shopping and loyalty, such as product and service quality, price, store attributes, gratifications, and customer satisfaction.

## **2.2. Loyalty Programs at Supermarket**

Loyalty programs (LPs) are popular marketing strategies that reward customers for repeat purchases (Kreutzer, 2016). Customers accrue assets like points that can be redeemed for discounts or rewards (Bijmolt, 2010). LPs are prevalent across various industries, including banking, retail, and travel. While LPs increase customer loyalty and supermarket visits (Irfan et al., 2019), privacy and data-sharing concerns persist (Moliner-Velázquez et al., 2018). According to Irfan et al. (2019), supermarket loyalty programs help increase the number of customers visiting the supermarket and make the customers more loyal to the supermarkets. Other studies also found that loyalty programs (Lin and Wang, 2006; de Oliveira Santini et al., 2020) encourage shoppers to frequently shop at or take the services of the supermarkets associated with the loyalty programs. Furthermore, according to Sivapalan and Jebarajakirthy (2017), loyalty programs help retain current customers and acquire new and potential customers for supermarkets.

## **2.3. Theoretical Basis**

The Customer Loyalty Theory is central to understanding repeat customer behavior in Bangladeshi Customer Loyalty Theory supermarkets. It posits that customer satisfaction and perceived value drive loyalty, including repeat purchases and positive referrals (Rai and Srivastava, 2012). Loyalty programs align with this theory by enhancing satisfaction through rewards and personalized experiences, thus encouraging repeated patronage (Stathopoulou and Balabanis, 2016). This theory helps explain how effective loyalty programs can boost customer retention and viability.

This theoretical perspective not only elucidates the mechanisms through which loyalty programs operate but also offers actionable insights into designing effective loyalty strategies. By focusing on the satisfaction and value aspects, supermarkets can better tailor their loyalty initiatives to align with customer expectations, thereby fostering deeper customer engagement and loyalty, as



supported by the foundational principles of Customer Loyalty Theory (Martinelli and Balboni, 2012; Zeithaml et al., 1996).

#### **2.4. Effect of Product Quality on Customer Loyalty**

Product quality plays a crucial role in fostering customer loyalty. According to Rokonzaman et al. (2020), high-quality products significantly influence customers' decisions to remain loyal to a supermarket. Chen et al. (2014) highlight that superior product quality enhances customer satisfaction and promotes loyalty. Similarly, Steffen and Doppler (2019) found that sustainable practices and high product standards increase customer loyalty in organic supermarkets. Rayman et al. (2011) also emphasized that customers' perceptions of product quality are directly linked to their loyalty. Therefore, maintaining high product quality is essential for retaining loyal customers in the supermarket industry.

#### **2.5. Role of Service Quality in Building Customer Loyalty**

Service quality significantly enhances customer loyalty by improving satisfaction and trust. Alam and Noor (2020) highlight that excellent service quality fosters repeat patronage. Irfan et al. (2019) found that reliable, responsive service is crucial for loyalty. Similarly, Lee, Choi, and Field (2020) noted that high service quality in Buy-Online-Pick-Up-In-Store (BOPIS) services boosts satisfaction and reuse intention. Therefore, supermarkets should focus on service excellence to cultivate loyal customers and maintain a competitive edge.

#### **2.6. Impact of Store Environment on Customer Loyalty**

The store environment significantly influences customer loyalty by enhancing the shopping experience. Critical elements like layout, lighting, cleanliness, and ambiance boost satisfaction and loyalty (Hasan, 2024). Positive physical surroundings impact customer perceptions and behaviors (Varalakshmi et al., 2024), while sustainable practices enhance loyalty by improving the store's image (Steffen and Doppler, 2019). A favorable store environment fosters emotional connections, increasing customer satisfaction and loyalty (Chen and Chou, 2020; Slack et al., 2020).

#### **2.7. Influence of Hedonic Value on Customer Loyalty**

Hedonic value, the pleasure derived from shopping, significantly impacts customer loyalty. Alam et al. (2020) found that enjoyable shopping experiences enhance customer loyalty in Bangladeshi supermarkets. Wong (2020) also noted that customers who enjoy shopping are likelier to return and recommend the store. Thuy Tran (2021) and Mejía-Trejo (2021) emphasized that hedonic value

boosts engagement and loyalty in online and mobile app contexts. Therefore, providing pleasurable shopping experiences is crucial for fostering customer loyalty.

## **2.8. Customer Satisfaction**

Customer satisfaction in supermarkets mediates the relationship between various factors and loyalty. High satisfaction leads to repeat purchases, brand trust, and loyalty. Studies highlight the importance of product and service quality, price, store attributes, and sustainability perceptions in shaping customer satisfaction and influencing their buying decisions and loyalty (Islam et al., 2012; Slack et al., 2020).

## **2.9. Customer Loyalty**

Loyalty is a phenomenon of behavior. Through many characteristics, this devotion constantly secures a good or service. It comprises the number of recommendations, the size of the relationship, the frequency of purchases, or a mix of all these elements (Alok and Srivastava, 2013). Customers who have previously purchased goods or services are considered loyal customers. According to Islam et al. (2012), customer loyalty and satisfaction are related.

## **3. Hypotheses Development**

The hypotheses have been developed based on the correlation among hedonic value, store attributes, product and service quality, and customer satisfaction, which fosters customer loyalty. These theories aim to ascertain how each component influences consumer satisfaction and ensures loyalty. The theories suggest that improved customer satisfaction will eventually lead to increased customer loyalty. These factors include higher product quality, service quality, hedonic value, and favorable store attributes.

### **3.1. Product Quality and Customer Satisfaction**

As defined by Wowling et al. (2024), product quality represents the degree to which a product meets or exceeds consumer opportunities, safeguarding reliability, functionality, and freedom from defects. This factor significantly influences customer satisfaction within Bangladesh's burgeoning supermarket sector. High product quality fosters superior customer experiences, heightened satisfaction levels, and enhanced consumer trust, all pivotal in promoting loyalty and repeat patronage (Alam and Noor, 2020). Moreover, Buglear (2015) asserts that product quality encompasses meeting exceptional customer expectations widely. Furthermore, Adhi et al. (2021) emphasise that quality, perceived as

superior products and services by customers, is supreme for organizational achievement and longevity amidst today's competitive market.

In this context, Hoe and Mansori (2018) provide evidence indicating that product quality significantly impacts gratification and directly correlates with positive behavioral intentions. Hence, the researcher posited the following hypothesis:

**H<sub>1</sub>.** Product quality positively impacts customer satisfaction when purchasing products or services from supermarkets in Bangladesh.

### **3.2. Service Quality and Customer Satisfaction**

The term "service quality" relates to customers' insights into how well and efficiently a supermarket delivers its services (Rashid and Rasheed, 2024). It involves various attributes such as reliability, responsiveness, skill, convenience, politeness, communication, trustworthiness, security, understanding of the customer, and palpable aspects. Providing high-quality customer service is momentous for nurturing customer loyalty and building long-term relationships (Alam et al., 2020). Furthermore, Boulding et al. (1993, p.7) defined service quality as the relationship between customer expectations and the service received.

Considerable theoretical and empirical research has been undertaken in recent years to underscore the importance of "service quality" and the "discrepancy" between customer expectations and perceptions. Hence, the researcher posited the following hypothesis:

**H<sub>2</sub>.** Service quality positively influences customer satisfaction when purchasing products or services from supermarkets in Bangladesh.

### **3.3. Store Attributes and Customer Satisfaction**

Store characteristics are vital in retail competition (Lichtenstein et al., 1993; Zielke, 2006). In the context of consumer fulfillment in Bangladesh's emerging supermarkets, store qualities imply the ostensible value customers associate with a product or service relative to its cost. It involves the balance between the price paid and the benefits perceived by consumers. When clients feel they receive a good value for the price paid, designated by positive store traits, they are more likely to be content with the product or service (Akter, 2022). Furthermore, many studies (Konuk, 2019; Watanabe et al., 2019; Moliner-Velázquez et al., 2018) have confirmed that store characteristics enhance customer gratification and nurture effective customer loyalty within the supermarket industry. Hence, the researcher posited the following hypothesis:

**H<sub>3</sub>.** Store Attributes positively influence customer satisfaction in purchasing products or services from Supermarkets in Bangladesh.

### **3.4. Hedonic Value and Customer Satisfaction**

Hedonic gratification refers to individuals finding emotional relief through pleasurable activities. According to Alam et al. (2020), customer loyalty influences the hedonic value in the S-O-R Model, based on responses from 360 Bangladeshi participants. Studies by Mejía-Trejo (2021), Thuy Tran (2021), and Chen, Hsiao, and Li (2020) highlighted hedonic gratification's role in behavioral intentions for using mobile apps, mainly for e-commerce and consumer behavior during the pandemic. Some researchers have explored how customer satisfaction influences hedonic gratification when purchasing from supermarkets. Despite marketers focusing on hedonic aspects for consumer enjoyment, academic research has lagged in this area (Wong, 2020). Hedonic value emphasizes shopping's entertainment and emotional elements rather than specific goals (Wong, 2020; Alam and Noor, 2020; Alam et al., 2020). Thus, the following hypothesis is posited:

**H<sub>4</sub>.** Hedonic Value positively influences customer satisfaction when purchasing products or services from supermarkets in Bangladesh.

### **3.5. Loyalty Programs and Customer Satisfaction**

Loyalty programs are consumer-oriented creativities planned to substitute lasting consumer engagement and loyalty within the emerging supermarket scenario of Bangladesh (Hasan, 2024). These programs provide enticements, rewards, or privileges to clients who frequently purchase from the supermarket. By offering special deals, discounts, or point accumulation programs, supermarkets intend to enhance customer gratification, inspire repeat business, and nurture an emotional pledge between clientele and the brand (Ahsan et al., 2022). Upon joining a loyalty program, customers are rewarded with incentives like discounts, cashback, and loyalty cards, fostering satisfaction (Bellizzi and Bristol, 2004). Hence, the researcher posited the following hypothesis:

**H<sub>5</sub>.** Loyalty Programs positively influence customer satisfaction when purchasing products or services from supermarkets in Bangladesh.

### **3.6. Customer Satisfaction and Customer Loyalty**

Customer gratification embraces customers' overall assessment and satisfaction with their spending experience at a specific store in the context of the increasing number of supermarkets in Bangladesh. This assessment considers various

factors such as suitability, pricing, retail atmosphere, product and service quality, and the practicality of reward programs. Gratiified customers are more persuaded to hold positive insights, exhibit loyalty to the supermarket, and advocate for it, contributing to its achievement and progress (Hasan et al., 2021). Al-Dmour et al. (2019) recognized a non-sequential and uneven association between customer pleasure and loyalty. Furthermore, the quality of products and services may influence the connection between gratification and loyalty. Hence, the researcher posited the following hypothesis:

**H<sub>6</sub>.** Customer satisfaction positively influences customer loyalty when purchasing products or services from supermarkets in Bangladesh.

#### **4. Theoretical Framework**

In current retail practices, modern entrepreneurs like hypermarkets, supermarkets, and convenience stores dominate (Moraga et al., 2010). Hypermarkets offer widespread product selections, while supermarkets focus on suitability with diverse offerings. Corner shops cater to instant needs with limited items. These set-ups reshape shopping experiences with convenience, variety, and competitive prices. Understanding them aids retailers and legislators in meeting consumer requirements and nurturing financial progress. Besides, the theoretical framework for exploring the impact of loyalty programs on customer satisfaction and success in Bangladeshi supermarkets encompasses various theories from marketing and consumer behavior literature.

##### **4.1. Key Theoretical Perspectives**

Customer Loyalty Theory is central to understanding repeat customer behavior in Bangladeshi supermarkets. It posits that customer satisfaction and perceived value drive loyalty, including repeat purchases and positive referrals (Rai & Srivastava, 2012). Loyalty programs align with this theory by enhancing satisfaction through rewards and personalized experiences, thus encouraging repeated patronage (Kitapci et al., 2014). This theory helps explain how effectively loyalty programs can boost customer retention and cost-effectiveness. Product quality directly impacts customer satisfaction, which, in turn, fosters customer loyalty. The high product quality meets or exceeds customer expectations, enhancing satisfaction and promoting repeat business. Hedonic value, representing the pleasure derived from the shopping experience, also positively influences customer satisfaction, increasing loyalty. This aligns with the theory that emotional gratification is a crucial driver of loyalty.

Service quality, encompassing reliable, responsive, and empathetic service, significantly boosts customer satisfaction, thereby reinforcing loyalty to the

supermarket. Positive store attributes like convenience, ambiance, and cleanliness enhance the shopping experience and further boost customer loyalty. Additionally, loyalty programs, which reward repeat purchases and foster long-term relationships, provide tangible benefits that improve customer satisfaction, leading to stronger customer loyalty. These aspects align with the Customer Loyalty Theory, which posits that satisfied customers are likelier to engage in loyalty-promoting behaviors, including repeat business and positive word-of-mouth (Maheepala et al.,2024).

By graphically portraying these relationships, the study underscores the applicability of the Customer Loyalty Theory in explaining how various factors collectively influence customer loyalty in the supermarket industry. This comprehensive approach provides valuable insights for marketers aiming to enhance customer satisfaction and loyalty through strategic improvements in product quality, service, store attributes, hedonic value, and loyalty programs.

4.2. Developing Theoretical Model

After prudently investigating relevant literature and models, the present study has developed and validated a unique holistic model based on the quality dimensions of supermarkets and scrutinized the efficacy of loyalty programs in emerging supermarkets in Bangladesh. Fig. 1 below shows the theoretical framework of the study and hypothesized relationships among the study variables.

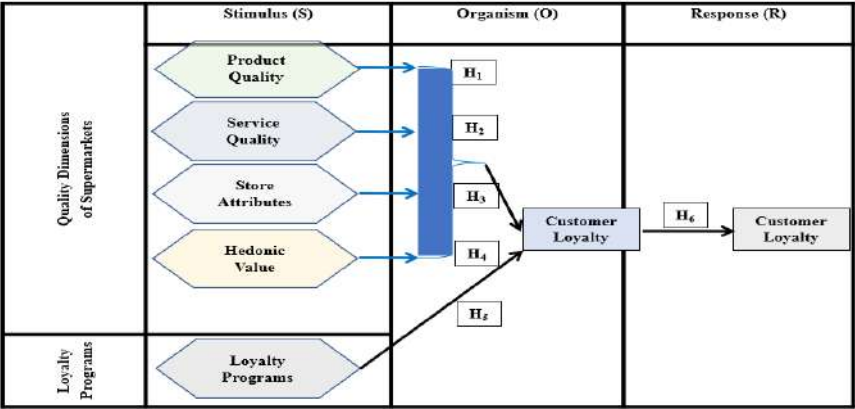


Fig. 1. Theoretical Model (Source: Developed by the researcher).



## **5. Research Methodology**

A self-administered questionnaire utilizing a 5-point Likert scale was electronically disseminated to consumers across ten prominent supermarkets, yielding responses from 421 participants. The collected data undertook laborious analysis, including descriptive and correlation analysis, exploratory factor analysis, and SEM. Causal relationships between constructs were scrutinized, and correlations were tested to validate hypotheses. Valid cases were selected using AMOS in SEM to confirm the hypothesized relationships between variables in the model.

### **5.1. Justifications for Selecting These Supermarkets for the Survey**

This study surveyed ten prominent supermarkets in Bangladesh, providing an inclusive overview of the country's retail sector. Among them, Agora, established in 2001, has 18 outlets, including 15 in Dhaka, 2 in Sylhet, and 1 in Chattogram. Shwapno, started in 2008, has rapidly expanded to 212 locations across various cities, serving clients of all income levels and accommodating over 35,000 daily visitors. Meena Bazar, founded in 2002, operates 16 branches in Chittagong and Dhaka, further contributing to the dynamic scenario of Bangladesh's retail industry. Furthermore, Unimart, inaugurated in July 2013, stands as Bangladesh's other supermarket, with six outlets in Dhaka. Other noteworthy players include Almas Super Shop, Prince Bazar Ltd., Lavender Superstores, Khulshi Mart, Pick & Pay, and Saad Musa City Center, all adding to Bangladesh's exciting and emerging supermarket scene. The selection criteria for these supermarkets are based on several factors:

**5.1.1.** They exhibit noteworthy sales volume, representing their distinction in the market. These supermarkets attract a high number of daily customers, ensuring consistent revenue generation and steady business growth.

**5.1.2.** They have a robust and reputable presence, considerable market share, and a long functional history. Their established brand identity and customer loyalty have allowed them to sustain operations in a competitive environment.

**5.1.3.** Several branches and a wide range of products make them highly reachable and widespread among Bangladeshi consumers. Its multiple outlets across major cities and suburban areas ensure accessibility for diverse customer segments.

**5.1.4.** Their diverse product offerings make them excellent locations for leading an inclusive survey. These supermarkets provide a comprehensive mix of groceries, fresh produce, household essentials, and lifestyle products, making them ideal for analyzing consumer behavior.

## 5.2. Sample Size and Sampling Technique

The sample size for this research is found through a formula provided by Cochran (1963). Cochran equation is  $n_0 = Z^2 pq / e^2$  where “ $n_0$ ” represents the size of the sample, and “ $Z^2$ ” is the abscissa of the normal curve, which cuts off an area “ $\alpha$ ” at the tails.  $(1-\alpha)$  means the desired level of confidence (95%). “ $e$ ” stands for the wanted precision level. “ $p$ ” represents the estimated part of an attribute presented in the sample population and  $q=1-p$ . The value of “ $Z$ ” is determined in statistical tables, which consist of the area under the normal curve, e.g.,  $Z$  is equal to 1.96, meaning the confidence level stands at 95%. With a 95% confidence level, a sampling error of 5%, and a maximum degree of variability of  $p=0.7$ ,  $q=0.3$ , the sample size stood at 322. In this study, 421 respondents were obtained, constituting a sufficient sample size. Here, convenience sampling techniques were used due to practicality, accessibility, and efficiency.

## 5.3. Data Collection and Target Population

A self-administered questionnaire was circulated to diverse groups, including valued club elite members, college students, district groups, corporate entities, and social groups across various districts hosting these stores, yielding responses from 421 individuals, representing a response rate of 91%. Additionally, the target population encompassed customers frequently visiting these ten supermarkets across Bangladesh. From this target population, the sample was drawn, focusing on Bangladeshi adult consumers (considering factors such as gender, marital status, and age over 18) patronizing these ten supermarket locations.

## 6. Results

The significance of loyalty programs in influencing customer satisfaction and viability cannot be overstated in the ever-changing world of Bangladeshi supermarkets. This study focuses on hedonic value, store features, service excellence, and product quality to explore this complex relationship. Essential insights that will inform initiatives to raise customer pleasure, encourage brand loyalty, and increase profitability in the supermarket industry will be gained by identifying the factors that drive consumer loyalty.

### 6.1. Data Analysis

For data collection in this study, 421 supermarket customers accomplished self-administered questionnaires utilizing a 5-point Likert scale. The survey was comprised of customers from ten important and recently established supermarkets in Bangladesh.

6.2. Demographic Profile

The demographics of the respondents, including gender, marital status, and age group, were scrutinized to assess frequencies and extent. The analysis revealed that women, married individuals, and those aged between 41 to 60 lean towards visiting supermarkets more often than men, single individuals, and those over 60 years old. These findings are presented in detail in Table 1.

Table 1: Demographic Characteristics of Respondents (n =421).

Items	Variables	Frequencies	Percentage
Sex	Male	190	45.13
	Female	231	54.87
Marital Status	Single	29	6.89
	Married	373	88.60
	Divorced	19	4.51
Age Group	18 - 40 Years	135	32.06
	41 - 60 Years	223	52.97
	Above 60 years	63	14.97

Source: Output of IBM SPSS Statistics Version 24-

6.3. Construct Validity Test

The construct validity was evaluated using the Kaiser-Meyer-Olkin (KMO) measure and Bartlett's Sphericity Test. The analysis exposed a strong association between the constructs, as shown in Table 2, representing a positive outcome (Ali *et al.*, 2012).

Table 2: KMO and Bartlett's test.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy			.85
Bartlett's Sphericity Test	Approx. Chi-Square		11619.06
	DF	832	
	Sig.	.00	

Source: Output of IBM SPSS Statistics Version 24-

In this case, the KMO value is .85. The KMO measure of sampling adequacy assesses the suitability of factor analysis for the dataset. A value exceeding .8 suggests that the variables are appropriate for factor analysis.

#### 6.4. Reliability and Factor Analysis Test

The questionnaire items were tested for reliability to ensure consistency, which is crucial for stability (Sekaran, 2003). Principal axis factoring was used to identify underlying factors in the questionnaire (Yong and Pearce, 2013), suitable for measuring customer satisfaction and loyalty (Hair et al., 1992). Cronbach's Alpha ranged from 0.721 to = 0.852, indicating high reliability (Tavakol and Dennick, 2011). Exploratory Factor Analysis (EFA) showed all factor loadings exceeded 0.61, confirming stability (Guadagnoli and Velicer, 1988). Table 3 shows the reliability and factor loading.

Table 3: Reliability and Factor Loading Matrices Following Rotation of Seven-factor Solutions.

Constructs	Items	Descriptions	F1	F2	F3	F4	F5	F6	F7
<b>Product Quality:</b> (Rahman et al 2014)	<b>Product Quality (Cronbach's alpha, <math>\alpha = 0.801</math>)</b>								
	PQ1	I am finding guaranteed products of varying qualities.			.84				
	PQ2	I find a large variety of high-quality products here.			.81				
	PQ3	The quality of the information displayed is credible.			.81				
	PQ4	Different quality products are offered.			.73				
	PQ5	Durable products are available.			.74				
	PQ6	Fresh products are available.			.85				
	PQ7	Products are consistent in their quality.			.62				
<b>Service Quality:</b> (Rahman et al., 2014; Alam, 2018; Dabholkar, Thorpe & Rentz, 1996)	<b>Service Quality (Cronbach's alpha, <math>\alpha = 0.721</math>)</b>								
	SQ1	It offers prompt services within the promised time.							.75
	SQ2	Salespersons are skilled and helpful.							.72
	SQ3	It offers a broader range of products.							.73
	SQ4	The staff here are courteous.							.71
	SQ5	Pays attention to the individual customer correctly.							.73
	SQ6	It offers the latest trend products.							.63
	SQ7	Manages complaints from customers effectively.							.62
<b>Store Attributes:</b> (Simiyu and Bonuke, 2017)	<b>Store Attributes (Cronbach's alpha, <math>\alpha = 0.841</math>)</b>								
	SA1	The store location is very convenient.		.90					
	SA2	Shopping here is due to the better car parking facilities.		.83					
	SA3	Offers new products in response to changing trends.		.89					

	SA4	Choosing because it has a large variety of products.	.86						
	SA5	Products are appropriately displayed.	.79						
	SA6	I know how good this supermarket looks.	.78						
	SA7	Overall, the layout makes it easy to move around.	.84						
<b>Hedonic Value:</b> (Saili, Mingli, and Zhichao, 2011)	<b>Hedonic Gratification (Cronbach's alpha, <math>\alpha = 0.821</math>)</b>								
	HG1	I relished going shopping at this supermarket.					.80		
	HG2	I enjoy leisurely shopping in this supermarket.					.83		
	HG3	I found what I was looking for while shopping.					.82		
	HG4	I had a bold feeling and discovered intriguing goods.					.82		
	HG5	I felt joyful, so I headed to this supermarket.					.84		
	HG6	It offered a truly wonderful spending experience.					.82		
	HG7	Shopping at this place was enjoyable and playful.					.84		
<b>Loyalty Programs:</b> (Kamau, 2017)	<b>Loyalty Programs (Cronbach's alpha, <math>\alpha = 0.832</math>)</b>								
	LP1	I like the point systems on the membership card.				.93			
	LP2	Gift voucher offers are lovely.				.69			
	LP3	Half-price offers are suitable.				.87			
	LP4	Buy one get one offer is fascinating.				.81			
	LP5	Special days and festival days are				.85			
	LP6	Discounts and bonus points offers are				.79			
	LP7	Special offers at weekends are amazing.				.88			
<b>Customer Satisfaction</b> (Rahman, Haque and Jalil, 2014)	<b>Customer Satisfaction (Cronbach's alpha, <math>\alpha = 0.810</math>)</b>								
	CS1	Supermarkets are as good as expected.	.87						
	CS2	This supermarket is the right choice.	.85						
	CS3	Happy with overall supermarket purchases.	.85						
	CS4	I will spend more at this supermarket.	.83						
	CS5	I had a great experience at this supermarket.	.85						
	CS6	I am happy with the overall impression.	.89						

	CS7	I am delighted with my supermarket purchases	.89						
<b>Customer loyalty:</b> (Ha and Ryu, 2009)	<b>Customer Loyalty (Cronbach's alpha, <math>\alpha = 0.852</math>)</b>								
	CL1	I will come back to this supermarket in the future.						.78	
	CL2	I will suggest the supermarket to others.						.89	
	CL3	I will overspend in the supermarket.						.81	
	CL4	I want to shop more at the supermarket.						.73	
	CL5	I will not visit other stores.						.82	
	CL6	I shop here for its unique features.						.72	
	CL7	I am a consistent buyer.						.72	

#### 6.4. Summary of CFA

Table 4 shows that the RMSEA score falls below .08, considered excellent according to Kenny et al. (2015). Furthermore, the GFI, AGFI, NFI, and TLI values surpass .9, representing a perfect fit for the model. The findings are depicted in Table 4.

Table 4: The results of the CFA Model Fit.

Factor indicator	$\chi^2$	DF	P-value	GFI	AGFI	CFI	TLI	NFI	RMSEA
Product Quality	17.65	14	.16	.96	.94	.95	.98	.94	.02
Service Quality	27.76	14	.01	.96	.95	.95	.97	.96	.03
Store Attributes	21.18	14	.06	.97	.94	.97	.96	.95	.05
Hedonic Value	17.48	13	.10	.96	.95	.98	.96	.94	.04
Loyalty Programs	16.92	13	.13	.97	.93	.94	.92	.93	.07
Customer Satisfaction	35.94	12	.01	.98	.94	.96	.94	.96	.04
Customer loyalty	32.33	14	.01	.96	.94	.96	.94	.96	.03

Source: Result output of IBM SPSS and AMOS Statistics Version 24.

#### 6.5. Convergent and Discriminant Validity

Convergent validity assesses the strong correlation among variables within a single factor (Gaskination, 2023), considering factors such as factor dimensionality, item analysis, and construct reliability (C.R.). Here, the C.R. value exceeds .7, and the Average Variance Extracted (AVE) value is  $\geq .50$ , indicating suitable results. Furthermore, factor loadings range between .50 and 1, further supporting the study's validity (Nielasen et al., 2013). On the other hand, discriminant validity safeguards the uniqueness of a construct from others of a similar nature, confirming significant differences (Hair et al., 2010). These validity assessments establish the reliability and robustness of the study's constructs.



Table 5: Convergent and Discriminant Validity-

	$\alpha$	CR	AVE	Product Quality	Service Quality	Store Attributes	Hedonic Value	Loyalty Programs	Customer Satisfaction	Customer Loyalty
Product Quality	0.801	.92	.63	<b>.74</b>						
Service Quality	0.721	.93	.58	.32	<b>.83</b>					
Store Attributes	0.841	.91	.64	.22	.13	<b>.74</b>				
Hedonic Value	0.821	.93	.71	.32	.23	.44	<b>.65</b>			
Loyalty Programs	0.832	.92	.72	.52	.33	.24	.23	<b>.71</b>		
Customer Satisfaction	0.810	.91	.73	.52	.23	.34	.32	.42	<b>.81</b>	
Customer Loyalty	0.851	.92	.55	.43	.43	.44	.20	.41	.62	<b>.82</b>

Source: James Gaskin Validity Calculation Excel Sheet.

The results of the CR and AVE assessments, as presented in Table 5, establish strong validity, with CR values exceeding .90 and AVE values surpassing .50. Furthermore, the bold highlighting in Table 5 indicates significant discriminant validity, further confirming the study's robust validity (Nielsen et al., 2013).

### 6.6. Structural Model (Hypotheses Testing)

The structural model, a theory utilizing structural equations to demonstrate the association between exogenous and endogenous variables, is portrayed graphically. This SEM aids in visualizing the theory and assessing direct and indirect impacts (Rahi and Ghani, 2018). An influential statistical tool, SEM examines intricate correlations between variables, tests structural models, and provides insights into underlying machinery and mediation or moderation effects (Kline, 2016; Byrne, 2016).

In this study, assessing hypothesis paths in the structural model was indispensable for defining the significance of path coefficients in the hypothesized direction. Six hypotheses were formulated and analyzed using SEM, resulting in a well-fitted statistical model (Kenny et al., 2015; Sun, 2005).

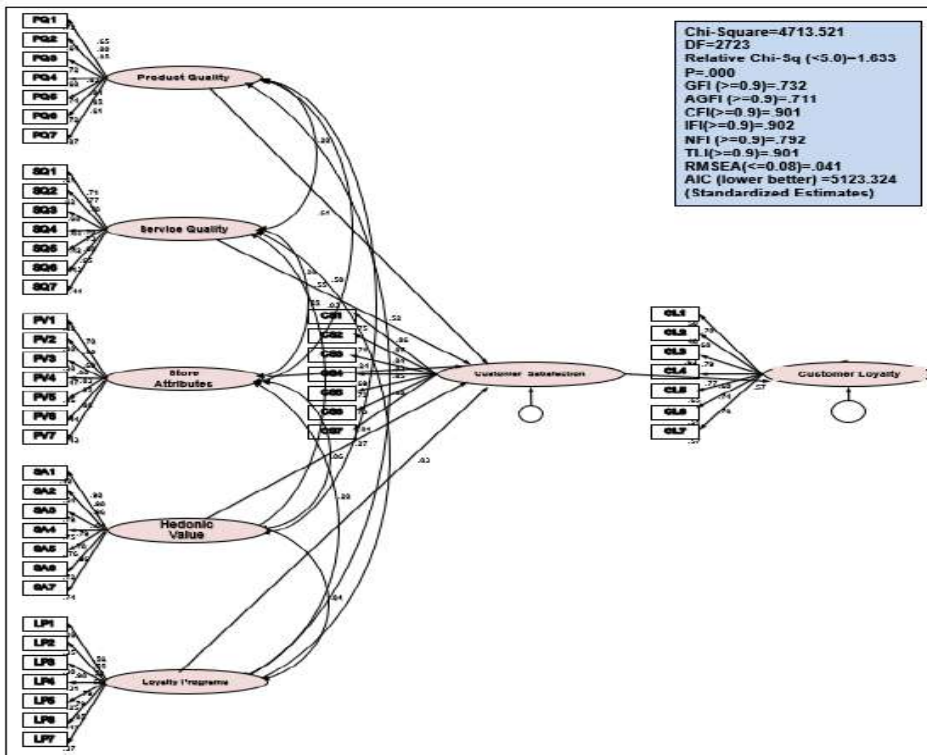


Fig. 2. Graphical Representation of the Structural Model (Developed by the researcher).

Source: Developed by the researcher based on Output of IBM SPSS and AMOS Statistics Version 24.

The valuation of the structural model in Fig. 2, approves a well-fitted six-path hypothesized model. Table 5 validates that all paths, except hedonic value, were significant at  $p < .05$ , with positive coefficients for all constructs. According to the CB-SEM-based model, factors such as store attributes, loyalty programs, product and service quality, and customer contentment significantly influence customer loyalty. The study accepts hypotheses related to product quality, service quality, store attributes, and loyalty programs affecting customer satisfaction and customer gratification impacting customer loyalty, with  $p$ -values below .05. However, the hypothesis concerning the association between hedonic value and customer satisfaction was rejected due to a  $p$ -value above .05 (Table 5).

Table 6: Path Coefficient Results (Direct Effect):-

Hypotheses			Estimate (Beta)	S. E	Critical Ratio (t-Value)	P Value	Regression	Decision
H <sub>1</sub>	Customer Satisfaction	Product Quality	.61	.23	2.44	.04	.54	Accepted
H <sub>2</sub>	Customer Satisfaction	Service Quality	.52	.13	4.17	.01	.51	Accepted
H <sub>3</sub>	Customer Satisfaction	Store Attributes	.24	.14	1.98	.03	.31	Accepted
H <sub>4</sub>	Customer Satisfaction	Hedonic Value	.27	.23	2.71	.11	.62	Rejected
H <sub>5</sub>	Customer Satisfaction	Loyalty Programs	.83	.27	3.00	.01	.81	Accepted
H <sub>6</sub>	Customer loyalty	Customer Satisfaction	.57	.21	3.19	.00	.61	Accepted

Source: Result output of IBM SPSS and AMOS Statistics Version 24.

### 6.7. Impact of Loyalty Programs in Comparison with Other Variables

In this study, the customer loyalty program was associated with crucial observable variables, including product quality, service quality, hedonic value, and store attributes. The relative importance of these independent variables, with minimal collinearity considered, was determined using the beta coefficient ( $\beta$ ) value. This coefficient serves as a reference, indicating the strength of association and impact weight from an independent variable to a dependent variable, with a higher value implying a more robust association (Hair et al., 2019). Table 5 demonstrates that loyalty programs' beta coefficient ( $\beta$ ) is .83, surpassing other variables. This value designates that the impact of customer loyalty programs is more noticeable and associated with product quality, service quality, hedonic value, and store attributes, which have smaller beta coefficients ( $\beta$ ) in comparison. Moreover, the path coefficient analysis results underscore the substantial significance of loyalty among Bangladeshi supermarket customers, with a beta coefficient value of .83.

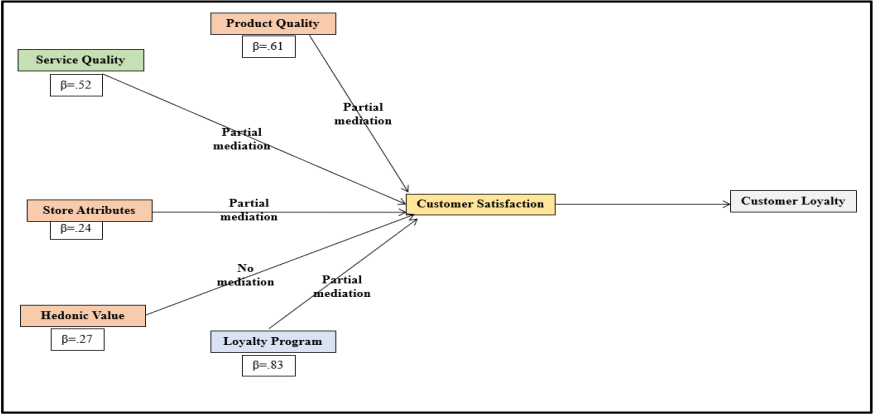
## 6.8. Mediation Analysis (Bootstrapping Test)

In an SEM, the mediation effect is the presence of a mediating variable between two related constructs (Hair et al., 2010). The study utilized bootstrapping (5000 bootstraps, 95% CI) to investigate mediation. If the CI excluded zero and the direct, mediation, and indirect effects were significant, partial mediation was present. There was no mediation if the immediate impact was negligible and the CI was 0 (Awang, 2012). Hence, Table 6 displays that product quality, service quality, store attributes, and loyalty programs partially mediate; however, hedonic value shows no mediation.

Table 6: Mediation Effect of Product Quality on Customer Loyalty Through Customer Satisfaction-

Hypothesized Path	Beta	P-Value	95% Bootstrap BC CI		Decision
			Lower Bound	Upper Bound	
Direct Model Product Quality ↗ Customer Loyalty	.41	.03			Partial Mediation
Mediation Model Product Quality ↗ Customer Loyalty	.33	.02			
Standardized Indirect Effect	.22	.03	.11	.45	
Direct Model Service quality ↗ Customer Loyalty	.42	.01			Partial Mediation
Mediation Model Service quality ↗ Customer Loyalty	.31	.01			
Standardized Indirect Effect	.21	.02	.13	.45	
Direct Model Store Attributes ↗ Customer Loyalty	.40	.02			Partial Mediation
Mediation Model Store Attributes ↗ Customer Loyalty	.32	.01			
Standardized Indirect Effect	.22	.03			
Direct Model Hedonic Value ↗ Customer Loyalty	.24	.13			No Mediation
Mediation Model Hedonic Value ↗ Customer Loyalty	.28	.16			
Standardized Indirect Effect	.12	.01	-.01	-.44	
Direct Model Loyalty Programs ↗ Customer Loyalty	.71	.01			Partial Mediation

Mediation Model	.51	.02			
Loyalty Programs ↗ Customer Loyalty					
Standardised Indirect Effect	.07	.02	.01	.11	



*Fig. 3. Mediation Effect of Related Factors on Customer Loyalty Via Customer Satisfaction-*

*Source: Developed by the researcher based on the Resulting Output of IBM SPSS AMOS Version 24-*

7. Findings and Discussion

The study emphasizes how essential loyalty programs are to Bangladeshi supermarkets' efforts to increase patron loyalty and happiness. Validation verified their importance, with interviews emphasizing the value of R&D, individualized programming, efficient communication, and quality control. These observations offer practical methods for improving supermarket business.

7.1. Findings from CFA

The model's fitness was assessed across various indices, with CMIN and RMSEA confirming its adequacy across all 49 constructs under seven variables. The variables and study materials are deemed suitable for SEM analysis with these results.

7.2. Findings from CB-SEM

In this study, seven variables were measured: a single mediation variable (Customer satisfaction), an endogenous variable (Customer loyalty), and five exogenous variables (product quality, hedonic value, service quality, store

attributes, and loyalty programs). The research employed analysis in various ways:

**7.2.1.** Initial validation involved collecting data from 421 respondents and assessing the internal consistency, reliability, and validity of 49 constructs across seven variables. Basic statistics, correlation matrices, and Confirmatory Factor Analysis (CFA) were used for validation, and model indices were closely examined against predefined acceptance thresholds.

**7.2.2.** The structural model experienced verification using model fitness indices, modification indices, covariance, and additional research to confirm construct validation.

**7.2.3.** Statistically, hedonic value was rejected, while hypotheses regarding the other five variables connected to customer happiness and loyalty were accepted. Notably, loyalty programs emerged as more effective than other factors in nurturing consumer loyalty and gratification.

In this study, loyalty programs ( $\beta=.83$ ) pointedly impact customer satisfaction among the seven variables examined. The beta coefficient value serves as a threshold indicator to gauge the relative importance of individual independent variables, provided minimal collinearity exists (Hair et al., 2019). Therefore, loyalty programs emerge as the most influential factor.

### **7.3. Discussion of the Hypotheses**

The study tested several hypotheses to determine the factors influencing customer satisfaction and loyalty in Bangladeshi supermarkets. Firstly, it is hypothesized that product quality increases consumer satisfaction when purchasing items or services from Bangladeshi supermarkets. Moreover, statistically, as ( $H_1$ ) is validated in this study, product quality improves consumer satisfaction and enhances their repurchase behaviour from supermarkets (Hoe and Mansori (2018). The study also supports the hypothesis ( $H_2$ ) that service quality will influence customer satisfaction when they shop in Bangladeshi supermarkets (Alam et al., 2020). Significant support has emerged for the third hypothesis ( $H_3$ ), which states that store attributes will favourably boost customer pleasure when shopping in Bangladeshi supermarkets (Konuk, 2019; Watanabe et al., 2019; Moliner-Velázquez et al., 2018). However, the fourth hypothesis ( $H_4$ ), which stated that hedonic value positively influences customer satisfaction, was not supported, indicating that hedonic value does not significantly impact satisfaction in this context. The most significant hypothesis  $H_5$  developed for this study shows that loyalty programs influence customer satisfaction when purchasing from Bangladeshi supermarkets while fostering consumer loyalty



(Ahsan et al., 2022).  $H_6$  shows that satisfied customers become loyal to entrepreneurs (Hasan et al., 2021). The main inference drawn from the study is that loyalty programs have a noteworthy impact on shopper behavior in Bangladesh. The theoretical model developed revealed that store qualities, loyalty programs, and the quality of goods and services play vital roles in persuading customer satisfaction and loyalty, with loyalty programs ( $H_5$ ) identified as having a substantial influence on consumer behavior in Bangladeshi supermarkets. In contrast, hedonic value ( $H_4$ ) did not significantly impact.

## **8. Implications**

The study highlights the necessity of loyalty programs for Bangladeshi supermarkets, offering insights into customer attraction and profitability. Tailoring programs can enhance customer satisfaction, repeat patronage, and revenue growth. Again, theoretical implications extend the understanding of loyalty program dynamics, customer happiness, and profitability, addressing gaps in supermarket marketing literature.

In a competitive retail market, loyalty programs play a crucial role in customer retention and business growth. This study highlights their impact on satisfaction, repeat patronage, and profitability, offering insights for supermarkets to enhance customer engagement and financial success. The findings offer insightful insights for grocery business owners on how to make and manage effective loyalty programs. Such programs can be powerful tools for customer attraction, loyalty cultivation, and revenue augmentation. The research designates that loyalty programs fundamentally strengthen consumer satisfaction through cultivating loyalty and repeat patronage. Supermarkets can foster positive customer experiences and improve brand allegiance by offering incentives and rewards.

As evidenced by the study, supermarkets stand to strengthen their viability when customers exhibit a propensity for augmented purchases. Thus, supermarkets can comprehend heightened profitability and continued financial growth by capitalizing on robust loyalty programs that incentivize continued engagement and spending.

### **8.1. Theoretical Implication**

This study provides significant theoretical implications by validating the Customer Loyalty Theory within the context of Bangladeshi supermarkets. It highlights customer satisfaction as a critical mediator between product quality, service quality, store attributes, hedonic value, and customer loyalty. Including hedonic value expands the theoretical framework, showing that enjoyable shopping experiences enhance satisfaction and loyalty. Furthermore, the research

underscores the effectiveness of loyalty programs directly boosting customer satisfaction and retention. The study offers valuable insights into its relevance across different cultural and economic settings by applying the Customer Loyalty Theory in a developing market context. Moreover, this research enriches the existing literature by providing a detailed analysis of how these factors interact to foster loyalty in the context of Bangladeshi supermarkets.

## **9. Limitations**

While this study provides valuable insights, certain limitations exist. It does not analyze the impact of income on purchasing behavior, lacks a comparative view of wet markets and supermarkets, and may have limited generalizability due to the sample size. The influence of customer income on purchasing behavior remains unexplored, even though it is crucial in determining shopping habits. Income may affect product choices, frequency of visits, and brand preferences, which could provide a deeper understanding of consumer segments. The study does not compare supermarkets with wet markets, which are also an important part of Bangladesh's retail landscape. A comparison could reveal differences in consumer behavior, such as price sensitivity and preference for fresh produce. The data from ten supermarkets may not fully represent the entire market, as smaller and regional stores were excluded. The study also overlooks the growing trend of online grocery shopping, which is becoming more popular in urban areas.

## **10. Future Research Directions**

Future research could discover competitive dynamics between Bangladesh's supermarkets and wet markets, analyze income-level impacts on consumer behavior, examine geographic variations in preferences, and examine the effect of digitization on supermarket loyalty programs. Future research directions could include:

### **10.1. Comprehensive Industry Analysis**

Scrutinizing the competitive dynamics between Bangladesh's supermarket and wet market industries would provide insights into their effect on shopper conduct and market trends.

### **10.2. Income-Level Influence**

Examining how several income levels shape consumer preferences and buying behavior in the supermarket sector offers priceless insights for market segmentation and targeting strategies.

### **10.3. Geographic Variation**

Exploring geographic variations in consumer favorites and supermarket offerings as moderator variables delivers valuable insights into regional differences and their influence on market strategies.

### **11. Recommendations**

This study outlines strategic recommendations to strengthen the supermarket sector. Comparative analysis with wet markets can provide valuable insights into market dynamics, while data-driven loyalty programs can enhance customer retention. Creating engaging shopping experiences through aesthetics and entertainment can boost consumer satisfaction. Additionally, investing in research and development will help supermarkets stay competitive by understanding evolving market trends and consumer preferences. Academics may conduct comparative studies between wet markets and supermarkets, assessing them based on critical criteria to comprehend their strengths and weaknesses.

Supermarkets should use data analytics to create personalized loyalty programs that align with customer preferences and shopping behaviors, enhancing loyalty and repeat purchases. Supermarkets should enhance shopping pleasure by incorporating visually appealing displays, in-store entertainment, and unique experiences beyond transactions. Developing robust R&D capabilities is vital for gaining insights into supermarket dynamics compared to more developed markets. The supermarket sector entails skilled personnel and strategic investment in research initiatives.

### **12. Conclusion**

In summary, this research highlights the essential role of customer loyalty programs in determining consumer behavior within Bangladesh's growing supermarket industry. The study highlights the intricate interaction between factors persuading customer gratification and loyalty. Findings disclose that product quality, service quality, and store attributes pointedly contribute to consumer contentment. Loyalty programs emerge as the essential driver of customer loyalty and repeat business. However, the study also recognizes areas for enhancement, such as improved hedonic value in strengthening loyalty initiatives. Moving forward, investors must heed the recommendations outlined herein, including adopting consumer-focused approaches, energetic pricing models, and investments in research and growth. By doing so, Bangladesh's supermarket sector can foster superior customer gratification and loyalty and drive maintainable growth and success in the retail scene.

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