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Retailers view on customer loyalty – a social resource theory perspective

Stavroula Wallström, Sara Hjelm Lidholm and Malin Sundström

Department of Business Administration, University of Borås, Borås, Sweden; School of Business, Economics and IT, University West, Trollhättan, Sweden

ABSTRACT
This study elaborates on the concept of loyalty. Strategic work to increase loyalty such as loyalty programs is increasingly being questioned. Using a relational perspective, viewing loyalty as an ongoing process of social exchanges, the paradoxical relationship between loyalty strategies and customer loyalty is underlined. The empirical data comprised qualitative interviews with eight key managers in Swedish retail companies. The result shows that loyalty programs foster rational shopping behaviours, misinterpreted by the retailers as loyalty. Thus, the concrete nature of loyalty programs make the customers less loyal only returning the concrete resources given. Particular resources will not be given by customers if none are offered by retailers. From the perspective of social exchanges, a shift from tangible rewards to forming meaningful emotional bonds is needed in order to achieve customer loyalty.

Introduction
Customer loyalty has emerged as a crucial business objective central to a company’s long-term success (Chhabra 2017). In competitive industries such as retailing, loyalty is often promoted through loyalty programs (Bijmolt and Verhoef 2017; Leenheer and Bijmolt 2008), with an estimated 90% of all retail businesses employing a customer club or similar (Morgan 2020). However, contemporary perspectives suggest that the nature of customer loyalty and its cultivation might be more complex than traditionally assumed. Despite the extensive use of loyalty programs, their effectiveness on loyalty is increasingly being questioned (Alshurideh et al. 2020; Belli et al. 2022; Bombaij and Dekimpe 2020; Hendler, LaTour, and Cotte 2022; Wait 2022). Concerns arise from practitioners who argue that such programs may not achieve their intended loyalty purposes illustrated by the following quote from the Swedish retail journal Market: ‘Many loyalty programs focus solely on the transactions, and this does not create the right conditions for loyalty. Being truly customer focused, like acting on customer input, is the best way to create customer loyalty’ (Urban Lindstedt 2022).

CONTACT Stavroula Wallström stavroula.wallstrom@hb.se

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Paradoxically, reward-driven loyalty strategies might render customers less loyal and more inclined to pursue the best available offer, suggesting a gap in our understanding and approach towards customer loyalty (Jin, Lee, and Lee 2022; Zhang et al. 2022). There are also research studies showing customer loyalty, credibility of brands, and place marketing is under-explored (Reitsamer and Brunner-Sperdin 2021), as well as studies exploring customer loyalty and emotions (Cachero-Martínez and Vázquez-Casielles 2021; Högberg et al. 2019). With these concerns in mind, this study proposes a shift in the conceptualization of customer loyalty. Loyalty should be seen as a feeling and resource owned by the customers rather than a construct that companies can systematically build. Thus, understanding how retailers perceive and discuss customer loyalty becomes vital for the field. To further explore these issues, we employ a relational perspective, viewing loyalty as an ongoing process of resource exchange. Grounded in social exchange theory and social resource theory (Foa and Foa 1976, 1974), we highlight the paradoxical relationship between loyalty strategies and loyalty considered as a concept that can be created.

When it comes to customer loyalty, retailers often resort to strategies that offer tangible rewards, such as discounts and bonus programs, to motivate customers to shop with them. These strategies are based on the idea that in exchange for these tangible benefits, customers will show loyalty to the retailer (Liu 2007). On the other hand, within the framework of social resource theory (Foa and Foa 2012), customer loyalty is not only a result of tangible benefits, but rather a deeper, more emotional bond between the customer and the retailer. This bond comes from the customer’s emotional investment and experiences, rather than just from exchanging goods and services. Therefore, although retailers can try to ‘buy’ customer loyalty through rewards and discounts, they cannot directly create or manipulate this emotional bond. This paper aims to contribute to the literature on customer loyalty as a social resource rather than a strategically manageable behavior.

In the following section the theoretical framework with social exchange theory and customer loyalty is described and outlined. Thereafter, the qualitative research design and the semi-structured interviews are introduced and thoroughly presented followed by the interpretations of the results. Finally, in conclusions, theoretical and managerial implications, the complications with the results related to customer loyalty as social exchanges of resources are addressed, followed by limitations and suggestions for future research.

**Social exchanges of resources**

The social exchange of resources is a social activity, in fact every interpersonal behaviour consists of giving or taking away one or more resources (Foa and Foa 2012). This means that all ongoing relationships between people entail continuous exchanges of different kinds of resources. There are different kinds of resource exchanges such as economic transactions or emotional exchanges, where the latter is more common. According to Foa and Foa (2012), resources can be structured into six resource classes that are either more concrete containing money, goods, and information, or more particular such as love, status, or services. People can exchange several resources simultaneously, considering that a birthday gift can bring both goods and love, and a car repair can bring both services...
and goods. Thus, resources can be exchanged simultaneously, and it is mainly a question of the conditions for the exchange and the resources being more or less concrete or particular (Dorsch and Carlson 1996; Foa and Foa 2012; Törnblohm and Kazemi 2012).

Social exchange theory is an influential paradigm for understanding workplace behaviour (Cropanzano and Mitchell 2005; Settoon, Bennett, and Liden 1996), but it is also valuable to understand activities between two parties in a commercial exchange. Social exchange differs from economic exchange, characterized as a transaction connected to a contract (goods for money); instead, social exchange is mutual emotional consideration (Blau 2017). Social exchange can create enduring relationships (Hallen, Johanson, and Seyed-Mohamed 1991) where the involved parties feel a sense of shared responsibility for each other (Sierra and McQuitty 2005) and create long-term emotional bonding (Cook and Hahn 2021; Cook et al. 2013).

The theory of social exchange can also contribute to the uniformity of expectations regarding what constitutes a fair exchange (Luo 2002), as it considers variables such as social status, influence, solidarity, trust, affect and emotion (Cook et al. 2013).

All ongoing relationships between people entail continuous exchanges of different kinds of resources according to social resource theory. The fundamental proposition in social resource theory is that people who receive a resource also feel obliged to return a resource (Cropanzano and Mitchell 2005; Dorsch and Brooks 2012). These elements are variables in the social exchange and antecedents to customer loyalty that provides knowledge on the formation of customer loyalty.

**Customer loyalty as a relationship and continuous exchange process**

In the business-to-consumer (B2C) context, customer loyalty is understood as a relationship to a subject/object, whose strength is measured by its degree of reciprocity (Holmberg 2004), degree of trust (see, e.g. Louis, Lombart, and Durif 2019), and customer satisfaction (El-Adly 2019).

Customer loyalty has usually been studied through behavioral aspects described as a willingness to continue a relationship and repeat purchase (see, e.g. Sundström and Hjelm-Lidholm 2019; Thakur 2018) or repeat engagement with the company’s touchpoints (Herhausen et al. 2019). Apart from the behavioral perspective customer loyalty has also been studied through attitudinal aspects, being described as advocacy/recommendation to others (Dwyer, Schurr, and Oh 1987) and psychological attachments, spreading positive word-of-mouth (Fornell 1992) being supporters, partners, or even ambassadors for specific brands or retailers (Halbesleben and Buckley 2004; Thakur 2016). Customer loyalty can be the strength of the relationship between the customers’ attitude and repeat purchases (Dick and Basu 1994; Kuhn and Mostert 2018; Srivastava and Kaul 2016).

The contemporary explanations of customer loyalty as a mix of attitude and behaviour (Dick and Basu 1994; Melnyk, van Osselaer, and Bijmolt 2009; Rowley 2005; Thakur 2018) is firmly rooted in academic discussions. Research on customer loyalty has presented conceptual knowledge (e.g. Cunningham 1956; Jacoby and Kyner 1973), elaborated on behaviour- and attitudinal aspects (Dick and Basu 1994), connected it to the customers’ identity formation (Wolter et al. 2017), examining its drivers and consequences (e.g. Cool et al. 2007; Liu 2007), and investigated company strategies for influencing loyalty (e.g. Ehrenberg 1965). The seminal article by Dick and
Basu (1994) on customer loyalty has profoundly contributed to the knowledge of how loyalty is formed, as the relationship is seen as mediated by social norms and situational factors. However, there is a call for different views on customer loyalty, considering elements such as emotional bonding and positive experiences in the exchange. Loyalty could also be disrupted, that is, loyalty creation consists of positive experiences that can compensate for negative ones (Tinson, Sinclair, and Gordon 2021), which means senses and emotions also are essential elements when applying a loyalty perspective.

In this article, we support another framework to customer loyalty from a retailer’s point of view, as much of previous work has been focused on the customer. Loyalty is therefore regarded as a relationship and a continuous process of exchanges instead of merely being a multidimensional outcome, behaviour, or attitude. Therefore, we propose that social resource theory and social exchange theory can enhance the retailing discipline’s understanding of customer loyalty formation by looking at the reciprocal exchanges in the process.

**Customer loyalty as social exchange of resources**

Regarding customer loyalty as a resource and a relationship maintained through a continuous process of exchange gives the opportunity to understand the complexity of the phenomena, and the paradox of customers becoming less loyal despite the advanced loyalty programs. The most obvious exchange for a retailer is the exchange of concrete resources but these exchanges are supported by the exchanges of particular resources (Foa and Foa 2012).

Concrete resources are exchanged between customers and retailers, and if this exchange is satisfactory, it will possibly be repeated (Dorsch and Carlson 1996). Merely exchanging concrete resources does not increase obligations to reciprocate, instead it is the exchange of particular resources that encourage reciprocity and thereby also customer loyalty (Roschk and Gelbrich 2017). Thereby the exchange of more particular resources such as status and love supports the exchange of other more concrete resources (Binning and Huo 2012; Dorsch and Brooks 2012).

Exchanging the more particular resources can be complicated, especially for a retailer. Love is the most particular of resources and is a long-term investment and social relationship that needs time and trust to develop and withhold (Foa and Foa 2012). Love is also delicate and can easily be disrupted if an exchange becomes unsatisfactory. Thereby the exchanges of love alone can be hard to control and measure for a retailer. Instead, the exchange of the more particular resources can be made together with the more concrete resources and thereby add particularity to the concrete. According to Roschk and Gelbrich (2017) the way a monetary resource is presented can make it more or less concrete or particular, this means that if for instance a discount is handed out in person it becomes more particular (Roschk and Gelbrich 2017). The reason is that by handing out the discount in person a smile and compassionate words can be exchanged (more particular resources) thereby making the exchange of the concrete resource more particular because love and status also are exchanged (Roschk and Gelbrich 2017).

The social exchanges between retailers and customers can occur both physically, online and through other means of communication, for instance through social media...
platforms (e.g. Zhou and Duan 2015). Social exchanges through communication platforms have increased the customers’ access to other customers’ perceptions of companies, providing information about fairness and transparency (Hagberg, Sundström, and Egels-Zandén 2016) in the social exchange. It is possible that this kind of information can affect the process of social exchanges of resources between customers and retailers.

Studies on loyalty formation using various resource theories are rare; however, there are studies using socialization values to understand loyalty (Djelassi, Godefroit-Winkel, and Diallo 2018), and social resource theory has been used to provide a new perspective on the concept of place (Rosenbaum et al. 2017) and setting (Sundström, Lundberg, and Zlakas 2021). Looking at customer loyalty as a resource connected to the process of social exchange of resources can give retailers the tools to better understand the emotions and feelings that affect loyalty outcomes.

**Methodology**

In order to highlight the paradoxical relationship between loyalty strategies in practise and loyalty as a social resource owned by the customer, we believe that it is essential to study the phenomena where it occurs and determined by experiences, individuals’ perspectives, and contexts (Patten et al. 2020). Only a few studies have chosen an interpretation-oriented approach, and a minority have been interested in the managers’ perspectives on customer behaviour (Van Nguyen, McClelland, and Thuan 2022). We have chosen to follow an interpretive tradition where managers’ views on customer loyalty are interpreted. By investigating practice and trying to make sense of what is done using the lens of social exchange theory to investigate the concept of loyalty. The qualitative approach allows rich insight into a phenomena (McCracken 1988). When investigating social phenomena qualitative data can aid in identifying the meaning attached to the phenomena, as well as allowing ideas to emerge from the data (Silverman 2000). To start a thorough literature search was carried out. The concept of loyalty was thoroughly investigated as well as social exchange theory. A qualitative data collection from Swedish retailers, where the focus was on understanding customer loyalty as it occurred in practise allowing for ideas to emerge from the data (Silverman 2000), using a thematic analysis reading, coding, interpreting and comparing the transcribed interviews with the help of social exchange theory. Transcribed interviews were used to gain an in-depth understanding of practise, and allowed for examining complexity, relationality, fine-grained detail, and the nuances of the concept under study (Fletcher, De Massis, and Nordqvist 2016).

**Data collection**

The in-depth interviews were conducted in Sweden during 2019 and the empirical data consisted of purposefully selected key managers in a variety of Swedish retail companies, presented in Table 1.

Although the material was collected in 2019, interviews from before the pandemic might provide a unique opportunity. The stress retail companies have experienced during the pandemic and the currently difficult financial times might give us useful information to understand some phenomena, but loyalty is not the work companies focus on in
difficult times, it is what should save companies in difficult times. The conceptual discussion and reframing of the loyalty concept in this paper would likely not be changed by recent events. The reader is however encouraged to keep the potential changes in context since data was collected in mind as a potential limitation and further investigation is encouraged.

The empirical data is part of a larger research project on loyalty, and the respondents were all senior managers. The interviews were semi-structured allowing for the respondent to talk freely around wider topics. Interview questions in the interview guide were first pre-tested in order to not direct the interview (McCracken 1988). Among the topics were general questions on customer loyalty and the respondents view on customer loyalty, followed by questions focusing on their work with customer loyalty. The interviews were performed on-site and lasted between 40 and 56 min and were recorded and transcribed, resulting in a total of 194 pages of material. In total, eight interviews were performed. The interviews were conducted in Swedish, and the selected quotes are translated into English for this paper. Finally, industry reports, annual reports, news articles and other public documents were consulted to enrich the company information.

**The respondents**

The respondents are presented by their role and function, and the companies are categorized by industry, and into three clusters according to turnover, where companies with the letter C have a turnover between SEK 100,000 thousand to SEK 1,000,000 thousand, B between 1,000,000 and 3,000,000 and A from 3,000,000 and up. In the table, the semi-structured interviews are given numbers ranging from 1 to 8 and a record for duration is presented. To ensure confidentiality, the retail companies are referred to as letters ranging from A to H. The respondents are referred to as their company belonging (A to H) with a respondent number ranging from R1 to R8. The people who participated in the interviews have been informed about the study's aims. All interviews were recorded with the consent of the respondents, and all participants were

<table>
<thead>
<tr>
<th>Company id</th>
<th>Respondent id</th>
<th>Informant’s role and function</th>
<th>Turnover</th>
<th>Industry</th>
<th>Session No</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>A_R4</td>
<td>CRM &amp; Customer Experience Manager</td>
<td>C</td>
<td>Fashion/Female</td>
<td>4</td>
<td>56 min</td>
</tr>
<tr>
<td>B</td>
<td>B_R6</td>
<td>Customer &amp; Market Intelligence Manager</td>
<td>B</td>
<td>Fashion/Men &amp; Female</td>
<td>6</td>
<td>44 min</td>
</tr>
<tr>
<td>C</td>
<td>C_R8</td>
<td>CRM Manager</td>
<td>C</td>
<td>Fashion/Men</td>
<td>8</td>
<td>42 min</td>
</tr>
<tr>
<td>D</td>
<td>D_R7</td>
<td>CEO</td>
<td>C</td>
<td>Home textile</td>
<td>7</td>
<td>43 min</td>
</tr>
<tr>
<td>E</td>
<td>E_R2</td>
<td>Head of Customer Relations and Analytics</td>
<td>A</td>
<td>Fashion/Men &amp; Female</td>
<td>2</td>
<td>40 min</td>
</tr>
<tr>
<td>F</td>
<td>F_R5</td>
<td>Head of CRM</td>
<td>B</td>
<td>Cosmetics</td>
<td>5</td>
<td>45 min</td>
</tr>
<tr>
<td>G</td>
<td>G_R3</td>
<td>Customer Engagement Manager</td>
<td>A</td>
<td>Fashion/Female</td>
<td>3</td>
<td>54 min</td>
</tr>
<tr>
<td>H</td>
<td>H_R1</td>
<td>CEO</td>
<td>A</td>
<td>Home electronics</td>
<td>1</td>
<td>52 min</td>
</tr>
</tbody>
</table>
given the opportunity to withdraw information and to take part in the final work if desired. The interviews were recorded and transcribed via a commercial transcription service.

**Data analysis**

The transcribed interviews were broken down and coded in a way that themes and patterns could be supported and verified (Boyatzis 1998; Braun and Clarke 2006) using the QSR Nvivo software. The interviews were coded twice, first based on the semi-structured interview guide and then based on emerging themes that did not fit the predefined themes. The predefined themes were of a descriptive nature where respondents were asked to describe their/their company’s practises or definitions, examples of predefined themes are; what is a loyal customer, how do you work with CRM. In the material, it is explicit when the respondents are talking about their own and/or the company’s definitions and practises, respondents were asked to elaborate and clarify. The emerging themes were themes that occur in multiple interviews but were not predefined in interview questions. In many cases, they relate to a predefined theme but in some cases, they go across predefined themes and recur under different themes. Examples of emerging themes were what problems arise when working with loyalty and measurability of loyalty. The analysis sought pertinent narratives, capturing significance that could extend the notion of customer loyalty. Translated quotations from participants were used ‘to evicence, highlight or illustrate particular findings’ (Tremblay, Gendron, and Malsch 2016, p. 174)

**Interpretations – the retailers’ views on customers and loyalty**

The term customer is one of the frequent use, the basis for commerce and one side of the dyadic relationship. Therefore, the interviewers started with a discussion of loyal customers and their nature. In unison, all the company respondents cemented that ‘our customer is someone who shops/buys from us’. In one case, it was even more elaborated; a customer was ‘someone who has bought from us within a two year period’ (B) indicating that a customer, in this case, keeps the status of a customer for two years after purchase. Even though it was most common to measure how many times per year the customer buys something.

The description of what constitutes a customer is thus clear, but it is also clear that there are different types of customers. All respondents agree that customer shops. However, some respondents almost passed by the apparent fact and elaborated on the type of customer relationships they might have, often centring on the amount of knowledge they have about the customer.

Well, today it’s a customer who is identified, because we can have unidentified customers in the store. So if they are not in our loyalty program we actually don’t know who they are/…/and the same thing online, we have full knowledge about the customers there since they have to state their name and address to receive their package. (G_R3)

There were also classifications of the type of relationship the customer might have relating to the amount of knowledge the company can access.
they [the customers] can have different relationships to us. They can either be a member or a clean, what should we call it, non-member, and online it could be an identified non-member, subscribing to the newsletter so subscriber. In the store you are basically just a transaction if you’re not a member. (F_R5)

Thus, the information a company has about its customer is a prerequisite for continuing to discuss loyalty because it is impossible to discuss a relationship if there is no knowledge of the party that is part of the relationship.

When asked to define a loyal customer respondents focus on repeat purchases and customers who return to the company (i.e. A_R4, B_R6, C_R8, E_R2, F_R5, G_R3, H_R1).

‘We don’t have a definition of it [loyal customer] but it is those who return, who are members [in the loyalty program] and those who have a high RFM-code [recency, frequency, monetary]’ (E_R2)

Other respondents have sharper definitions of how often a customer needs to return in order to be loyal.

It’s a customer who shops at least twice a year, and within six months, so active within a six-month period not just twelve months, but recurring at least once every six months. And they shop for a certain amount and show engagement in [the company] (F_R5)

Recency, frequency, and monetary (RFM) definitions concerning the expected purchases by the customer rather than relational aspects relating to the customers are most frequent when defining loyalty amongst these companies. Loyalty, thus being an expected behaviour measured as if indicating aspects of reciprocity, trust and customer satisfaction which, as discussed earlier, measure the strength of loyalty.

Two respondents within the empirical data were, however, less concerned about the repeat purchase rate of their customers. Such a view might be accounted to the companies who define their offers as shopping goods with lower frequencies in returning customers within short timeframes (Company D och H). While stating that repeat purchase rate is unimportant, respondent 7 at Company D concurs that recurring customers are ‘fantastic’, and customers who recur two to four times are a different segment. Customers who make more than four purchases yearly are considered ‘super loyal customer’. This indicates that repeat purchase is not something they are used to, but customers repeating purchase are still seen as loyal. Expanding the discussion on loyalty respondent seven states that share of spending within the segment (home décor online) would be a better estimate to focus on. How much the customer spends with the company in relation to how much is spent with other similar companies would be a more relevant dimension on how loyal they are, than comparing one customer spending or purchase behaviour with another. The base of comparison when describing a customer’s loyalty is brought forward only by respondent 7 at Company D, although it would appear to be a relevant aspect, as not all customers do purchases at the same frequency or have the same spending potential. Less active customers would also tend to have a lower RFM code but could potentially make all their purchases with one company giving them a great share of spending but in the measures relating to RFM values they might not appear to be loyal customers.
Measuring customer loyalty

To measure loyalty, sales and profitability all companies use a variety of KPIs. All companies elaborate on data in the form of numbers and find it valuable. They all also use quantitative surveys as a complementary to follow-up on softer aspects and to provide deeper understanding and explanation to the numbers. Respondent 7 at Company D, however, remarks that ‘in order to keep a status quo the hard measurements might work, but if you actually want to move faster than the other, develop better than all the others, it’s not enough. You need to add the soft values’. The use of numbers is nonetheless the most frequently used and respondent 7 admits that it is much more difficult to measure the soft aspects and it is much more difficult to communicate and understand the soft aspects of customer loyalty.

‘you cannot count your way to everything, sometimes you have to believe’. They also reflect that ‘there are many companies where the management do not dare to believe, they want hard data to back up what they do. That limits their ability to develop’. The management team has a vital role to play in the views on, and work with customer loyalty. The respondent 5 at Company F expresses frustration with the management’s focus on driving sales and the lack of focus given to loyalty.

Generally the hardest thing, talking from my own experience, is to get the question to management level. To really work with customer loyalty in a company it has to be on the management teams agenda/ ... /It [loyalty] is not its own activity, it should be the highest goal, and it should permeate the whole ... I mean, everything from how do we deliver our promise to the customer in a way that it increases loyalty. That is what’s important and that is where I think the challenge is, not just getting stuck in driving sales, because that is the usual top of mind. That is the management teams; how do we drive sales and cut costs. But this question, how do we drive loyalty, has to be just as important. (F_R5)

There are advantages to relying on numbers when measuring something, but as respondent 5 at Company F also points out, that type of measurement is not sufficient because numerical methods only indicate performance. To get further into the understanding of customer loyalty, the soft values are also important. Using numbers provides a good guide to performance, but only reveals what has happened and not what could happen. If management sticks to hard measures, it can hinder development and mean missing out on long-term benefits of loyalty.

The emotional side of loyalty

When talking about following up on Key Performance Indexes (KPIs) like the RFM values, respondent 5 at Company F concludes that it is easy to get stuck in driving sales, but it is not actual loyalty.

It’s easier to see, so to say, only the sales. To a certain extent it is possible to only focus on sales, you can push it pretty hard, but the risk is that you lose customer loyalty if you are just ‘buying’ sales, if you get stuck in a discount swamp for example. Many do. (F_R5)

The respondent 1 at Company H sees it as different kinds of loyalty splitting them into behavioural, rational, and emotional.
I usually think that there are behavioural components to loyalty, and then a more, almost what you would call rational loyalty, when you practically buy loyalty by giving points and bonuses and that type of kickback. You do that to get identification and data, to learn something about the customers. Hopefully the customers feel that there is value in that mechanism. But then there is the emotional part, and that is what is important. How do we get the customers heart to tick just for us and really appreciate us as a brand and maybe speak well about [the company]. That is much more interesting, but also much more difficult to build. (H_R1)

Aspects relating to repeat purchases and to the RFM values are all connected to the purchase behaviour of the customer, comparing the activity and spending level of customers rather than how willing the customer might be to continue the relationship. As respondent 5 at Company F concludes, activities focusing on repeat purchase and increasing the RFM values are leaning more towards driving sales rather than increasing loyalty and as respondent 1 at Company H further concludes, speaks more to the rational side of the relationship than the emotional. When viewing these aspects through the lens of social resource theory, the activities aimed at driving sales, such as bonuses, kickback and points are what Foa and Foa (2012) describe as concrete resources. To a large extent it is goods for money that drives sales. Giving a customer a discount will change the relationship between goods and money and increase value for money (Dorsch and Carlson 1996) but is easily copied by competitors. In some cases, there is also an information for money exchange taking place, which is another example of exchanging concrete resources.

Respondent 5 at Company F continues to elaborate on what loyalty is stating that it needs to get the customer engaged in the company.

to work with the opportunity for the customer to engage in the company, because that is when you can build true loyalty so to say. The genuine. I think many end up working only with bought loyalty, continuously giving the customers lots of discounts and then, will the customer come? Yes, they will to cash the discount, but you haven’t achieved anything else and it is very easy for others to copy, and it’s easy for them to win over the customer … true loyalty or genuine loyalty is when the customer actually chooses to go to this company even if there are others you could go to and maybe have it cheaper. (F_R5)

When it comes to both loyalty and recruitment of new customers respondent 7 at Company D believe that the most important aspect to work with is having an attractive brand for the customer. In order to achieve loyalty the customer needs to sympathize with the brand.

If it’s sympathetic, or a brand that I can relate to, that feels personal, honest and genuine, it usually results in, from my experience, results in loyalty. Brands who are inconsistent in their behaviour have more difficulty building loyalty over time. (D_R7)

Respondent 7 at Company D here indicates that it is the brand that has customers, and more specifically, loyal customer. It is the values filling the brand that results in a relatability and builds loyalty. The respondent in Company D also states that loyalty is a behaviour, but it is ‘an entirely emotional behaviour from the customer’ and it does not automatically lead to a frequent repurchase behaviour. When the customer has a need they will however return to the brand, even if the time between purchases can be long.
The emotionally loyal customers also have other important roles to fill, for example the loyal customer will represent the brand among its peers and in so doing becomes an ambassador for the brand. ‘The more generous, the more clear we are, the more loyalty we will create even amongst those who do not shop from us every day, every year or even every second year’ (D_R7)

Even though most respondents define a loyal customer as someone who has a repurchase behaviour there seems to be an agreement among some of them (eg., C_R8, E_R2, G_R3, H_R1) that there are other values that constitutes loyalty and that different kinds of loyalty have different ends. Respondent 8 at Company C includes customers who speaks well about the company (word of mouth) but that is not sufficient, the customer also has to be registered, meaning they know the customer, and have a regular purchase history. Respondent 8 also takes an emotional turn on loyalty.

but I have to say that it is not always so that it is the customer who buys the most from us who is the most loyal customer. It could be someone who buys a bit less, but someone we see, well, who has an emotional connection to our company our products and in this case it is foremost our company or brands. This is where we struggle since the same clothes can be bought at another store. [reseller of branded products] (C_R8)

Both respondents 8 and 7 indicate that loyalty is based on an emotional connection between the company or more specifically the brand and the customer. The emotional connection results in a behaviour, which according to respondent 7 at Company D is ‘entirely emotional from the customer’. This could be someone who returns to the company (A_R4, B_R6, C_R8, D_R7, E_R2, F_R5, G_R3, H_R1) speaks well about the company (C_R8, D_R7, H_R1) or shows engagement in the company (F_R5, H_R1).

The reciprocity of the relationship

So far, the respondents have all said that a customer is someone who engage in economic transactions with them, but to form any kind of relationship there is a need for information about the customer. To determine how loyal a customer is, all of the company’s focus on purchase behaviour, most frequently RFM values, but depending on the business these values are not always applicable. There is also an affectional aspect to loyalty resulting in a more emotional behaviour which can manifest itself in repurchase behaviour, word-of-mouth or more generally showing engagement in the company.

According to the definition of loyalty used there is a need for reciprocity to gain customer loyalty. When the respondents talk about what they offer the customers, often through loyalty programs and campaigns, focus is often on financial benefits, different kinds of bonuses and discounts (C_R8, E_R2, F_R5, H_R1). Some of the respondents mention convenience and how they want to make things easier for the customer (E_R2, F_R5, H_R1). Most of the informants talk about emotional benefits but conclude that they are not quite there yet (C_R8, D_R7, E_R2, F_R5, G_R3). Respondent 2 at Company E summarizes what in an illustrative manner.

So, what is an incentive for the customer to stay loyal, we talk in terms of rational, functional and emotional benefits. That’s what we have to work with. Historically we [the company] have been very good at giving rational benefits and we still are; bonuses,
discounts, all of that. But lately we have started working a lot with functional benefits, making it easy for the customer. That is easy to buy, easy to go through identification, easy to receive a bonus, easy to use the bonus, this is all becoming increasingly important due to the digitalization to. And then emotional, that is the ultimate, that’s where you want to reach. You want to engage the customer and make them emotionally feel that we can provide something … extra, but we are not there quite, that is the next step that we are moving towards being more emotional. (E_R2)

In the reciprocal relationship between the company and the customer, all respondents agree that there needs to be something given to the customer in order for them to stay loyal. The easiest way is to give money or discounts back, but the ultimate reward would be emotional; the feeling that the company can provide something extra. As mentioned earlier respondent 5 at Company F believes that engagement is the only way to go and even though they work a lot with discounts and bonuses they believe that true or genuine loyalty cannot be bought, it must be achieved by engaging the customer, by making the customer feel belonging and being part of something. That is when the customer actually will choose your company even though there are others, and maybe less expensive, options. This is coherent with concrete resources not in themselves increasing obligations to reciprocate, instead particular resources are needed to encourage reciprocity and customer loyalty (Dorsch and Carlson 1996).

But there are two sides to a relationship, and there are also expectations of the customers. Respondent 5 notes that the most important measurement to keep track of is profitability. ‘we do actually need to have a margin as well, and that is important to hold on to, so that we don’t discount ourselves away, because it is quite easy to buy loyalty’ (F_R5)

**Conclusion**

The results show that the informants mainly consider loyalty as something they build, influence, or develop in a customer by using their, as respondents describe it, rational customer loyalty strategies. In these strategies, the retailers give coupons and discounts, etc. to encourage more sales but they also at the same time exchange status, where some customers through discounts etc. are given a higher status than others thereby making a concrete resource such as money more particular (Foa and Foa 2012; Liu 2007; Roschk and Gelbrich 2017). Through these strategies customers are rewarded with benefits for their rational shopping behavior: which is shopping when you get a good deal. The respondents interpret the customers behavior (more shopping) as building customer loyalty, which is in line with previous research on customer loyalty where customer loyalty is mainly regarded as something that is created or influenced by retailers (e.g. Dick and Basu 1994; Ehrenberg 1965; Rowley 2005; Thakur 2018). The increase in sales is thereby regarded by the retailers as an outcome from successful loyalty strategies, according to how they define customer loyalty. The paradox that is highlighted in this article, that customers are less loyal in spite of so-called loyalty strategy programs, could thereby be explained considering that the exchanges encouraged in the loyalty programs are mainly concrete and that the customers have thereby in fact never been loyal to anything else but a satisfactory financial transaction (Blau 2017). In social resource theory, the fundamental understanding is that if a person is given a resource they will, in order to uphold
a relationship, return a resource (Binning and Huo 2012; Cropanzano and Mitchell 2005). But the resource that is returned is of the same kind as that which has been exchanged, this means that a concrete resource is exchanged for a concrete resource. Thereby particular social resources that involve emotions such as status, love, loyalty, kindness, a smile, etc. will not be given by customers if none of these are offered by retailers.

**Theoretical and managerial implications**

This study illuminates a critical paradox between customer loyalty strategies and retailers’ perspectives on loyalty. Retailers invest strategically in efforts such as discount and bonus programs to build and maintain customer loyalty. However, these same strategies may erode the emotional form of loyalty they aim to cultivate. Reward-driven strategies provoke customers to pursue the best offer, ironically reducing their loyalty to certain retailers continually. Thus, despite the best intentions, retailers’ loyalty strategies might be counterproductive.

The insights gained from this study advocate for management to shift in focus. Rather than solely offering tangible rewards, more emphasis should be placed on forming meaningful, emotional bonds with customers. The interplay between retailers and customers in encouraging loyalty is complex, as demonstrated through social exchange theory and social resource theory. Retailers often resort to strategies involving the exchange of concrete resources, driving sales and cutting costs, yet the findings here highlight that these tactics cannot nurture the emotional aspects of loyalty.

Advancing the current literature, this study posits that customer loyalty is inherently bound to the emotion’s customer’s experience. Unlike prior studies, this research underscores the significance of the social exchange of resources, specifically the exchange of particular resources, in customer loyalty. We propose that loyalty extends beyond a simple commercial transaction – it is a sentiment fostered within social interactions.

The traditional perspective of loyalty as a concrete outcome of strategic efforts is thus challenged, revealing a paradox in existing customer loyalty management practices. Social exchange theory posits that relationships are rooted in mutual exchange. Retailers commonly offer tangible rewards, such as discounts or bonus points, anticipating customer loyalty in return. However, such strategies assume that loyalty can be tactically managed through an exchange of resources. Our findings, based on retailers’ perspectives, suggest otherwise.

On the other hand, social resource theory highlights the crucial role of emotional bonds and social relationships in cultivating and maintaining loyalty. It posits that customer loyalty is more likely a product of emotional factors and social interactions rather than purely material rewards. The retailer cannot directly manipulate this aspect of loyalty.

Theoretically, this research contributes to the broader discourse on customer loyalty by highlighting the relevance of social exchange and social resource theories. It offers a novel perspective that equally acknowledges emotional and material exchanges in loyalty formation.
The paradox at the heart of this study is the simultaneous pursuit by retailers of loyalty-building through tangible rewards while acknowledging that loyalty is fundamentally an emotional experience outside their direct control. To reconcile this paradox, businesses must balance their offerings of tangible rewards with efforts to forge emotional bonds with their customers. Exchanges involving particular resources such as emotions, trust, and mutual respect should be given more importance, potentially leading to a more holistic and sustainable nurturing of customer loyalty.

Limitations and future research

While this study offers valuable insights, it is confined to the Swedish market and focuses on long-standing retail companies, potentially limiting the generalizability of findings. Future research should aim to replicate this study in different cultural contexts to assess the universality of these findings. Furthermore, this study invites future research to delve into the social dimensions of customer loyalty, uncovering the nuances of social exchanges in the customer-retailer relationship. This could enable retailers to devise more effective strategies to nurture long-term customer relationships and bolster customer loyalty.

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Notes on contributors

**Stavroula Wallström**, MSc in Business Administration, is a PhD candidate at the University of Gothenburg and a lecturer at the Faculty of Textiles, Engineering and Business, University of Borås. Her research focuses on retailing with special interests in tourism, digitalization and service.

**Sara Hjelm Lidholm** holds a PhD in Business Administration, management. Her research focuses on the consequences of digitalization in organizations. She has studied the re-creational processes in implementing e-commerce within retail companies. Recently, she studied how digitalization changes professions (work, status etc.) and how this also has impact on organizing and organizations. Sara Hjelm Lidholm is employed as senior lecturer in Business Administration at the University of Borås.

**Malin Sundström** is a Professor in Business Administration at the University West in Sweden. Her research has in recent years focused on the consequences of digitalization for various sectors within the retailing field. She is an appreciated and frequently used speaker who passionately supports the retail sector with her research.
Data availability statement

Data can be made available on request.

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