A Study on the Impact of Reward Programs on Building Brand Loyalty for Buffet Restaurants and Perception of Environmental Value

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Abstract

This study explores the impact of reward programs on building brand loyalty and enhancing the perception of environmental value among consumers of buffet restaurants in Bangkok and its vicinity. With intense competition and rising raw material costs in Thailand's restaurant industry, reducing food waste while fostering customer loyalty is vital. The research employs a quantitative approach, utilizing survey data from 428 consumers, categorized by reward type and frequency of visits. Structural Equation Modeling (SEM) reveals that rewards and brand engagement significantly influence both intrinsic and extrinsic motivations, leading to higher participation in loyalty programs. Findings indicate that different reward types (restaurant vs. shopping mall coupons) and visit frequencies affect the perceived effectiveness of loyalty programs. Consumers receiving restaurant coupons emphasize environmental value and brand engagement as key to loyalty, whereas those with shopping mall coupons focus more on the loyalty program itself. The study concludes that integrating rewards, motivations, and sustainability into loyalty programs not only boosts customer engagement but also supports environmental sustainability. These insights suggest that effective loyalty programs in buffet restaurants should balance rewarding consumer participation and promoting sustainable practices, contributing to both brand loyalty and environmental awareness.

This research provides a framework for businesses to develop strategic loyalty programs that align with consumer behavior and environmental goals, offering a pathway to long-term sustainability and profitability in the restaurant sector.

Keywords: Intrinsic and extrinsic motivations, rewards, loyalty programs, brand loyalty, engagement, perceived environmental value, buffet restaurants

Introduction

The competition in the restaurant business in Thailand is intense, with a significant market value as the role of food plays an integral part in Thai culture and lifestyle. The characteristic of restaurant industry has low barriers to entry, making it relatively easy for new entrepreneurs to enter the market. As a result, the number of restaurants has been increasing, whether through the establishment of new businesses or the expansion of branches by large firms. However, many restaurants are forced to close due to various factors, including consumer trends, taste of food, cleanliness, or service quality. It is observed that only about 35% of restaurants survive. Thus, the restaurant business can be considered one of the most challenging sectors. Additionally, the cost of raw materials for restaurants tends to rise due to the impact of global warming, so businesses must efficiently manage their raw material costs. One approach to managing these costs is by reducing food waste. Restaurants produce an average of 4% - 10% of food waste from their total raw materials (Baldwin & Shakman, 2012). Most food waste occurs during food production or when consumers leave food uneaten, with buffet restaurants generating a higher proportion of food waste than the average. If restaurants can manage food waste more effectively, they can reduce costs and increase their profitability.

Consumers who visit buffet restaurants tend to order or take large portions of food because they seek maximum value from the paid fixed price, which often results in uneaten food and food waste. Most Buffet restaurants impose fines for leftover foods. Even though consumers pay the fines, the uneaten food is still disposed of, which is food waste and adds to the business's disposal costs. In some cases when consumers refuse to pay the fines, it may lead to dissatisfaction, causing them not to return, thereby losing the opportunity to build customer loyalty. Therefore, restaurants should rethink their approach to maintaining good

customer relationships by offering rewards. Rewards serve as positive incentives for desirable consumer behavior. Daryanto et al. (2010) found that rewarding consumers through loyalty programs can enhance customer loyalty and increase sales. Additionally, Bijmolt et al. (2010) noted that rewards create a positive customer experience, leading to perceived brand value and long-term loyalty. Therefore, buffet restaurant operators should aim to reduce food waste while also increasing consumer loyalty by implementing loyalty programs for customer participation, as consumer loyalty can add value to the business (Dorotic et al., 2014).

Loyalty programs are an integrated marketing tool that helps businesses retain existing customers and increase the chance of attracting new customers. Businesses use loyalty programs to reward customer participation and strengthen the bond between customers and the business (Brodie et al., 2013). Loyalty programs can take various forms, such as point accumulation or social media engagement (Smith, 2014). Therefore, designing a loyalty program needs to consider multiple factors to create a program that benefits the business and satisfies customers. Typically, loyalty programs offer rewards to attract consumer participation, which aligns with the concepts of customer engagement (Van Doorn et al., 2010) and the Intrinsic and Extrinsic Motivations concept (Ryan & Deci, 2000) to enhance the program's effectiveness.

With this background, this research is interested in studying the development of loyalty programs for buffet restaurants operated in highly competitive environments. The program should aim to build customer brand loyalty while simultaneously reducing food waste in buffet restaurants, which are major contributors to food waste and a cause of global warming. This study also incorporates environmental and sustainability concepts, specifically the perception related to environmental value (Green Perceived Value), which can encourage environmentally conscious consumers to develop brand loyalty and contribute to strengthening the relationship between consumers and businesses (Chen & Chang, 2013).

Research Objectives

The objective of this study is to examine the factors that influence the success of reward programs in building brand loyalty and the perception of environmental value.

Literature Review

This research focused on studying the impact of reward programs on building brand loyalty for buffet restaurants and the green perceived value. The relevant theories and concepts for establishing the research framework are as follows:

The concept of customer engagement, as described by Van Doorn et al. (2010), shows the interactions between customers and brands or organizations beyond simple transactions. This concept is rooted in psychological studies and expanded into other fields. It underlines customer behaviors such as word-of-mouth, writing reviews, or giving ratings, which are driven by motivations such as receiving rewards. Customer engagement comprises cognitive, emotional, and behavioral dimensions, positing that fostering engagement leads to brand loyalty and the creation of shared value. In this research, the concept is applied to study loyalty programs aimed at reducing food waste in buffet restaurants, which not only promotes brand loyalty but also benefits the environment.

The concept of reward redemption effects by Dorotic et al. (2014) examines the effects of rewards on consumer behavior, finding that rewards are an effective marketing strategy for building loyalty, increasing sales, creating positive experiences, and encouraging desirable customer behaviors. However, designing reward programs requires many considerations of the appropriateness and needs of the customers. Rewards are categorized into two types: direct rewards, which are tangible and immediate, such as cash prizes or gifts, and indirect rewards, which offer experiential benefits, such as social recognition or new skill development. Both types are crucial for long-term customer satisfaction and loyalty. Combining these reward types effectively strengthens the relationship between customers and brands. Dorotic et al. (2014) also emphasize that the primary goal of loyalty programs is to increase customer interest in the brand. Its effects lead to changes in purchasing behavior because customers feel cherished by the service provider. Rehnen et al. (2017) further suggest that the process of rewarding must be considered through customer motivations before it leads to loyalty programs and brand loyalty.

Intrinsic and Extrinsic Motivations concept by Ryan and Deci (2000) divides motivation into those two main types. Intrinsic motivation develops from personal interest, enjoyment, or challenge, independent of external rewards, while extrinsic motivation is driven by external

factors such as rewards, praise, or financial incentives. This concept is crucial for understanding customer engagement, as motivation influences decisions to participate in various loyalty programs offered by businesses. When designing loyalty programs, it is essential to understand the difference between intrinsic and extrinsic motivations of customers, considering factors such as the type and size of rewards, as well as the method of rewarding them, to create appropriate motivation and build long-term brand loyalty. This will help businesses in designing more effective marketing strategies to build long-term customer loyalty and engagement.

Green perceived value is an intrinsic factor at the level of individual consciousness that affects thoughts, feelings, and behaviors related to the environment, which can be influenced by both external and internal stimuli. Various studies have defined this concept as both a strategic process in building relationships with consumers, concern about environmental impact, and behaviors aimed at reducing negative environmental effects. Moreover, it is a crucial factor in green marketing, which helps build a positive organizational image, increase profitability, and enhance consumer loyalty. In this sense, Chen and Chang (2013) suggest that green perceived value is essential both in terms of sustainable development and business strategy.
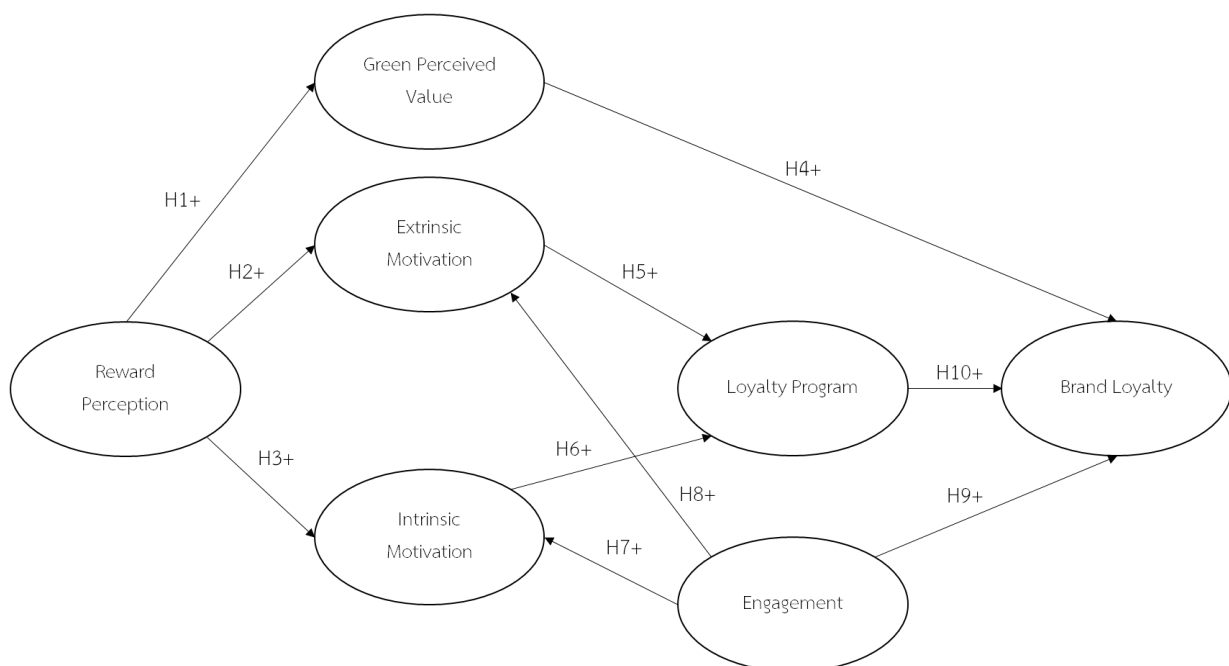
Brand loyalty refers to the positive feelings that individuals or groups have towards a particular brand, resulting from a positive experience with a product or service, leading to repeated purchases and ongoing support for that brand, even in the face of external factors that may influence behavior change. Researchers consistently define brand loyalty as a positive relationship between consumers and brands, manifested through repeated purchases and consistent support, regardless of competing brands. Brand loyalty is crucial for the success and sustainability of a business, as it builds customer trust and acceptance, increases the chances of long-term market survival, adds value to the brand, and strengthens the relationship between the brand and its customers. Therefore, building and maintaining brand loyalty is a key strategy for developing a business sustainably (Oliver, 1999).

The green perceived value significantly influences brand loyalty, as the current trend of consumers is increasingly making their decisions concerning social and environmental responsibility. Brands that have environmental concerns often build trust and confidence among consumers, leading to emotional bonds that form the foundation of long-term loyalty.

Additionally, brands with a clear environmental stance can differentiate themselves from competitors, attract consumers with aligned values, and create communities of consumers with shared interests, thereby strengthening the relationship between customers and the brand. Chen and Chang (2013) confirms the positive relationship between green perceived value and brand loyalty behaviors, such as repeat purchases, recommendations, and brand advocacy. Thus, demonstrating environmental responsibility is not only beneficial for the planet but also a critical strategy for building long-term brand loyalty.

Through the literature review and the study of relevant concepts, theories, and research, this study connects the concept of customer engagement with customer reward programs and examines the impact on customer loyalty, including the relationship between rewards, motivation, and customer engagement—a relatively under-researched topic. This study has summarized this information to develop the research framework, analyzing the impact of rewards on building brand loyalty and supporting environmental efforts related to reducing food waste in buffet restaurants, which is exhibited in Figure 1: research framework below.

Research Framework

Figure 1 Research Framework

Research Methodology

The study on the impact of reward programs on building brand loyalty for buffet restaurants and the green perceived value focuses the consumers on Bangkok and its vicinity. This study is survey research aiming to gather data for discussing the observed phenomena. We employed a quantitative research method, following specific steps including the study procedure, population and sample, research instruments, data collection, and data analysis and statistical methods, as detailed below.

Sample Group

The sample data for this research consisted of 428 consumers who frequently use buffet restaurants in Bangkok and the vicinity areas. It was divided into two groups based on the type of reward chosen: those who chose restaurant discount coupons and those who chose shopping mall discount coupons. Additionally, the sample was categorized by the frequency of buffet restaurant visits into two groups: consumers who visit 1-2 times per month and those who visit more than 3 times per month. This categorization was designed to represent the population effectively, aiming to study the use of rewards in promoting food waste reduction in buffet restaurants, fostering brand loyalty, and supporting environmental sustainability. Data was collected through online questionnaires, and the sample composition is presented in Table 1.

Table 1 Sample Composition

Type of reward	Frequency of visits to buffet restaurants per month		Total
	1 - 2 times	more than 3 times	
1. restaurant discount coupons	126 (57.01%)	95 (42.99%)	221 (100.00%)
2. shopping mall discount coupons	71 (34.30%)	136 (65.70%)	207 (100.00%)
total	197 (46.03%)	231 (53.97%)	428 (100.00%)

Research Instruments

Steps in Developing Research Instruments

1. Study theories and related research on brand loyalty to use as a basis for the development of the research framework.

2. Develop a research framework concerning the factors influencing the success of reward programs in building brand loyalty and the green perceived value.

3. Create a questionnaire and review it with inputs from consultations with academic advisors.

4. Test the revised questionnaire for reliability by distributing it to a sample of 30 respondents. Analyze the reliability and validity of the questionnaire using the Cronbach's Alpha Coefficient method. Data was collected from 428 complete responses. The validity of the questionnaire was found to be satisfactory, with most component weights within an acceptable range, allowing them to be grouped as a single factor. The reliability of the questionnaire, based on the %Total Variance, showed that some aspects, such as intrinsic motivation, had values below 0.7. However, Cronbach's Alpha Coefficient was generally within a good range, indicating that the questionnaire is of high quality and suitable for further data analysis. The factors studied are summarized in Table 2.

Table 2 Factors that influence brand loyalty of customers of buffet restaurants

	Factor Loading	%Total Variance	Cronbach Alpha	Number of Items
1. Rewards Perception	0.8213 - 0.8706	0.7288	0.8124	3
2. Engagement	0.8290 - 0.8905	0.7483	0.8314	3
3. Intrinsic motivation	0.7400 - 0.8281	0.6318	0.8527	5
4. Extrinsic motivation	0.8779 - 0.9146	0.8064	0.8797	3
5. Loyalty Program	0.8614 - 0.9010	0.7667	0.8476	3
6. Brand loyalty	0.8704 - 0.9031	0.7750	0.9031	4
7. Green perceived value	0.8571 - 0.9268	0.8094	0.9198	4

Data Collection

This study collected primary data through online questionnaires between March and May 2024, resulting in 428 complete responses. The sample was categorized based on the type of rewards chosen and the frequency of buffet restaurant visits. We presented the means of various variables calculated from Sections 1 and 2 of the questionnaire, along with applicable t-test or F-test statistical results to compare the differences in means. This preliminary statistical presentation provides an overview of the sample and serves as a crucial foundation for further analysis in the research.

Data Analysis

The quantitative data analysis in this research was conducted systematically and comprehensively across multiple dimensions. The process began with descriptive statistics to analyze the demographics of the sample, presented in tables and graphs. Subsequently, the factors influencing the success of reward programs in building brand loyalty and the green perceived value were analyzed using t-tests and F-tests for variance analysis. Additionally, the questionnaire items were grouped by latent variables, and Cronbach's Alpha was used to assess the reliability of the measurement tools. The variance of responses was analyzed, and a Structural Equation Modeling (SEM) approach, using Maximum Likelihood Estimation, was employed to study the causal relationships between variables. This detailed and comprehensive data analysis provided a complete overview and in-depth understanding of the data and effective conclusions and discussions of the findings.

Study Results and Discussion

The study analyzes the factors that influence the success of reward programs in creating brand loyalty and green perceived value by using Structural Equation Modeling (SEM). Results from this model, exhibited in Table 3, were applied to answer the research framework's questions through statistical processing.

Table 3 SEM model results

Variable		Total	Type of rewards		Frequency of visits per month	
			For restaurant	For shopping mall	1 - 2 times	More than 3 times
INM						
	RWS	0.376***	0.288***	0.508***	0.388***	0.185**
	EN	0.386***	0.427***	0.344***	0.718***	0.261***
EXM						
	RWS	0.512***	0.404***	0.647***	0.307***	0.581***
	EN	0.268***	0.509***	-0.064	0.748***	0.009
GPV						
	RWS	0.343***	0.239***	0.364***	0.461***	0.116
LP						
	INM	0.368***	0.410***	0.254***	0.659***	0.256***
	EXM	0.493***	0.384***	0.613***	0.278***	0.515***
BL						
	GPV	0.160***	0.218**	0.121*	0.268***	0.134**
	LP	0.600***	0.513***	0.705***	0.533***	0.653***
	EN	0.232***	0.313***	0.135	0.138	0.256***
Statistics						
	N	428	221	207	197	231
	ll	-8398.8	-3428.2	-4497.1	-3917.4	-4292.5
	chi2_bs	7387	5385.4	3065.9	3549.3	4684.4
	chi2_ms	1137.3	864.9	884.2	629.8	1088.3
	RMSEA	0.088	0.101	0.106	0.084	0.116
	SRMR	0.158	0.176	0.148	0.189	0.161
	CD	0.978	0.986	0.967	0.986	0.985
	CFI	0.877	0.882	0.776	0.888	0.812
	TLI	0.861	0.866	0.747	0.873	0.787

Statistical significance level of *0.1, **0.05, and ***0.01

Remarks: RWS = Reward Size, EN = Engagement, INM = Intrinsic Motivation, EXM = Extrinsic Motivation, LP = Loyalty Program, BL = Brand Loyalty, GPV = Green Perceived Value

The structural equation modeling analysis by reward type shows two groups of customers who received different rewards from loyalty programs—Group 1, which received restaurant discount coupons, and Group 2, which received shopping mall discount coupons. The key findings demonstrate that both groups valued the rewards offered by the programs, with these rewards motivating both intrinsic and extrinsic participation in the loyalty programs. Additionally, both groups recognized that the rewards could enhance their green perceived value.

When examining the factors influencing the success of loyalty programs, it was found that both groups placed importance on intrinsic and extrinsic motivations that contributed to their loyalty to the program. However, differences emerged between the two groups concerning the factors influencing brand loyalty. The group that received restaurant coupons emphasized the importance of environmental value perception, loyalty programs, and brand engagement as crucial factors in building brand loyalty. In contrast, the group that received shopping mall coupons prioritized loyalty programs and environmental value perception but did not consider brand engagement as significant. The rewards received by customers, such as rewards, intrinsic and extrinsic motivations, environmental value perception, and the value of loyalty programs, were all important in building brand loyalty.

The structural equation modeling analysis also considered the frequency of buffet restaurant visits, dividing the sample into two groups: those who visited 1-2 times per month and those who visited more than 3 times per month. For the former group, it was found that rewards and brand engagement significantly influenced intrinsic motivation, increasing customer interest and enthusiasm for the restaurant. Rewards also positively impacted extrinsic motivation and environmental value perception. Both intrinsic and extrinsic motivations positively influenced participation in loyalty programs, leading to brand loyalty. Environmental value perception and loyalty programs also positively impacted brand loyalty.

For the group that visited more frequently, the analysis showed that rewards still positively influenced intrinsic motivation, though to a lesser significant level. However, brand engagement did not have an impact, and while rewards continued to positively affect extrinsic motivation, they did not influence environmental value perception in this group. Nevertheless, motivation still positively influenced loyalty programs and environmental value perception,

with loyalty programs and brand engagement having a positive impact on brand loyalty. Thus, the factors influencing brand loyalty among buffet restaurant customers differed based on service frequency, with the more frequent visitors being more influenced by brand engagement.

Overall, the study found that the key factors positively influencing both intrinsic and extrinsic customer motivation were rewards and brand engagement. These motivations led to participation in special programs or loyalty programs, aligning with the findings of Kim (2018), which noted that rewards from membership programs significantly influence customer motivation to use the service. Regarding brand engagement, Hapsari et al. (2017) highlighted that interactions and engagement between customers and brands can build bonds and affection for the brand, increasing motivation to use the brand's products or services.

Moreover, rewards also had a positive impact on the green perceived value, which in turn influenced brand loyalty. This finding aligns with the research of Delmas and Lessem (2017), which showed that environmental rewards for outstanding sustainability performance increased customer and stakeholder awareness of the organization's commitment to the environment. Chen et al. (2022) also found that rewards for participating in environmental activities increased consumer awareness of environmental practices and its products' carbon footprint.

The primary factors directly influencing brand loyalty were environmental value perception, loyalty programs, and brand engagement. When considering both direct and indirect influences, extrinsic motivation had the greatest impact on participation in loyalty programs, followed by rewards, intrinsic motivation, and brand engagement. The factors with the most significant indirect impact on brand loyalty were intrinsic motivation, followed by extrinsic motivation, rewards, and brand engagement. In conclusion, rewards, motivation, brand engagement, environmental value perception, and loyalty programs are crucial in building customer loyalty in buffet restaurants.

Recommendations

Recommendations for Practical Application

Based on the research findings, businesses should focus on designing loyalty programs with attractive reward sizes, as the size of the rewards significantly influences both extrinsic and intrinsic motivations, helping to attract customers to participate in the programs. Additionally, communication and emphasis on the brand's environmental value should be prioritized, as environmental value perception is a key factor in fostering brand loyalty. Furthermore, businesses should consider creating activities that stimulate both extrinsic and intrinsic motivations to encourage customer participation in loyalty programs. However, brands should not overemphasize intrinsic motivation, as this may not lead to long-term brand loyalty. Activities that allow customers to engage with the brand should be prioritized, as brand engagement has been found to influence intrinsic motivation and brand loyalty. Regular monitoring and evaluation of the impact of loyalty programs are also recommended, as loyalty programs have a direct impact on customer loyalty.

Recommendations for Future Research

This research has identified several factors influencing brand loyalty, suggesting the need for comparative studies of factors affecting customer loyalty in different cultural contexts, business types, or customer groups to create more comprehensive knowledge. Qualitative research both in short-term and long-term, is also important for understanding customer behavior, motivation, and feelings toward loyalty programs and brand engagement. For businesses, the findings provide guidance on designing and improving loyalty programs and brand engagement activities to align with the needs and motivations of target customer groups, including the creation of both extrinsic and intrinsic motivational systems, such as point systems, reward types, and brand value communication. Businesses should develop diverse channels and activities, such as various social media platforms, to continuously engage customers with the brand, along with regularly tracking customer feedback, behavior, and engagement levels to refine strategies appropriately. Businesses should also focus on different customer segments, considering the context and differences among target groups, to strategically and effectively foster motivation and loyalty.

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