

**NOVA**

**IMS**

Information  
Management  
School

# MDDDM

Master's Degree Program in  
**Data-Driven Marketing**

**Beyond Rewards: Assessing the competitive edge of customer tier  
programs introduction in the beauty industry**

Sephora's customer tier program case

Lara Alexandra Soares Félix

Master Thesis

presented as partial requirement for obtaining a Master's Degree in Data-Driven Marketing

**NOVA Information Management School**  
**Instituto Superior de Estatística e Gestão de Informação**

Universidade Nova de Lisboa

**NOVA Information Management School**  
**Instituto Superior de Estatística e Gestão de Informação**  
Universidade Nova de Lisboa

Beyond Rewards: Assessing the competitive edge of customer tier programs introduction in  
the beauty industry  
Sephora's customer tier program case

by  
Lara Alexandra Soares Félix

Master Thesis presented as partial requirement for obtaining the Master's degree in Data-  
Driven Marketing, with a specialization in Marketing Intelligence

**Supervised by**  
Professor Paulo Rita and Dr. Zélia Raposo Santos  
Nova Information Management School

July, 2024

## **STATEMENT OF INTEGRITY**

I hereby declare having conducted this academic work with integrity. I confirm that I have not used plagiarism, any form of undue use of information or falsification of results along the process leading to its elaboration. I further declare that I have fully acknowledged the Rules of Conduct and Code of Honor from the NOVA Information Management School.

*Lara Félix*

*Lisbon , July 15<sup>th</sup>*

## ABSTRACT

This paper aims to examine the impact of loyalty programs on customer behavior, specifically focusing on how the perceived benefits of these programs influence brand equity, brand loyalty, and, ultimately, brand competitiveness within the context of Sephora's loyalty program. A comprehensive literature review was conducted, followed by empirical analysis using a PLS-SEM, bootstrapping, and multigroup analysis in SmartPLS4. Data were collected through a questionnaire, and the target was members or former members of Sephora's loyalty program. The findings revealed that Sephora's customer tier program is generally perceived positively, with special offers and discounts being the most valued benefits. The structural model showed that the program special treatment offered by Sephora's customer tier program indirectly enhances brand competitiveness via increased brand equity and loyalty, particularly in higher satisfaction levels. The study suggests that tailored strategies are needed to maximize program effectiveness based on satisfaction levels and membership duration.

## KEYWORDS

Customer tier program; Program special treatment; Brand loyalty; Brand equity; Brand equity; Sephora

### Sustainable Development Goals (SDG):



## TABLE OF CONTENTS

1. Introduction .....	1
2. Literature Review .....	3
2.1 Loyalty Programs .....	3
2.1.1 Customer tier programs .....	4
2.1.2 Sephora’s loyalty program .....	5
2.2 Brand Loyalty .....	6
2.3 Brand Equity .....	7
2.4 Brand Competitiveness .....	8
2.5 Conceptual Model .....	9
3. Method.....	11
3.1 Sample Description.....	14
4. Results .....	15
4.1 Measurement Model.....	16
4.1.1 Loadings.....	16
4.1.2 Constructs reliability and Validity .....	17
4.1.3 Discriminant Validity .....	17
4.2 Structural Model.....	19
4.2.1 R-Square Analysis .....	19
4.2.2 Path Coefficients and significance Analysis.....	20
4.3 Multigroup Analysis.....	21
4.3.1 Membership Level .....	21
4.3.2 Satisfaction Level.....	22
4.3.3 Membership Duration .....	24
5. Discussion and Conclusion.....	26
5.1 Theoretical Implications .....	28
5.2 Managerial Implications .....	29
5.3 Further Research .....	30
Bibliographical References .....	33
Appendix A – Descriptive statistics .....	36
Appendix B – Cross loadings.....	37
Appendix C – Survey .....	38



## LIST OF TABLES

Table 1 - Constructs and adapted items .....	14
Table 2 - Benefits valued by the customers .....	16
Table 3 - Constructs reliability and validity .....	17
Table 4 - Discriminant validity .....	18
Table 5- Heterotrait- monorait ratio .....	18
Table 6 - R-square analysis .....	19
Table 7 - Path coefficients and p-values .....	21
Table 8 - Multigroup Analysis - Membership Level.....	21
Table 9 - Multigroup Analysis - Satisfaction Level.....	24
Table 10 - Multigroup Analysis - Membership Duration .....	25

## LIST OF FIGURES

Figure 1 - Conceptual Model .....	10
-----------------------------------	----

## **LIST OF ABBREVIATIONS AND ACRONYMS**

<b>BC</b>	Brand Competitiveness
<b>BE</b>	Brand Equity
<b>BL</b>	Brand Loyalty
<b>CTP</b>	Customer-tier program
<b>PST</b>	Program Special Treatment
<b>WOM</b>	Word-of-mouth

## 1. INTRODUCTION

In the vast landscape of the retailing industry, the strategic deployment of loyalty programs (LPs) has become widespread, with companies investing significantly to retain and engage their customer base (Faramarzi & Bhattacharya 2021). LPs, recognized for their diverse structures, are pivotal in driving incremental sales and shaping consumer behavior (Breugelmans et al., 2015; Kopalle et al., 2012). In essence, there are many reasons to implement them since loyal consumers have a higher value for various reasons: they tend to buy products more frequently (Jacoby & Chestnut, 1978 cited in Bombaij & Dekimpe 2020), they promote cross-over effects to other products or services (Reichheld & Teal, 2001), contribute to positive word-of-mouth (Webster Jr. 1994 cited in Bombaij & Dekimpe, 2020) and ultimately they are more prompt to pay a price premium, according to Reichheld & Teal (2001). Also, a study conducted by Nielsen (2016 cited in Bombaij & Dekimpe, 2020) emphasizes that, besides the frequency of shopping, consumers self-report that they tend to spend more on retailers from which they are linked through an LP.

Despite these potential advantages, sometimes it becomes doubtful whether the potential risks associated with loyalty programs – the costs of introducing and maintaining them - outweigh the benefits. According to Bombaij and Dekimpe (2020), retailers commonly implement loyalty programs (LPs) to expand their customer base and increase customer spending. However, doubts persist about the long-term effectiveness of loyalty programs and whether such programs genuinely provide a competitive advantage compared to brands that opt not to introduce them. There are concerns about consumer reluctance to join LPs due to perceived enrollment efforts, program complexities, and privacy issues (Demoulin & Zidda, 2009; Noble & Phillips, 2004). Additionally, according to Sharp and Sharp (1997), LPs may fail to influence consumer behavior under some specific conditions, and there are some reasons why consumers may resist adopting LPs (Demouling and Zidda, 2009). Some other controversial authors (Dowling and Uncles, 1997) also argue about the unlikeliness of LPs in changing consumer behavior. Consequently, there is no clear evidence supporting the defensive value of loyalty programs and whether they can represent a competitive edge compared to brands that do not implement these types of programs. These uncertainties raise skepticism and prompt leaders to question the adoption of LPs, which reflects the need for a

comprehensive understanding of LPs' nuanced impact in competitive retail landscapes, specifying the type of programs that can work.

This study, therefore, argues that specific types of LPs, mediated by specific variables, can positively influence the relationship between LPs and brand competitiveness. The purpose is to bridge the gap by examining the impact of loyalty programs, such as customer tier programs (CTPs), on brand competitiveness in the cosmetics sector.

Sephora was the reference for this study since it is a successful cosmetics brand due to its strong brand presence, which prioritizes creating good relationships with consumers and ensuring that “clients catch up with the company” (Chen, 2023). Sephora’s customer-tier program gives the chain a competitive edge over other retailers in the beauty industry (Nastasoiu & VandenBosch, 2019). In this sense, the research question of this study is: How do customer tier programs impact brand competitiveness in the beauty industry? A study case on Sephora’s customer-tier program. By unraveling the intricate dynamics of this loyalty program and key factors like brand loyalty, brand equity, and brand competitiveness, we seek practical recommendations for leaders in the beauty industry navigating the complexities and doubts surrounding loyalty program implementation. The goal is to offer clarity on introducing a loyalty program as a well-founded decision, contributing positively to the brand's growth and competitive edge in the market.

For this purpose, this research delves into the strategic landscape surrounding CTPs, explicitly focusing on their potential to confer a competitive advantage through brand equity and brand loyalty they provide. The document's introductory section lays the foundation for understanding the dynamics of loyalty programs, specifically focusing on customer tier programs, brand loyalty, brand equity, and brand competitiveness. It begins with an overview of LPs as a strategic tool and delves into the theoretical underpinnings and empirical findings related to these programs, emphasizing the emergence and significance of CTPs. Through the exploration of various studies, the literature review elucidates the critical dimensions of brand loyalty, such as consistent preference, emotional attachment, and trust, and the role of brand equity in shaping consumer perceptions and behaviors. Additionally, it examines the concept of brand competitiveness and how it is possibly affected by CTPs through the concepts of brand loyalty and equity.

## **2. LITERATURE REVIEW**

In delving into the intricate dynamics of CTPs and their potential impact on competitive advantage, it becomes imperative to explore key concepts that underpin their effectiveness and strategic relevance. Unveiling the nuanced relationship between these LPs and brand competitiveness requires a comprehensive understanding of these fundamental concepts. By scrutinizing the intricate interplay between Loyalty Programs, brand loyalty, brand equity, and brand competitiveness, this literature review seeks to provide valuable insights for business leaders navigating the complexities of loyalty program implementation and understanding if CTPs can genuinely confer a competitive edge.

### **2.1 LOYALTY PROGRAMS**

Embarking on exploring loyalty programs takes us into a realm where businesses strategically cultivate enduring customer relationships. As Liu & Yang (2009) articulated, these programs unfold as long-term, customer-centric initiatives, offering a unique currency for accumulation that can later be redeemed for free rewards. Research indicates that investments in loyalty programs are associated with strengthened customer-to-firm relationships (Mimouni-Chaabane & Volle, 2010) and enhanced profitability (Lee, Capella, Taylor, & Gabler, 2014).

Loyalty programs emerge as the strategic tool firms use to augment customer retention. Well-structured loyalty programs, perceived to offer compelling rewards, have demonstrated a notable increase in service usage, regardless of customers' levels of attitudinal loyalty (Wirtz, Mattila, & Lwin, 2007). In this sense, firms recognize that these programs have a leading role in amplifying sales, capturing a larger share of the customer base, and retaining those who have been won over by the allure of rewards (Evanschitzky et al., 2012; Liu, 2007; Yi and Jeon, 2003) and even help identifying their audience (Leenheer & Bijmolt, 2008) Basically, loyalty programs are instrumental tools for fostering enduring customer relationships and enhancing brand loyalty. Businesses strategically cultivate these programs to not only augment sales and customer retention but also to identify and understand their audience in a nuanced manner. In this sense, companies have a solid customer database to collect and analyze customer data from a longitudinal perspective. This is a great advantage since it provides companies with a very nurtured view of “customer behavior, purchase, habits and preferences, allowing the firm

to improve its inventory management, pricing structures, and plan targeted promotions.” (Faramarzi & Bhattacharya 2021 p.314).

Since LPs are implemented as a marketing strategy and a way of consolidating and strengthening a firm-customer relationship (Dumoulin & Zidda 2009), when firms launch one, it is crucial for its success to obtain as many members for their target audience as possible. Then, over time, loyalty is fostered and constructed by benefits that are seen as rewards. These rewards and benefits are strategically proportioned to the members' spending (Kumar and Shah, 2004; Liu, 2007). It is a mutual relationship where customers are not just buyers but active contributors, enjoying the benefits of their loyalty alongside their purchases. Based on this logic, it is a structure with an intentional design created to build both attitudinal and behavioral bonds between customers and companies through loyalty-building techniques”(Kwiatek et al., 2018).

### **2.1.1 CUSTOMER TIER PROGRAMS**

Within the retail sector, loyalty programs often manifest in two predominant structures (Septianto et al. 2019): Frequency Reward Programs (FRPs) and Customer Tier Programs (CTPs), both proven to generate additional revenue (Breugelmans et al. 2015 and Kopalle et al. 2012).FRPs are characterized by incentives such as "buy X times, get something free" or "buy X amount/accumulate X points, receive a reward," which are tailored to resonate with customers inclined towards price considerations. On the other hand, CTPs, involving actions like "buy X amount/collect X points, qualify for a tier," cater to the service-oriented segment, offering perks like upgrades and preferential treatments (Breugelmans et al. 2015 and Kopalle et al. 2012 ). Customers are categorized into various tiers depending on their potential profitability or purchasing volumes (Blattberg et al. 2008; Drèze & Nunes 2009). Companies use these tiers as a framework to offer customers distinct preferential treatment, rewards, and services in higher tiers (Lacey, Suh, and Morgan, 2007).

For this study, and considering the cosmetic sector, CTP is the type being considered. Customer Tier Programs (CTPs) emerge as a strategic choice with distinctive advantages, with actions such as “once you qualify for xx tier, you will be guaranteed valuable services for a certain period.” Blattberg et al. (2008) apud Nishio & Takahiro (2022) provide customers with an engaging and rewarding progression based on their spending levels. Past studies, notably

by Kumar and Shah (2004), emphasize the effectiveness of CTPs in building both attitudinal and behavioral loyalty, aligning seamlessly with the objectives of both consumers and retailers.

With its diverse customer base, the retail industry finds CTPs particularly advantageous. In this context, where customer experience and personalized engagement are paramount, CTPs are a strategic choice that retains customers and propels future cash flows (Faramarzi & Bhattacharya, 2021).

These programs efficiently target customers based on revenue and profit potential, allowing for the adoption of customer-centric rewards. Based on this, we believe CTPs offer enhanced value, motivating customers with the promise of upgrades and preferential treatments, fostering increased loyalty and engagement.

Additionally, studies by Dreze and Nunes (2009) reveal a significant consumer preference for tier programs, even among non-elite consumers, with 71% expressing a preference for the perceived preferential treatment and motivational benefits offered by CTPs. This idea matches Liu (2007) and Reinartz and Kumar (2000), both enunciated by Nishio & Hoshino (2022) that state when creating a customer tier program, it is crucial to recognize that even customers with initially low or moderate spending levels can be significantly influenced by these programs, leading to enhanced loyalty. Often, businesses overlook these seemingly less profitable customers when developing marketing strategies due to their low purchase frequency. However, it is essential to distinguish between behavioral loyalty, indicated by purchase frequency, and attitudinal loyalty, associated with emotional commitment. Customers with lower purchase frequency may still hold high attitudinal loyalty, making them potentially profitable in the long run (Tanford & Baloglu, 2013; Radder et al., 2015 ).

In essence, within the retail sector, specifically regarding the beauty industry, implementing Customer Tier Programs seems to emerge as a smart strategy, offering an effective means to enhance customer loyalty, provide personalized incentives, and ultimately contribute to retail businesses' sustained growth and competitiveness.

### **2.1.2 SEPHORA'S LOYALTY PROGRAM**

Sephora has established a renowned customer-tier program for its efficacy and popularity among consumers. Under this program, customers earn points with each purchase, earning one point for every euro spent on the brand. These accumulated points unlock various

advantages and benefits tailored to their customer tier, categorized as white, black, or gold, corresponding to their spending levels.

- White Level (1-149 points): Customers at the white level enjoy exclusive special offers, access to a selection of gifts upon reaching 150 points, and access to beauty content.
- Black Level (150 – 999 points): Besides the benefits offered at the white level, customers who reach the black tier are entitled to receive a special birthday gift, adding an extra layer of appreciation and acknowledgment.
- Gold Level (1000+ points): Customers reaching the gold tier, having accumulated 1000 points or more, unlock a diversity of premium privileges. Alongside the benefits of the white and black levels, gold-level customers enjoy free delivery services, invitations to exclusive parties and events, a dedicated customer support line offering personalized assistance, and exclusive offers reserved for elite members.

This was the chosen brand since its program seems to have a well-designed tiered structure that incentivizes customer engagement and loyalty and rewards consumers with escalating levels of benefits and experiences commensurate with their loyalty and spending habits. Sephora's customer-tier program is a prime example of effective customer retention and engagement strategies within the cosmetics industry, fostering long-term relationships and enhancing the overall customer experience.

## **2.2 BRAND LOYALTY**

Brand loyalty is the degree of customer connection to a brand (Liu et al., 2012), reflecting the inclination to stay loyal to a specific brand, demonstrated by the preference to choose it as the first option for purchase (Yoo and Donthu, 2001). Genuine brand loyalty goes beyond emotional attachment; it involves trust and a compelling need to consistently choose and buy that brand (Bloemer and Kasper, 1995; He, Li & Harris, 2012; Klude, 2023).

However, it is always important to consider that brand loyalty encompasses behavioral and attitudinal dimensions (Li and Petrick, 2008). Behavioral brand loyalty revolves around repetitive purchases of a specific brand, while attitudinal brand loyalty delves into the psychological connection associated with the brand's unique value (Arjun & Holbrook, 2001). For this study, both dimensions are considered since, as proposed by many authors (1994), genuine and true loyalty is kind of a blend of positive behaviors and attitudes that arises when

positive actions align seamlessly with favorable attitudes (Dick and Basu, 1994; Oliver, 1999; Bandyopadhyay and Martell, 2007; Baumann et al., 2017; Agarwal, Mehrotra, & Misra, 2022).

Generally, loyal consumers have more positive perceptions of a brand they are committed to and are likelier to purchase and stick to that specific brand (Cagampan et al. 2022; Thwaites et al. 2012; Klude 2023). This happens because “loyal consumers driven by emotion are strongly attached to a particular brand and do not consider alternative brands” as Klude (2023, p.7) mentioned when cited by Fournier (1998). This commitment remains intact and is not affected by situational stimuli or marketing efforts to introduce switching behavior (Kasiri et al. 2017; Oliver et al. 1997; Vesel & Zabkar 2009 ). Since LPs serve as strategic tools to foster brand loyalty, this interconnected relationship between loyalty programs and brand loyalty suggests that a well-designed program tailored to reinforce behavioral and attitudinal brand loyalty may potentially confer a competitive advantage to businesses. The ability of loyalty programs to create positive brand perceptions and foster emotional attachments could contribute to increased customer retention, ultimately influencing the competitive landscape in favor of the brand, which is aligned with many authors (El-Adly, 2019; Hallowell, 1996; Kanakarathne et al., 2020; Khan et al., 2020; Kim et al., 2020; Lee and Cunningham, 2001; Rodríguez et al., 2020; Srinivasan et al., 2002 cited in Agarwal, Mehrotra, & Misra, 2022) that argue that LP’s foster the creation of sustainable competitive advantage. In this sense, it is hypothesized that:

*H1:CTPs positively influence brand loyalty*

This study argues that implementing CTPs, with their tier-based rewards and preferential treatments, strengthens the bond between customers and the brand and increases brand loyalty.

## **2.3 BRAND EQUITY**

In exploring the intricate dynamics of loyalty programs and their impact on brand competitiveness, it becomes imperative to delve into brand equity. While loyalty programs aim to cultivate and deepen the relationship between customers and the brand, understanding the broader context of brand equity becomes instrumental in understanding the lasting effects and potential competitive advantages that such programs may yield.

Brand equity, in essence, embodies the concept of a brand transcending beyond a mere product, becoming a source of enriched meaning and value for consumers. It is a stimulant, enhancing consumer responses to various marketing strategies, and “sustains a premium by introducing perceptual barriers that reduce comparison on price and product features.” (Formisano, Pauwels, & Zarantonello 2019, p.128).

Keller's (1993) perspective on brand equity (Formisano, Pauwels, & Zarantonello 2019) is framed as the distinctive impact of a brand on consumers' response to diverse marketing initiatives. The core components integral to brand equity encompass brand salience, reflecting the profoundness and scope of brand awareness, and brand meaning, encapsulating the robustness of brand associations that are characterized by their strength, nature, valence, and uniqueness, collectively contributing to the intricate tapestry of customer-based brand equity (Keller, 1993).

As we navigate the landscape of loyalty programs, it becomes clear that brand equity is the base upon which these programs build and thrive. Based on this, we anticipate that loyalty programs, by fostering deeper connections and positive brand associations, will enhance brand equity and fortify the brand's position in the market. In this sense, loyalty programs (LPs) can be viewed as the nurturing roots of brand equity. By fostering enduring customer relationships, LPs empower companies to enhance customer retention and address their needs more effectively, potentially leading to increased profitability. LPs' strategic implementation and adept management enable companies to cultivate customer relationships, deliver value, and actively engage with their preferences, fortifying brand equity. Based on this logic, the second hypothesis to be tested is:

*H2: CTPs positively influence brand equity*

since it is anticipated that the personalized incentives and enduring relationships fostered by CTPs will contribute positively to brand associations and enhance brand equity.

## **2.4 BRAND COMPETITIVENESS**

The brand competitiveness concept represents a condition under which a brand successfully represents adeptness in satisfying customers through the delivery of brand value while strategically positioning itself in the competitive marketplace, as stated by many authors (Webster, 1992; Bharadwaj, Rajan Varadrajana, & Fahy, 1993; Winzar et al., 2018 ) cited in Gupta, Gallea, John, & Foroundi (2020, p.214). This strategic positioning refers to the concept

highlighted by Tong and Wang (2011) that defines brand competitiveness as the brand's capability to compete effectively, leveraging its distinctiveness in internal features, external image, and regional characteristics when juxtaposed with rival brands. Similarly, Biaowen (2014) elaborates on brand competitiveness as integrating market share and value creation capability, contributing to the brand's recognition and overall image quality.

Exploring the realm of brand competitiveness opens a strategic dimension within a brand's marketing and operational endeavors (Biaowen, 2014). As we delve into the discourse on brand competitiveness, this study aims to unravel the role of loyalty programs (LPs), specifically CTPs, and assess their potential to align and significantly contribute to a brand's competitive advantage in the dynamic business landscape. For this purpose, it is anticipated that:

*H3: brand loyalty mediates the relationship between CTPs and brand competitiveness*

*H4: brand equity mediates the relationship between CTPs and brand competitiveness*

This means the loyalty cultivated through CTPs is expected to positively influence the brand's competitiveness by retaining customers and influencing their purchasing decisions.

Ultimately, it is formulated:

*H5: There is a direct positive relationship between CTPs and brand competitiveness.*

This hypothesis allows the comprehension of the overall ability of a brand to compete in the market effectively and if there is a direct positive relationship between Customer Tier Programs (CTPs) and Brand Competitiveness. CTPs, by providing unique and engaging customer experiences, are expected to confer a competitive advantage to brands in the dynamic business landscape. A higher level of CTP effectiveness or just implementing one is hypothesized to increase competitiveness and create a strategic brand advantage.

## **2.5 CONCEPTUAL MODEL**

Customer Tier Programs (CTPs) have gained prominence for their potential to enhance brand loyalty and elevate brand equity. As companies invest significantly in loyalty initiatives, doubts persist about their long-term true impact and whether they confer a tangible competitive advantage. The conceptual model underpinning this research seeks to unravel the multifaceted relationships between CTPs, brand loyalty, brand equity, and brand

competitiveness. By examining these interconnections, we aim to comprehensively understand whether CTPs, with their tier-based rewards and preferential treatments, can contribute significantly to a brand's competitive edge.

The hypotheses formulated in this conceptual model posit that implementing CTPs positively influences brand loyalty and brand equity, mediating the relationship between CTPs and brand competitiveness. Additionally, a direct positive relationship between CTPs and brand competitiveness is proposed.

In sum, the conceptual model suggests a causal relationship where the introduction and management of CTPs are hypothesized to cause changes in brand competitiveness. That said, implementing CTPs is expected to impact brand competitiveness positively, ultimately contributing to the brand's success in the market.

For this purpose, CTPs are defined as the independent variable, (1) brand loyalty and (2) brand equity are considered the mediator variables since they reflect (1) the degree of customer connection to a brand cultivated through CTPs) and (2) the impact of CTPs on enhancing brand associations and customer-based brand equity, and brand competitiveness is assumed as the dependent variable.

In this sense, it is hypothesized that brands that introduce and manage CTPs become more competitive in the market, distinguishing themselves from competitors. This assessment about whether there is a positive relationship between Customer Tier Programs (CTPs), Brand Loyalty, and Brand Equity is made by analyzing if the introduction and changes in these loyalty programs cause changes in brand competitiveness. The findings are anticipated to offer valuable insights for businesses considering or currently implementing CTPs, shedding light on the nuanced dynamics contributing to a brand's competitive advantage.

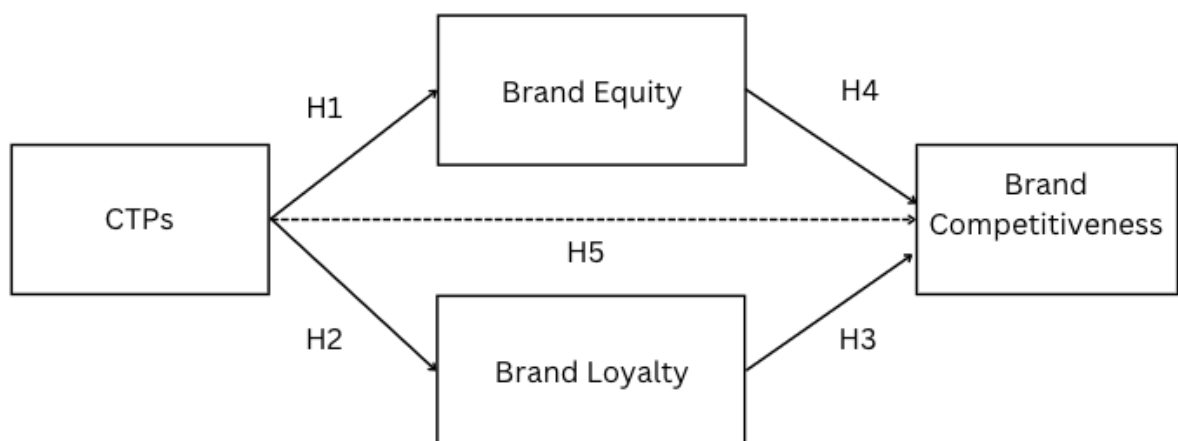


Figure 1 - Conceptual Model

### 3. METHOD

In this section, the method employed in this research will be introduced, emphasizing the non-comparative nature of the scales used and the Likert Scale format of the survey.

The scales utilized in this research are non-comparative, focusing on capturing respondents' perceptions and attitudes towards specific constructs (brand loyalty, program special treatment/customer tier programs, brand equity, and brand competitiveness) without direct comparisons to other entities or scenarios. The aim is to gather insights into participants' perceptions and behaviors related to these constructs. The Likert scale will be adopted to measure these attitudes and opinions, allowing respondents to express their level of agreement or disagreement with the statements based on the constructs under investigation. Participants will be presented with a range of response options such as "Strongly disagree", "Disagree", "Neutral", "Agree" and "Strongly Agree" enabling them to indicate the extent to which they agree or disagree with each statement. The survey will also include characterization questions to understand the profile of the respondents. Additionally, there is a section with questions designed to measure satisfaction levels with the program on a scale from 0 to 10, as well as inquiries about their consumption habits and frequency, the number of years they have been members of the program, and their current membership level (Appendix C).

The goal is to gauge participants' opinions and sentiments regarding loyalty programs, specifically the customer tier program of Sephora, through brand loyalty and brand equity within the beauty industry. By investigating the interplay between these concepts, this study seeks to uncover insights about the role of CTPs in shaping consumers' perceptions and behaviors toward brands based on Sephora's case. In this sense, by assessing the impact of CTPs on brand loyalty and brand equity, this research aims to understand their role in enhancing brand competitiveness. It will help understand if brands, through CTPs, increase their ability to position themselves in the marketplace effectively, differentiate themselves from competitors, and attract and retain customers.

The constructs utilized in this study were adapted from established research, ensuring a robust theoretical foundation. To align with this study's specific objectives and background, necessary adaptations were made to the items accordingly. These modifications ensure relevance and enhance the applicability of the constructs within this research's context.

Constructs	Original Items	Adapted items
Brand Equity (BE) (Ansary & Hashim, 2017)	<p><b>BE1:</b> It makes sense to buy this brand instead of other brands, even if they are the same</p> <p><b>BE2:</b> Even if another brand has similar features, I would prefer to buy this brand</p> <p><b>BE3:</b> If there is another brand as good as this brand, I would prefer to buy this brand</p>	<p><b>BE1:</b> It makes sense to buy cosmetic products on Sephora that have a customer tier program instead of other brands, even if they are the same</p> <p><b>BE2:</b> Even if other cosmetic brands have similar features, I prefer to buy Sephora as a customer tier program.</p> <p><b>BE3:</b> If other brands are as good as Sephora, I would prefer to buy cosmetic products from Sephora through a customer tier program.</p>
Brand Loyalty (BL) (Raghuvir & Rani, 2024)	<p><b>BL1:</b>It makes sense to buy/continue services from my bank instead of any other brand, even if they are the same</p> <p><b>BL2:</b>Even if another bank has the same features as my bank, I would prefer my bank</p> <p><b>BL3:</b>If there is another bank as good as mine, I prefer my bank</p> <p><b>BL4:</b>When practical, I provide positive written feedback on this service provider (e.g., recommendation blogs, ratings, and comments on review websites).</p> <p><b>BL5:</b>I take the initiative to actively promote this service provider (e.g., passing on details of this service provider)</p> <p><b>BL6:</b>I have managed to convince other people to deal with this bank</p> <p><b>BL7:</b>I say positive things about the bank to other people.</p>	<p><b>BL1:</b> It is logical for me to continue purchasing cosmetic products from Sephora associated with a customer tier program rather than switching to other brands.</p> <p><b>BL2:</b> Even if other brands offer similar features, I prefer to buy cosmetic products from Sephora, which is associated with a customer tier program from which I'm a member.</p> <p><b>BL3:</b> If another brand is as good as Sephora, I would prefer to buy cosmetic products from Sephora.</p> <p><b>BL4:</b> I actively provide positive written feedback on Sephora, associated with a customer tier program, through various channels such as recommendation blogs and review websites.</p> <p><b>BL5:</b> I take the initiative to promote Sephora, which provides this program actively</p> <p><b>BL6:</b> I have successfully influenced others to engage with Sephora, which is associated with the customer</p>

		<p>tier program.</p> <p><b>BL7:</b> I speak positively with others about Sephora because it is associated with the customer tier program.</p>
<p>Brand Competitiveness (BC) (Ahmed &amp; Latif, 2018 )</p>	<p><b>BC1:</b> Even if another company brand has the same features as the Minister, I would prefer to buy the Minister</p> <p><b>BC2:</b> If another brand is not different from the Minister in any way, it seems smarter to purchase the Minister</p> <p><b>BC3:</b> The Minister is more than a product to me</p> <p><b>BC4:</b> I consider this brand of Minister to be a bargain because of the benefits I receive</p>	<p><b>BC1:</b> Even if other cosmetic brands offer the same features, I prefer to purchase from Sephora because the brand is associated with a customer tier program.</p> <p><b>BC2:</b> If other cosmetic brands offer identical products or services, it is more attractive to buy cosmetic brands with a customer tier program like Sephora.</p> <p><b>BC3:</b> Sephora, associated with a customer tier program, holds more significance to me than just the product itself.</p> <p><b>BC4:</b> I perceive cosmetic brands associated with a customer tier program like Sephora as offering better value for money due to the benefits I receive.</p>
<p>Program Special Treatment (PST) (Evanschitzky, et al., 2011)</p>	<p><b>PST1:</b> As I am a member of the loyalty program, they do services for me that they don't do for most customers</p> <p><b>PST2:</b> As I am a member of the loyalty program, I get discounts or special deals that most customers don't get</p> <p><b>PST3:</b> As I am a member of the loyalty program, I get better prices than most customers</p> <p><b>PST4:</b> As I am a member of the loyalty program, I am usually placed higher on the priority list when there is a waiting list</p>	<p><b>PST1:</b> As a member of Sephora's program, I receive exclusive services unavailable to regular customers.</p> <p><b>PST2:</b> Membership in Sephora's program grants me access to discounts or special deals that regular customers do not receive.</p> <p><b>PST3:</b> Being part of Sephora's program entitles me to better prices compared to regular customers.</p> <p><b>PST4:</b> Membership in Sephora's program gives me priority treatment.</p>

--	--	--

Table 1 - Constructs and adapted items

### 3.1 SAMPLE DESCRIPTION

The survey sample consists of a diverse group of 289 participants with detailed demographics and socioeconomic characteristics as follows:

In terms of gender distribution, there are 179 female respondents and 109 male respondents. Regarding age distribution, 40% of respondents are between 18-24 years old (116 respondents), another 40% are between 25-34 years old (115 respondents), 13% are between 35-44 years old (38 respondents), 4% are between 45-54 years old (12 respondents), 3% are between 55-64 years old (9 respondents),.

When it comes to educational level, only one respondent has primary education, 16% have secondary education (47 respondents), 50% hold a bachelor's degree (145 respondents), 31% have a master's degree (91 respondents), 1% have a doctorate (2 respondents), and 1% have other educational backgrounds (4 respondents).

Geographically, 22% of the respondents are from the North (65 respondents), 21% from the Center (60 respondents), 20% from the Lisbon region (59 respondents), 1% from Alentejo (4 respondents), 1% from Algarve (4 respondents), 1% from the Azores Autonomous Region (2 respondents), only one respondent from the Madeira Autonomous Region and 33% from other countries (95 respondents).

In terms of monthly household income, 6% of respondents earn less than 800€ (17 respondents), 17% earn between 800€ and 1000€ (48 respondents), 24% earn between 1001€ and 1500€ (70 respondents), 17% earn between 1501€ and 2000€ (49 respondents), 26% earn above 2000€ (74 respondents), and 11% prefer not to disclose their income (32 respondents).

## 4. RESULTS

When analyzing the descriptive statistics (Appendix A), the results for brand equity (BE1, BE2, BE3) show mean scores above 3.6, suggesting general agreement that the customer tier program enhances brand equity. Skewness is negative, and standard deviations are moderate, indicating overall positive but varied responses. The overall sentiment suggests that the customer tier program significantly enhances Sephora's brand equity.

Brand loyalty (Q10 to Q16) shows mean scores that vary more widely (2.654 to 3.792). Lower scores for Q13 (2.654) and Q14 (2.737) suggest less active promotion and influence of others, while higher scores for Q10 and Q11 show a continued purchasing preference. The varied standard deviations, especially the highest at 1.419 for Q15, indicate differing opinions on brand loyalty. Negative skewness in most questions suggests responses inclined towards agreement, with flatter distributions due to negative kurtosis.

The mean scores of brand competitiveness (Q17 to Q20) are generally above 3.6, indicating agreement that the program enhances brand competitiveness. Q19 has a slightly lower mean (2.913), indicating mixed views on the perceived additional value beyond the product. The standard deviations suggest some variation, while negative skewness values show responses are skewed towards agreement. The kurtosis values reflect a mix of flatter distributions and responses clustering around the mean.

Regarding the special treatment program (Q21 to Q24), high mean scores (3.253 to 4.097) and low standard deviations suggest strong and consistent agreement that the program offers exclusive benefits, deals, and better prices. Q22 (mean of 4.097) and Q23 (mean of 3.920) have the highest scores, indicating substantial agreement that the program provides significant benefits. These questions also have the lowest standard deviations, showing consistent participant responses. Skewness values are predominantly negative, suggesting agreement with the statements, while the positive kurtosis for Q22 indicates a more peaked distribution with responses clustering around the mean.

In summary, the data suggests that participants generally agree on the positive aspects of Sephora's customer tier program, particularly appreciating the special deals and better

prices. However, there is less enthusiasm for actively promoting the program and influencing others to join. Responses are more varied on these latter points, indicating divergent opinions among participants.

Regarding the different benefits offered by the loyalty program valued by the members, it is possible to see the percentage of choice of each benefit. The values indicate that the members of Sephora’s program value special offers and discounts the most (81% of the respondents selected this option), followed by birthday gifts (53%). Benefits like presents for each 150 points (39%) and exclusive beauty content (17%) are moderately valued. In contrast, the other benefits the program offers are the least valued. This suggests prioritizing special offers, discounts, and birthday gifts to enhance member satisfaction and engagement.

Benefits	Percentage
Special offers/discounts	<b>81%</b>
Birthday gift	<b>53%</b>
Present for each 150 points	<b>39%</b>
Exclusive beauty content	17%
Customer Service Line	10%
Exclusive gold offers	9%
Gold parties invites	6%
Others	2%

Table 2 - Benefits valued by the customers

## 4.1 MEASUREMENT MODEL

### 4.1.1 LOADINGS

When evaluating the loadings (Appendix A), considering a threshold of 0.70, the results show that most items have loadings above this value, indicating a significant contribution to measuring the corresponding constructs. However, brand loyalty has the BL4 representing a loading of 0.616, below the acceptable threshold. Also, the PST4 has a loading of 0.694, slightly below 0.70. For that reason, these two constructs were eliminated from the analysis. For the rest of the loadings, all the p-values show high significance

**4.1.2 CONSTRUCTS RELIABILITY AND VALIDITY**

When analyzing the results (appendix C), Brand Loyalty shows high reliability, with Cronbach's Alpha at 0.865 and Composite Reliability values (rho\_a: 0.866; rho\_c: 0.899) confirming consistency. The AVE value is 0.597, indicating sufficient convergent validity, meaning the items capture all aspects of brand loyalty and are consistent. It has good reliability when analyzing program special treatment, with a Cronbach's Alpha of 0.830 and Composite Reliability values (rho\_a: 0.835; rho\_c: 0.898). The AVE is 0.747, indicating good convergent validity, showing that the items represent the construct well. Brand competitiveness is also reliable, with Cronbach's Alpha at 0.800 and Composite Reliability values (rho\_a: 0.822; rho\_c: 0.870). The AVE of 0.626 indicates acceptable convergent validity, suggesting the items are consistent and adequately represent brand competitiveness. Brand equity also shows good reliability and convergent validity, with a Cronbach's Alpha of 0.772 and Composite Reliability values (rho\_a: 0.779; rho\_c: 0.868). The AVE is 0.687, indicating that the items represent the construct well.

Overall, the constructs "Program Special Treatment," "Brand Competitiveness," "Brand Equity" and "Brand Loyalty" are well-measured, showing good reliability and convergent validity. The positive findings for these constructs suggest that Customer Tier Programs (CTPs) significantly and positively impact these aspects.

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average Variance Extracted (AVE)
Brand_competitiveness	0.800	0.822	0.870	0.626
Brand_equity	0.772	0.779	0.868	0.687
Brand_loyalty	0.869	0.866	0.899	0.597
Program_special_treatment	0.807	0.835	0.898	0.747

Table 3 - Constructs reliability and validity

**4.1.3 DISCRIMINANT VALIDITY**

When accessing the Fornell-Larcker criterion (appendix E), the results show that diagonal values of brand loyalty and brand competitiveness (0.791 and 0.864, respectively) are not greater than all their off-diagonal correlations. Therefore, discriminant validity is not established for BC and BL. Nevertheless, these two constructs are theoretically related, which might influence empirical overlap because both constructs may have measures that influence

each other. Conversely, brand equity and special treatment programs exhibit discriminant validity. The diagonal values (0.829 for BE and 0.864 for PST) exceed all corresponding off-diagonal correlations (0.760, 0.755, 0.490 for BE; 0.599, 0.537, 0.561 for PST). Hence, BE and PST meet the Fornell-Larcker criterion for discriminant validity.

	Brand_competitiveness	Brand_equity	Brand_loyalty	Program_special_treatment
Brand_competitiveness	<b>0.791</b>			
Brand_equity	0.760	<b>0.829</b>		
Brand_loyalty	0.833	0.755	<b>0.772</b>	
Program_special_treatment	0.561	0.490	0.514	<b>0.864</b>

Table 4 - Discriminant validity

A heterotrait-monotrait (HTMT) ratio analysis was also conducted to assess the discriminant validity, considering a threshold of 0.90.

Given the results, the values between BC and BE and between BL and BC are above 0.90, indicating a lack of discriminant validity among these constructs. This confirms the issues identified with the Fornell-Larcker criterion. Nevertheless, the PST and the other constructs (BC, BE, BL) are below the defined threshold, indicating good discriminant validity for program special treatment.

	Brand_competitiveness	Brand_equity	Brand_loyalty
Brand_competitiveness			
Brand_equity	0.948		
Brand_loyalty	0.964	0.895	
Program_special_treatment	0.745	0.675	0.685

Table 5- Heterotrait- monoratrait ratio

The Variance Inflation Factor (VIF) analysis shows (Appendix A) that all VIF values for Brand Equity, Brand Loyalty, Brand Competitiveness, and Program Special Treatment items are below 3.0 (reference), indicating no problematic multicollinearity and ensuring reliability and validity of the constructs. This means that each item uniquely contributes to the measurement of the correspondent construct without redundancy and ensures reliability and validity.

The cross loadings table (appendix B) demonstrates acceptable discriminant validity for all constructs (Brand Equity, Brand Loyalty, Brand Competitiveness, and Program Special Treatment). Each item loads higher on its respective construct than on others, confirming that the constructs are distinct and measured effectively by their respective items. The slight deviation in some items (e.g., Q14 in BL) does not significantly compromise the overall reliability and validity of the constructs.

**4.2 STRUCTURAL MODEL**

**4.2.1 R-SQUARE ANALYSIS**

Interpreting the brand competitiveness values, the R-square of 0.742 indicates that the independent variable program special treatment explains 74.2% of the variance in brand competitiveness. The adjusted R-square value is slightly lower (0.739) but still indicates a very robust model. Regarding the R-square value of brand equity, it indicates that 24% of the variance in this construct is explained by program special treatment, suggesting a moderate level of explanatory power. While not as strong as the model for brand competitiveness, it still indicates a meaningful impact of the program's special treatment on brand equity. The adjusted R-square value suggests that the model’s explanatory power is fairly stable. Similarly, analyzing the brand loyalty R-square values indicates that 26.5% of the variance in brand loyalty is explained by program special treatment, indicating a moderate but significant impact on brand loyalty. The R-square value confirms the stability and reliability of the model’s explanatory power.

Overall, the very high R-square value for brand competitiveness captures the indirect effects of program special treatment through brand loyalty and equity, suggesting that enhancing customer loyalty and equity through these programs is relevant for driving brand competitiveness. However, the moderate R-square values for brand equity and loyalty suggest that program special treatment is important, but other contributing factors should be considered for a more comprehensive understanding.

	R-square	R-square adjusted
Brand_competitiveness	0.742	0.739
Brand_equity	0.240	0.238
Brand_loyalty	0.265	0.262

Table 6 - R-square analysis

#### 4.2.2 PATH COEFFICIENTS AND SIGNIFICANCE ANALYSIS

When analyzing the path coefficients and direct effects, the path coefficient between brand equity and brand competitiveness indicates a positive relationship between brand equity and brand competitiveness. However, the high significance value (0.968) suggests that this relationship is not statistically significant. Regarding brand loyalty to brand competitiveness, the path coefficient indicates a strong positive relationship between brand loyalty and brand competitiveness. However, the high p-value of 0.787 indicates that this relationship is also not statistically significant. The direct path coefficient between program special treatment and brand competitiveness is relatively small and not statistically significant (p-value of 0.732). However, the total effect (0.561) indicates a significant indirect influence on brand competitiveness through brand equity and loyalty. Regarding program special treatment and brand equity, the path coefficient indicates a strong positive relationship between these constructs. The p-value (0.000) suggests that this relationship is highly statistically significant. Lastly, the path coefficient indicates a strong positive relationship between program special treatment and brand loyalty. The p-value (0.000) also suggests that this relationship is highly statistically significant.

The results indicate that while program special treatment does not directly enhance brand competitiveness, it indirectly influences brand competitiveness by improving brand equity and brand loyalty. This aligns with the conceptual model, suggesting that the effectiveness of the program's special treatment in enhancing brand competitiveness is mediated by its positive impact on brand equity and brand loyalty. Brand equity and brand loyalty mediate between special treatment in the program and brand competitiveness. Program Special Treatment has a direct and significant impact on brand equity and brand loyalty, which, in turn, enhances brand competitiveness.

	Path Coefficients	p-value direct effects	Indirect effects	Total effects	p-values total effects
Brand_equity -> Brand_competitiveness	0.253	0.968		0.253	<b>0.000</b>
Brand_loyalty -> Brand_competitiveness	0.560	0.787		0.560	<b>0.000</b>

Program_special_treatment - > Brand_competitiveness	0.149	0.732	0.412	0.561	<b>0.000</b>
Program_special_treatment - > Brand_equity	0.490	<b>0.000</b>		0.490	<b>0.000</b>
Program_special_treatment - > Brand_loyalty	0.514	<b>0.000</b>		0.514	<b>0.000</b>

Table 7 - Path coefficients and p-values

### 4.3 MULTIGROUP ANALYSIS

A multi-group analysis was conducted to understand the differential impacts of various constructs on Brand Competitiveness across distinct customer tiers within the membership program. These tiers include Group Gold (high spenders), Group Black (middle spenders), and Group White (low spenders). This analysis helps identify how different factors such as Brand Equity, Brand Loyalty, and Program Special Treatment influence Brand Competitiveness within each group.

#### 4.3.1 MEMBERSHIP LEVEL

These relationships' significance levels (p-values) were analyzed to discern how the membership level affects these dynamics.

	p-value (Group_Gold)	p-value (Group_Black)	p-value (Group_White)
Brand_equity -> Brand_competitiveness	0.949	0.000	0.001
Brand_loyalty -> Brand_competitiveness	0.014	0.000	0.000
Program_special_treatment - > Brand_competitiveness	0.800	0.055	0.014
Program_special_treatment - > Brand_equity	0.000	0.000	0.000
Program_special_treatment - > Brand_loyalty	0.000	0.000	0.000

Table 8 - Multigroup Analysis - Membership Level

##### 4.3.1.1 GROUP GOLD

In the Gold group, composed of 18 members, the relationship between Brand Equity and Brand Competitiveness is not significant, indicating that enhancing Brand Equity does not contribute directly to improving Brand Competitiveness in this group. However, Brand Loyalty significantly influences Brand Competitiveness, suggesting that efforts to foster Brand Loyalty

are crucial for competitive advantage. Furthermore, Program Special Treatment does not have a direct significant impact on Brand Competitiveness, but it does significantly influence both Brand Equity and Brand Loyalty. While Program Special Treatment may not directly boost competitiveness, it enhances intermediate factors (Brand Equity and Brand Loyalty) that contribute to competitiveness.

#### **4.3.1.2 GROUP BLACK**

Similarly, in the Black group with 68 participants, Brand Equity and Brand Loyalty significantly influence Brand Competitiveness. This suggests that efforts to improve Brand Equity are crucial for competitiveness. Program Special Treatment moderately impacts brand competitiveness, indicating its effectiveness in directly enhancing competitiveness. Additionally, special treatment programs significantly influence brand equity and loyalty, confirming their role in improving these intermediate factors that contribute to competitiveness.

#### **4.3.1.3 GROUP WHITE**

In the White group, comprising 203 participants, brand equity and loyalty significantly influence brand competitiveness. Additionally, program special treatment significantly impacts brand competitiveness, indicating that such programs effectively enhance competitiveness. Program Special Treatment also significantly influences both Brand Equity and Brand Loyalty.

#### **4.3.2 SATISFACTION LEVEL**

This multi-group analysis examines the relationships between different constructs within customer satisfaction levels ranging from 4 to 10 within the context of Sephora's loyalty program. The satisfaction levels from 0-3 were excluded due to only 18 participants selecting these options. The p-values were obtained from bootstrapping results to understand the significance of these relationships. The group distribution is as follows: 26 participants selected satisfaction level 10, 20 participants selected level 9, 58 participants chose level 8, 61 participants reported a satisfaction level of 7, 41 participants chose level 6, 45 participants reported a level of 5, and 20 participants indicated a satisfaction level of 4.

When analyzing the relationship between brand equity and competitiveness, the p-values are significant at satisfaction levels 10, 9, and 8, indicating that brand equity significantly impacts brand competitiveness for highly satisfied customers. The influence of brand loyalty on brand competitiveness is significant at satisfaction levels 9, 8, 7, 6, and 5, suggesting that brand loyalty is a critical determinant of brand competitiveness across most satisfaction levels, except the very lowest. Regarding the influence of program special treatment on brand competitiveness, the p-value is significant at level 6 of satisfaction, indicating a direct impact of special treatment program on brand competitiveness for moderately satisfied customers. When it refers to the impact of program special treatment on brand equity, it is significant at satisfaction levels 10, 8, 7, 6, and 5, indicating that special treatment programs significantly enhance brand equity for these satisfaction levels. Similarly, the impact of special treatment programs on brand loyalty is significant at satisfaction levels 10, 8, 7, 6, and 5, indicating that special treatment significantly improves brand loyalty for these groups.

Because of the indirect relationships the model accommodates, we conducted a mediation analysis to understand the indirect effects of Program Special Treatment on Brand Competitiveness through Brand Equity and Brand Loyalty across different satisfaction levels. Calculations of Indirect Effects:

- Indirect Effect through Brand Equity (PST → BE → BC): indirect effect = Path PST to BE x Path BE to BC =  $0.490 \times 0.253 = 0.123$
- Indirect Effect through Brand Loyalty (PST → BL → BC) : indirect effect = Path PST to BL x Path BL to BC =  $0.514 \times 0.560 = 0.288$

This result indicates that the effect of program special treatment on brand competitiveness is mediated through brand equity. The value of 0.123 suggests that a substantial part of the effect of PST on BC occurs indirectly via BE. This means that when special treatment programs enhance brand equity, they subsequently improve brand competitiveness. Regarding the indirect effect through brand loyalty, the results show that the effect of program special treatment on brand competitiveness is also mediated through brand loyalty. The higher value of 0.288 indicates that the mediation effect through BL is more substantial than through BE. This suggests that special treatment programs strongly influence brand loyalty, significantly enhancing brand competitiveness.

The indirect effect of 0.123 indicates that brand equity significantly mediates the relationship between program special treatment and brand competitiveness. The higher indirect effect of 0.288 indicates that brand loyalty is an even stronger mediator than brand equity in the relationship between program special treatment and brand competitiveness.

Overall, program special treatment generally significantly impacts brand equity and brand loyalty across a range of satisfaction levels, affecting brand competitiveness. However, the direct impact of special treatment on brand competitiveness is more limited, being significant only at satisfaction level 6. Nevertheless, the mediation analysis adds depth to understanding how PST influences BC. It highlights the critical roles of BE and BL as mediators, with brand loyalty having a more substantial mediating effect.

	p-value						
	Satisfaction 10	Satisfaction 9	Satisfaction 8	Satisfaction 7	Satisfaction 6	Satisfaction 5	Satisfaction 4
Brand_equity -> Brand_competitiveness	0.025	0.000	0.000	0.149	0.127	0.781	0.160
Brand_loyalty -> Brand_competitiveness	0.152	0.000	0.000	0.000	0.026	0.000	0.103
Program_special_treatment -> Brand_competitiveness	0.390	0.424	0.062	0.361	0.011	0.457	0.936
Program_special_treatment -> Brand_equity	0.000	0.828	0.000	0.004	0.001	0.010	0.069
Program_special_treatment -> Brand_loyalty	0.000	0.573	0.000	0.000	0.002	0.012	0.164

Table 9 - Multigroup Analysis - Satisfaction Level

### 4.3.3 MEMBERSHIP DURATION

This multigroup analysis is based on the duration of membership. The groups consist of the following: 72 people have been members for less than a year, 53 for about a year, 43 for nearly two years, 17 for three years, and 31 for more than four years. Additionally, 73 people are no longer members of the program.

Regarding the groups of people that have been members of the program for less than 1 year, a year, and 3 years, all paths are significant except PST -> BC. This means that for new

members, PST significantly influences BE and BL, significantly influencing BC. PST's direct effect on BC is insignificant, indicating mediation through BE and BL.

Almost all paths are significant for members with a 2-year tenure, excluding brand equity to brand competitiveness. Program Special Treatment significantly influences Brand Equity and Brand Loyalty, significantly influencing Brand Competitiveness. This suggests a strong mediation effect and direct influence of PST on BC.

All paths are significant for members with more than 4 years, excluding the path from brand equity to brand competitiveness. This suggests both direct and mediated effects of PST on BC through BE and BL, with a slight direct impact.

For former members, PST significantly influences BL but not BE, showing no significant impact on BC. Since the direct effect of PST on BC is insignificant, it indicates that BL essentially mediates PST's effect on BC.

p-value						
	Group_less1 year	Group_1year	Group_2years	Group_3years	Group_+4years	Group_no_longer_member
BE-> BC	0.001	0.018	0.079	0.001	0.156	0.129
BL-> BC	0.000	0.007	0.007	0.001	0.000	0.000
PST -> BC	0.461	0.583	0.017	0.647	0.010	0.201
PST -> BE	0.000	0.000	0.000	0.000	0.000	0.002
PST -> BL	0.000	0.000	0.000	0.000	0.000	0.004

Table 10 - Multigroup Analysis - Membership Duration

## 5. DISCUSSION AND CONCLUSION

This study explores the intricate dynamics between Customer Tier Programs (CTPs) and their impact on brand equity, brand loyalty, and brand competitiveness, specifically within the context of Sephora's loyalty program. By employing a comprehensive multigroup analysis, it was examined how these relationships vary across membership, satisfaction, and membership durations. The descriptive statistics highlight that participants generally perceive Sephora's customer tier program positively, with special offers and discounts being the most valued benefits. In this sense, the doubts regarding “the extent to which loyalty programs affect consumers’ \_perception and sense of worth toward commodities and their prices” (Nishio & Hoshino 2022, p.1) were clarified. The conclusions bring clarity not only if brands should or should not implement loyalty programs but also bring some highlights on the structure of the program that is well accepted by consumers, contributing to the gap mentioned by Bombaj and Dekimpe (2020) “retailers not only differ in whether or not they implement an LP but also in how they implement it. These differences typically apply to (i) the timing of the reward, (ii) the type of reward, and (iii) the progressiveness of the reward structure (p.176).

The structural model revealed significant indirect effects of program special treatment on brand competitiveness through brand equity and loyalty, particularly at higher satisfaction levels, emphasizing that “Loyalty programs can be defined as a firm’s structural effort to build attitudinal and behavioral bonds between customers and the firm through loyalty-building techniques” (Tuzovic 2020, p.208). However, direct impacts on brand competitiveness were less consistent across different groups. Membership duration analysis indicated that new and long-term members experience different degrees of influence from the program, with longer-term members showing more significant direct and mediated effects.

The findings support the hypothesis with varying degrees of significance. It is confirmed that CTPs positively influence both brand loyalty and brand equity (H1 and H2). The results indicate a strong direct impact of this program's benefits on enhancing customer loyalty and perceived brand value, which aligns with Klude's “loyal consumers driven by emotion are strongly attached to a particular brand and do not consider alternative brands” (Klude, 2023, p.7) Also, the mediating roles of brand loyalty and equity in the relationship between CTPs and brand competitiveness were confirmed (H3 and H4) being in concordance with the idea that brand loyalty involves a compelling need to consistently choose and buy that brand

(Bloemer and Kasper, 1995; He, Li & Harris, 2012; Klude, 2023) and that brand equity “sustains a premium by introducing perceptual barriers that reduce comparison on price and product features.” (Formisano, Pauwels, & Zarantonello 2019, p.128) and is a stimulant that enhances consumer responses to some marketing strategies, like customer-tier programs.

. However, the direct paths from both mediators to brand competitiveness were not statistically significant, being controversial regarding the conclusions of Ahmed & Latif, who stated that “brand loyalty has significant relationships with brand competitiveness” (p.10). The hypothesis that CTPs have a direct positive impact on brand competitiveness was not supported. This suggests that while CTPs strengthen loyalty and equity, their direct influence on competitiveness is not significant when considered alone. Instead, the total effects (0 p-values), which include both direct and indirect paths, showed significant mediation through loyalty and equity, underscoring the importance of the mediators. CTPs directly influence brand competitiveness indirectly by enhancing brand loyalty and equity. In this sense, the hypothesis that CTPs directly impact brand competitiveness was not supported. This nuanced understanding is essential for brand managers who must recognize the relevance of fostering loyalty and equity to drive a brand's competitiveness and implement CTPs as a strategic step to retain their customers and improve future cash flows (Faramarzi & Bhattacharya, 2021) through both mediators.

The study concludes that program special treatment effectively enhances brand equity and loyalty, which drives brand competitiveness. However, the direct impact of special treatment programs on competitiveness varies based on satisfaction levels and membership duration, underscoring the need for tailored strategies to maximize the program's effectiveness.

## 5.1 THEORETICAL IMPLICATIONS

The findings of this study contribute to the theoretical understanding of the relationships between program special treatment, brand equity, brand loyalty, and brand competitiveness, adding depth to existing theories on loyalty programs and brand dynamics.

Firstly, the study supports the theoretical model where program special treatment indirectly influences brand competitiveness through brand equity and loyalty aligning with many authors (El-Adly, 2019; Hallowell, 1996; Kanakarathne et al., 2020; Khan et al., 2020; Kim et al., 2020; Lee and Cunningham, 2001; Rodríguez et al., 2020; Srinivasan et al., 2002 cited in Agarwal, Mehrotra, & Misra, 2022). These findings complement existing theories that emphasize the mediating role of BE and BL in translating program initiatives into competitive advantage (Nielsen 2016, cited in Bombaij & Dekimpe, 2020). Future research can build on this model to explore other potential mediators or moderators.

The overall positive perception of customer tier programs provided by the respondents adds a defensive value to these programs regarding controversial theories (Demouling and Zidda, 2009). Furthermore, it is confirmed that the positive influence of the special treatment these programs provide strengthens customer-firm relationships (Mimouni Chaabane & Volle, 2010) as it enhances brand equity and loyalty. Also, consumers do value the rewards, adding detail to the argument of Evanschitzky et al. (2012), Liu (2007), and Yi and Jeon (2003) since special offers and discounts, as well as birthday gifts, were the most valued benefits. Besides that, the varying effects of program special treatment on brand equity, brand loyalty, and brand across different customer segments (e.g., high spenders vs. low spenders) and satisfaction levels provide an understanding of consumer behavior and provide insights into how different customer segments respond to loyalty programs which converges with Breugelmans et al. (2015) and Kopalle et al. (2012) when arguing that loyalty programs do shape consumer behavior according to their structures. This highlights the importance of context and segmentation in theoretical brand management models. Researchers should consider segment-specific analyses in future studies to uncover more detailed insights since it was proved that customers with low and moderating levels of spending are also influenced by

these programs (Liu, 2007 and Reinartz and Kumar, 2000, cited in Nishio & Hoshino, 2022). The study's findings on the impact of membership duration on the relationships between program special treatment, brand equity, brand loyalty, and brand competitiveness also contribute to understanding how customer relationships evolve over time. This suggests that theories of brand loyalty and competitiveness should incorporate temporal dynamics and the lifecycle stages of customer relationships.

This study offers valuable insights into the roles of program special treatment, brand equity, brand loyalty, and brand competitiveness. Managers can design more effective strategies to enhance brand competitiveness by understanding these constructs' direct and indirect effects. Theoretical models can also be refined to incorporate the complex dynamics uncovered in this study, paving the way for further research in brand management.

## **5.2 MANAGERIAL IMPLICATIONS**

The results from the analysis provide several insights that can inform managerial decision-making in improving brand competitiveness through strategic interventions in program special treatment, brand equity, and brand loyalty. This study underscores the relevance of enhancing program special to boost and influence brand equity and loyalty since program special treatment explains 49% of the variance in brand equity and 51% in brand loyalty. Managers might continue to invest in and innovate program special treatment initiative as they play a crucial role in shaping consumer perceptions and loyalty. Besides that, given the different impacts of program special treatment on various membership levels, tailored approaches for different customer segments are necessary. For instance, the special treatment should be more intensive and personalized for high spenders to foster loyalty, whereas for lower spenders programs that enhance immediate value (e.g., discounts) may be more effective regardless of both direct and indirect effects of program special treatment in brand competitiveness being significant in this groups.

Furthermore, initiatives to enhance brand equity and brand loyalty should be prioritized as they ultimately drive brand competitiveness. For example, customer engagement activities that increase perceived brand value and loyalty can indirectly enhance competitiveness.

The differential impact across customer satisfaction levels should also be considered. For highly satisfied customers (8-10), program special treatment significantly impacts brand equity and loyalty, affecting brand competitiveness. Efforts should focus on maintaining these high satisfaction levels through consistent special treatment initiatives. For moderately satisfied consumers, program special treatment influence on brand competitiveness is mediated mainly by brand loyalty. In this sense, managers should implement initiatives that build loyalty to improve satisfaction and loyalty in this segment. For less satisfied customers (4-5), the impact of the program's special treatment on brand competitiveness is limited, and direct improvements in customer satisfaction should be the focus by addressing the pain points.

Regarding the membership duration, for new members (<1 year and 1 year) and long-term members (3 years), the focus should be on building brand loyalty and equity through the special treatment provided by the program, as their direct effect on brand competitiveness is not significant. For established members (2 years) and +4 year members, both the direct and indirect effects of the program's special treatment on brand competitiveness are significant. Brands should continue engaging this segment with tailored special treatment programs to enhance competitiveness, specifically focusing on improving brand loyalty.

In conclusion, this study underscores the pivotal role of CTPs in modern brand management. Future research should continue to build on these findings to elucidate further the complex dynamics of customer-tier programs and their broader impacts.

### **5.3 FURTHER RESEARCH**

While this study provides significant insights into the relationships between program special treatment, brand equity, brand loyalty, and brand competitiveness, several limitations need to be acknowledged. The sample size, demographic composition, and sample size, as well as the fact that the sample is limited to Sephora's customers, might limit the

generalizability of the findings. The study focused on specific customer tiers within a single membership program, which may not represent the broader consumer population. Some subgroups, such as Group Gold, with only 18 members, may not provide a robust basis for generalizing results. Future studies should aim for larger and more diverse samples to enhance the reliability and generalizability of the findings. Future research should delve deeper into some areas to build on the findings of this study by investigating additional mediators and moderators that could influence the relationships studied. Incorporating additional dimensions that capture the multifaceted nature of loyalty could provide a more comprehensive understanding

It is also important to consider that relying on self-reported data may introduce biases such as social desirability or recall bias. Respondents might overestimate or underestimate their loyalty, satisfaction, or perception of brand competitiveness. This is related to subjectivity, as perceptions of brand equity, loyalty, and special treatment are subjective and may vary widely among individuals, potentially affecting the consistency of the findings.

It is essential to consider that the study was conducted within a specific industry or brand context, limiting the applicability of the findings to other contexts. Besides that, exploring other sectors could be interesting. While this study focused on Sephora's loyalty program, examining similar programs in other retail sectors could provide a broader perspective on the effectiveness of customer-tier programs. Different industries or brands may exhibit different dynamics between these constructs.

To address the limitations and build upon the findings of this study, future research should consider expanding the sample size and diversity, including a more diverse and larger sample size from various demographic backgrounds, industries, or geographic locations can enhance the generalizability of the findings. Due to a limited number of respondents selecting low satisfaction levels (0-3), these were excluded from the analysis. Future studies should ensure sufficient representation across all satisfaction levels to provide a more comprehensive understanding. Also, conducting similar studies across different brands and industries will help determine the consistency of the relationships between the constructs in different contexts.

The refinement of measurement instruments should be improved. Developing more refined and distinct measurement instruments for brand competitiveness and brand loyalty can help address issues of construct overlap. This would improve the accuracy and validity of the findings and should be carefully considered in future research.

Investigating additional mediating and moderating variables, such as customer engagement, brand experience, and market conditions, can provide a deeper understanding of the mechanisms through which program special treatment influences brand competitiveness. Furthermore, exploring the underlying psychological and behavioral factors that drive customer perceptions and responses to loyalty programs could offer deeper insights. This would involve exploring how personal values, preferences, and experiences influence engagement with such programs. Additionally, conducting comparative studies across different cultural contexts can reveal how cultural factors influence the effectiveness of program special treatment and its impact on brand equity, loyalty, and competitiveness.

Lastly, qualitative insights provided by qualitative methods such as interviews or focus groups could provide a deeper understanding of the reasons behind varied responses in brand loyalty and the perceived value of the customer tier program.

While this study advances the understanding of the relationships between program special treatment, brand equity, brand loyalty, and brand competitiveness, acknowledging its limitations is crucial for interpreting the results. Addressing these limitations through future research can enhance the robustness, applicability, and depth of insights into the complex dynamics of brand management.

## BIBLIOGRAPHICAL REFERENCES

- Agarwal, R., Mehrotra, A., & Misra, D. (2022). Customer happiness as a function of perceived loyalty program benefits - A quantile regression approach. *Journal of Retailing and Consumer Services*, 1-11.
- Ahmed, S., & Latif, W. B. (2018 ). Measuring Customer-Based Brand Equity and Brand Competitiveness: An Empirical Study of Minister Brand in Bangladesh. *Journal of International Business and Management*, 1(3): 1-14.
- Ansary, A., & Hashim, N. M. (2017). Brand image and equity: the mediating role of brand equity drivers and moderating effects of product type and word of mouth. *Cross Mark*, (12), 969-1002.
- Arjun, C., & Holbrook, M. B. (2001). The Chain of Effects from Brand Trust and Brand Affect to Brand Performance: The Role of Brand Loyalty. *Journal of Marketing* 65, 81-93.
- Biaowen, I. (2014). The evaluation research of corporate brand competitiveness in Web 2.0 environment. *Open Cybernetics & Systemics Journal*, 8, 1047–1051.
- Bloemer, J. M., & Kasper, H. D. (1995). The Complex Relationship between Consumer Satisfaction and Brand Loyalty. *Journal of Economic Psychology* 16 (2), 311-329.
- Bombaij, N. J., & Dekimpe, M. G. (2020). When do loyalty programs work? The moderating role of design, retailer-strategy, and country characteristics. *Journal of Research in Marketing*, 175-195.
- Brashear-Alejandro, T., K. J., & Groza, M. D. (2016). Leveraging loyalty programs to build customer–company identification. *Journal of Business Research*, 69(3), 1190–1198.
- Bruegelmans, E. B. (2015). Advancing research on loyalty programs: A future research agenda. *Marketing Letters*, 26 (2), 127-129.
- Cagampan, A. F., Cristobal, C. S., Prado, D. d., & Dimaculangan, E. (2022). Brand Activism: Impact of Woke Advertising on the Consumers' Attitude and Brand Perceptions Towards Purchase Intention. *Journal of Business and Management Studies* 4 (2), 1-12.
- Demoulin, N. T., & Zidda, P. (2009). Drivers of customers' adoption and adoption timing of a new loyalty card in the grocery retail market. *Journal of Retailing*, 85 (3), 391-405.
- Dowling, G. R., & Uncles, M. (1997). Do customer loyalty programs really work? *Sloan Management Review*, 38(4), 71–83.
- Dreze, X., & Nunes, J. C. (2009). Feeling superior: The impact of loyalty program structure on consumers' perceptions of status. *Journal of Consumer Research*, 35(6), 890-905.
- Evanschitzky, H., Ramaseshan, B., Woisetschlanger, D. M., Richelsen, V., Blut, M., & Backhaus, C. (2011). Consequences of customer loyalty to the loyalty program and to the company. *Journal of the Academy of Marketing Science*, 1-15.
- Faramarzi, A., & Bhattacharya, A. (2021). The economic worth of loyalty programs: An event study analysis. *Journal of Research*.
- Formisano, M., Pauwels, K., & Zarantonello, L. (2019). A broader view on brands' growth and decline. *International Journal of Market*, 127-138.
- Gupta, S., Gallear, D., John, R., & Foroundi, P. (2020). The impact of brand value on brand competitiveness . *Journal of Business Research*, 210-222.
- He, H., Li, Y., & Harris, L. (2012). Social Identity Perspective on Brand Loyalty. *Journal of Business Research* 65 (5), 648-657.

- Kasiri, L., Cheng, K., Sambasivan, M., & Sidin, S. (2017). Integration of standardization and customization: impact on service quality, customer satisfaction, and loyalty. *Journal of Retailing and Consumer Services*, 35, 91-97.
- Keller, K. (1993). Conceptualizing, measuring, and managing customer-based brand equity. *Journal of Marketing*, 57(10), 1-22.
- Klude, J. (2023). *THE POWER OF CONTROVERSY: THE ROLE OF BRAND LOYALTY*. Management from the Nova School of Business and Economics.
- Kopalle, P. K., Sun, Y., Neslin, S. A., Sun, B., & Swaminathan, V. (2012). The Joint Sales Impact of Frequency Reward and Customer Tier Components of Loyalty Programs. *Marketing Science*, 2016-235.
- Kumar, V., & Shah, D. (2004). Building and sustaining profitable customer loyalty for the 21st century. *Journal of Retailing*, 80(4), 317-330.
- Kwiatk, P., Morgan, Z., & Baltezarevic, R. (2018). Actions speak louder than words: understanding the meaning of loyalty program building blocks. *Economics & Sociology*, 11(2), 305-319.
- Lee, J. J., Capella, M. L., Taylor, C. R., & Gabler, C. B. (2014). The financial impact of loyalty programs in the hotel industry: A social exchange theory perspective. *Journal of Business Research*, 67(10), 2139–2146.
- Leenheer, J., & Bijmolt, T. (2008). Which retailers adopt a loyalty program? An empirical study. *Journal of Retailing and Consumer Services*, 15(6), 429-442.
- Li, X., & James, P. (2008). Reexamining the Dimensionality of Brand Loyalty: A Case of the Cruise Industry. *Journal of Travel and Tourism Marketing* 25 (1): 68-85.
- Liu, Fang, Li, J., Mizerski, D., & Soh, H. (2012). Self-Congruity, Brand Attitude, and Brand Loyalty: A Study on Luxury Brands. *European Journal of Marketing* 46 (7), 922–37.
- Liu, Y. (2007). The long-term impact of loyalty programs on consumer purchase behavior and loyalty. *Journal of Marketing*, 71(4), 19-35.
- Liu, Y., & Yang, R. (2009). Competing Loyalty Programs: Impact of Market Saturation, Market Share, and Category Expandability. *Journal of Marketing* 73(1), 93-108.
- Lacey, R., Suh, J., & Morgan, R. M. (2007). Differential Effects of Preferential Treatment Levels on Relational Outcomes. *Journal of Service Research*, 9(3), 241-256.
- Meyer-Waarden, L., Bruwer, J., & Galan, J.-P. (2023). Loyalty programs, loyalty engagement and customer engagement with the company brand: Consumer-centric behavioral psychology insights from three industries. *Journal of Retailing and Consumer Services*, 1-12.
- Mimouni-Chaabane, A., & Volle, P. (2010). Perceived benefits of loyalty programs: Scale development and implications for relational strategies. *Journal of Business Research*, 63(1), 32-37
- Nastasoiu, A., & Vandenbosch, M. (2019). Competing with loyalty: How to design successful customer loyalty reward programs. *ELSEVIER*, 207-214.
- Nishio, K., & Takahiro, H. (2022). Joint modeling of effects of customer tier program on customer purchase duration and purchase amount. *Journal of Retailing and Consumer Services*, 1-10.
- Noble, S. M., & Phillips, J. (2004). Relationship hindrance: Why would consumers not want a relationship with a retailer? *Journal of Retailing*, 80(4), 289-303.
- Oliver, R., Rust, R., & Varki, S. (1997). Customer delight: foundations, findings, and managerial insight. *Journal of Retailing*, 73(3), 311-336.
- Radder, L., Eyk, M., & Swiegelaar, C. (2015). Levels of customer loyalty and perceptions of loyalty programme benefits: a South African retail example. *The Retail Market Review*, 11, 92-105.

- Raghuvir, S., & Rani, N. M. (2024). The Influence of Brand Associations on Brand Loyalty: An Empirical Study Regarding Banking Sector in Bangalore. *JAIN Online-Jain*, 106-121.
- Shirai, M. (2023). Which loyalty program do customers prefer: a coalition program or a single-firm program? *Journal of Services Marketing*, 563-573.
- Suraksha Gupta, \*. D. (2020). The impact of brand value on brand competitiveness. *Journal of Business Research*.
- Thompson, F. M., & Tuzovic, S. (2020). Why organizational loyalty programs cannot prevent switching. *Journal of Services*, 207-222.

## APPENDIX A – DESCRIPTIVE STATISTICS

Name	Mean	Median	Standard deviation	Excess kurtosis	Skewness	Loadings	p-values	VIF
BE1	3.765	4.000	0.970	0.089	-0.679	0.807	0.000	1.583
BE2	3.675	4.000	1.064	-0.468	-0.515	0.867	0.000	1.742
BE3	3.834	4.000	1.009	-0.201	-0.719	0.811	0.000	1.499
BL1	3.782	4.000	1.083	-0.238	-0.722	0.779	0.000	2.261
BL2	3.792	4.000	1.081	-0.086	-0.786	0.762	0.000	2.122
BL3	3.367	3.000	1.105	-0.659	-0.239	0.764	0.000	1.954
BL4	2.654	3.000	1.288	-1.126	0.188	0.616	0.000	1.931
BL5	2.737	3.000	1.364	-1.185	0.230	0.770	0.000	2.469
BL6	2.789	3.000	1.419	-1.352	0.064	0.772	0.000	2.492
BL7	3.453	4.000	1.216	-0.477	-0.598	0.788	0.000	2.152
BC4	3.754	4.000	0.998	-0.194	-0.563	0.732	0.000	1.483
BC1	3.630	4.000	1.077	-0.107	-0.689	0.878	0.000	2.095
BC3	2.913	3.000	1.224	-1.015	0.029	0.737	0.000	1.519
BC2	3.796	4.000	1.051	0.270	-0.826	0.810	0.000	1.776
PST1	3.875	4.000	0.922	-0.190	-0.576	0.876	0.000	1.992
PST2	4.097	4.000	0.867	0.938	-0.957	0.890	0.000	2.237
PST3	3.920	4.000	0.943	0.218	-0.760	0.826	0.000	1.707
PST4	3.253	3.000	1.120	-0.417	-0.333	0.694	0.000	1.302

## APPENDIX B – CROSS LOADINGS

	Brand_Competitiveness	Brand_Equity	Brand_Loyalty	Program_Special_Treatment
BE1	0.562	<b>0.807</b>	0.568	0.381
BE2	0.684	<b>0.867</b>	0.721	0.447
BE3	0.637	<b>0.811</b>	0.628	0.386
BL1	0.700	0.772	<b>0.779</b>	0.383
BL2	0.655	0.728	<b>0.762</b>	0.439
BL3	0.630	0.620	<b>0.764</b>	0.353
BL4	eliminated	eliminated	<b>eliminated</b>	eliminated
BL5	0.608	0.465	<b>0.770</b>	0.367
BL6	0.622	0.468	<b>0.772</b>	0.373
BL7	0.638	0.517	<b>0.788</b>	0.461
BC4	<b>0.732</b>	0.485	0.534	0.530
BC1	<b>0.878</b>	0.749	0.784	0.500
BC3	<b>0.737</b>	0.498	0.623	0.327
BC2	<b>0.810</b>	0.634	0.639	0.420
PST1	0.517	0.450	0.480	<b>0.876</b>
PST2	0.467	0.433	0.446	<b>0.890</b>
PST3	0.468	0.384	0.403	<b>0.826</b>
PST4	eliminated	eliminated	eliminated	eliminated

## APPENDIX C – SURVEY

Introduction	
<p>This questionnaire is part of the Master's degree in Data-driven Marketing with specialization in Marketing Intelligence at NOVA IMS. Its main objective is to understand customer perceptions regarding loyalty programs in the cosmetics sector, specifically focusing on Sephora's loyalty program. We intend to understand whether customers value this type of program and whether they provide any competitive advantage to the brands that implement them. Therefore, this questionnaire is aimed at consumers of cosmetic products who participate or have already participated in the Sephora loyalty program.</p> <p>Your participation in this questionnaire is entirely voluntary, and we guarantee that your responses are anonymous and used for academic purposes only. Your opinion will be extremely useful and valued for this study, and we thank you in advance for taking the time to answer the following questions.</p>	
Questions	Answer options
<p>I confirm that I am 18 years of age or older and have voluntarily agreed to participate in this study. I have been informed that the data collected is confidential and used only for academic purposes.</p>	<ol style="list-style-type: none"> <li>1. The previous statement is true. I agree to participate in this questionnaire, depending on the conditions presented.</li> <li>2. The previous statement is false. I do not agree to participate in this questionnaire</li> </ol>
<p>Please select the answer option to the following questions that best describes your situation as a Sephora customer.</p>	-
<p>Q1. I am a member of the Sephora program:</p>	<ol style="list-style-type: none"> <li>1. Less than a year ago</li> <li>2. About a year ago</li> <li>3. About 2 years ago</li> <li>4. About 3 years ago</li> </ol>

	<ol style="list-style-type: none"> <li>5. More than 4 years ago</li> <li>6. I am no longer a member of the Sephora program</li> </ol>
Q2. What is your customer level in the Sephora program?	<ol style="list-style-type: none"> <li>1. White</li> <li>2. Black</li> <li>3. Gold</li> </ol>
Q3. What types of benefits offered by the Sephora program do you find most valuable? Select one or more options.	<ol style="list-style-type: none"> <li>1. Special Offers/Discounts</li> <li>2. The gift every 150 points</li> <li>3. Exclusive beauty content</li> <li>4. Birthday gift</li> <li>5. Gold party invitation</li> <li>6. Customer support line</li> <li>7. Exclusive Gold offers</li> <li>8. Other (open answer)</li> </ol> <p>Multiple choice</p>
Q4. From 1-10, considering 1 - extremely dissatisfied and 10 - extremely satisfied, how would you rate your level of satisfaction with the Sephora program?	<ol style="list-style-type: none"> <li>1. 1-10 selecting option</li> </ol>
Q5. Have you already joined a loyalty program from other cosmetic brands with the same features as the Sephora program?	<ol style="list-style-type: none"> <li>1. No.</li> <li>2. Yes, I have already joined the brand's program. (open answer)</li> </ol>
Q6. On average, how often do you shop for cosmetic products?	<ol style="list-style-type: none"> <li>1. Daily</li> <li>2. 3 times a week</li> <li>3. Weekly</li> <li>4. Every 2 weeks</li> <li>5. Monthly</li> <li>6. Other (open answer)</li> </ol>
Q7. It makes sense to buy cosmetic products on Sephora that have a customer tier	Likert Scale based responses (strongly disagree to strongly agree)

<p>program instead of other brands, even if they are the same</p>	
<p>Q8. Even if other cosmetic brands have similar features, I prefer to buy Sephora as a customer tier program.</p>	
<p>Q9. If other brands are as good as Sephora, I would prefer to buy cosmetic products from Sephora through a customer tier program.</p>	
<p>Q10. It is logical for me to continue purchasing cosmetic products from Sephora associated with a customer tier program rather than switching to other brands.</p>	
<p>Q11. Even if other brands offer similar features, I prefer to buy cosmetic products from Sephora, which is associated with a customer tier program from which I'm a member.</p>	
<p>Q12. If another brand is as good as Sephora, I would prefer to buy cosmetic products from Sephora.</p>	
<p>Q13. Through various channels such as recommendation blogs and review websites, I actively provide positive written feedback on Sephora, associated with a customer tier program.</p>	
<p>Q14. I take the initiative to promote Sephora, which provides this program actively</p>	

<p>Q15. I have successfully influenced others to engage with Sephora, which is associated with the customer tier program.</p>	
<p>Q16. I speak positively with others about Sephora because it is associated with the customer tier program.</p>	
<p>Q17. I perceive cosmetic brands associated with a customer tier program like Sephora as offering better value for money due to the benefits I receive.</p>	
<p>Q18. Even if other cosmetic brands offer the same features, I prefer to purchase from Sephora because the brand is associated with a customer tier program.</p>	
<p>Q19. Sephora, associated with a customer tier program, holds more significance to me than just the product itself.</p>	
<p>Q20. If other cosmetic brands offer identical products or services, it is more attractive to buy cosmetic brands with a customer tier program like Sephora.</p>	
<p>Q21. As a member of Sephora's program, I receive exclusive services unavailable to regular customers.</p>	
<p>Q22. Membership in Sephora's program grants me access to discounts or special deals that regular customers do not receive.</p>	
<p>Q23. Being part of Sephora's program entitles me to better prices compared to regular customers.</p>	
<p>Q24. Membership in Sephora's program gives me priority treatment.</p>	

Select the gender with which you identify.	<ol style="list-style-type: none"> <li>1. Feminine</li> <li>2. Masculine</li> </ol>
What is your age range?	<ol style="list-style-type: none"> <li>1. 18 - 24 years old</li> <li>2. 25 - 34 years old</li> <li>3. 35 - 44 years old</li> <li>4. 45 - 54 years old</li> <li>5. 55 - 64 years old</li> <li>6. 65 years or older</li> </ol>
What is your education level?	<ol style="list-style-type: none"> <li>1. Basic education</li> <li>2. High school</li> <li>3. Graduation</li> <li>4. Master's degree</li> <li>5. Doctorate</li> <li>6. Other</li> </ol>
What is your geographic location?	<ol style="list-style-type: none"> <li>1. North</li> <li>2. Center</li> <li>3. Lisbon and Tagus Valley</li> <li>4. Alentejo</li> <li>5. Algarve</li> <li>6. Autonomous Region of the Azores</li> <li>7. Autonomous Region of Madeira</li> <li>8. Other (open answer)</li> </ol>
What is your approximate monthly family income (net)?	<ol style="list-style-type: none"> <li>1. Less than €800</li> <li>2. €800 - €1000</li> <li>3. €1001 - €1500</li> <li>4. €1501 - €2000</li> <li>5. Over €2000</li> <li>6. I do not want to answer</li> </ol>



**NOVA**

**IMS**

Information  
Management  
School

**NOVA Information Management School**  
**Instituto Superior de Estatística e Gestão de Informação**

Universidade Nova de Lisboa

