Awareness, perceptions and effects of customer loyalty programmes within the retail sector of the Durban Metropolitan area

A

RESEARCH REPORT

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ABSTRACT

A loyal customer can mean a consistent source of revenue to organizations. Organizations have shifted their emphasis of finding customers to one of keeping customers. One of the relationship-marketing tools employed to harness customer loyalty is the customer loyalty programme. Loyalty programmes are an established feature of the retail landscape in mature, developed markets. The South African market has recently seen the implementation of such programmes.

There is considerable debate as to the effectiveness of loyalty programmes in achieving customer loyalty. Research conducted in mature markets has revealed mixed results. The South African market has been shaped by the recent economic, political and social changes, and is unique in its make-up. The value and effect of loyalty programmes still have to be explored within this market.

The study aimed at exploring the awareness, perceptions and effects of customer loyalty programmes within the retail industry of the Durban Metropolitan area. Focus groups were conducted from which a questionnaire was formulated. The questionnaire was then distributed to 115 consumers with the Durban Metropolitan area.

The study revealed that the respondents within the sample had an accurate understanding of the purpose of a customer loyalty programme. A slightly higher proportion of respondents belonged to one or more customer loyalty programmes. It was revealed, however, that membership to customer loyalty programmes did not primarily influence purchasing behaviour. Consumers were influenced to join and use the customer loyalty programmes by the rewards and perks offered by the programme. Customers tended to favour programmes offering incentives perceived to be worthwhile and when the benefits of joining such a programme outweighed the cost. Regular customers are more loyalty programmes likely to join customer, thereby increasing the received benefits.
DECLARATION

I, Aditi Maharaj, declare that this Research Report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfillment of the requirements of the degree of Masters of Business Leadership to the Graduate School of Business Leadership (University of South Africa). It has not been submitted before for any other degree or examination in this or any other university.

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Miss Aditi Maharaj
7099-456-0

On the _________________________ day of ______________________2008.
DEDICATION

This Research Report is dedicated to my parents, Gitanjali and Motilall Maharaj. Thank you for your unwavering support, encouragement and strength. You both are the foundation on which I stand and grow tall!
I am sincerely thankful and appreciative to everyone who has contributed to the presentation of this report. Of particular mention are the following individuals,

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- Mr. Jayram Mervin Naidoo, for your unwavering support and willingness to assist me with the technical aspects of my research support. Your patience, generosity and kindness will never be forgotten.

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- To my family and friends, who offered constant words of encouragement and support throughout the research process. Your assistance with the distribution of the questionnaires was greatly appreciated.

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- To the staff of the Browns' School in Pinetown, thank you for willingly participating in my research and accommodating my study commitments.
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Chapter One: Orientation

1.1 Introduction

The traditional view of marketing has evolved from focusing on single, discreet transactions to that of relationship marketing. Relationship marketing focuses on getting and keeping customers (McIlroy and Barnett, 2000). Central to relationship marketing is customer loyalty and the benefits of customer retention. Customer retention has a direct impact on the profitability of a business and past research has claimed that it can be five times more expensive to obtain a new customer than retain an existing one (McIlroy and Barnett, 2000). Naturally then, organizations are investing considerable time and resources to develop strategies to retain customers. One such strategy is the implementation of customer loyalty programmes.

In the past few years, card programmes have been introduced by a number of sectors such as air travel, hotel and restaurant industry and the retail industry. In retailing, loyalty programmes have involved the issuance of specially coded credit/debit cards or other special scanner-readable cards. Loyalty cards usually allow customers to collect points, which are recorded on the magnetic strip on the back of the card, together with the details of the items purchased. When a customer has collected a certain number of points, he/she can collect a reward (Rowley, 2000), immediate cost savings, member-only deals, rebates, and eligibility for drawings and contests (Allaway, Gooner, Berkowitz & Davis, 2005).

Loyalty programmes are often considered value-sharing instruments and can enhance consumers’ perceptions of what a firm has to offer. This value enhancement function is important because the ability to provide superior value is instrumental to customer initiation and retention (Yuping, 2007). The prime objective of loyalty programmes is achieving customer loyalty (Gomez, Arranz & Cillan, 2006). A loyal customer can mean a consistent source of revenue with a variety of other factors. However, loyalty is not a straightforward construct and retailers and academics are still searching for the most suitable approach (Smith, Sparks, Hart & Tzokos, 2004).
Loyalty schemes are an established feature of the retail landscape of countries, such as the United States, European and Asian countries. They have become widespread and are arguably ‘ubiquitous’ (Rowley, 2007:366). In some countries, such as the United Kingdom and the United States, loyalty card programmes are reaching the maturation stage. In South Africa, however, customer loyalty programmes have only recently become a feature of the retailing sector. There could be a huge window of opportunity for growth for companies wishing to embark on customer loyalty programmes.

There is considerable debate as to the effectiveness of loyalty card programmes in achieving customer loyalty. Existing research has provided contradictory evidence as to the effectiveness of loyalty programmes. This evidence will be explained in greater detail within the literature review. The current levels of knowledge, use and perceptions of customer loyalty programmes within the South African context, have not been widely researched and is therefore greatly unknown. This research study hopes to gain insights into the knowledge, use and influence of customer loyalty programmes of South African consumers.

The research will also gain insights the dominant influences on purchasing behaviour. South Africa is a country still young in its democracy and South African consumers have a multitude of influences affecting their current purchasing decisions. This study aims to highlight the most dominant, current influences of purchasing behaviour, specific to the South African context.
1.2 The Research Problem

**Aim**

Awareness, perceptions and effects of customer loyalty programmes within the retail sector of the Durban Metropolitan area.

1.3 Research Objectives

1. To establish the influence of demographic information on Customer Loyalty Programme membership and non-membership.
2. To determine consumers’ current knowledge and understanding of the purpose of a Customer Loyalty Programme.
3. To explore the reasons behind non-card membership amongst consumers within the Durban Metropolitan sector.
4. To determine the extent of Customer Loyalty Programme membership and use within the Durban Metropolitan sector.
5. To explore the possible effects of loyalty card membership on purchasing decisions made with the Retail sector of the Durban Metropolitan area.
6. To explore the extent of polygamous loyalty and attitude of consumers with regard to polygamous loyalty, within the Durban Metropolitan area.
7. To gain insights into perceptions of loyalty card-holders within the Retail sector of the Durban Metropolitan area.
1.4 Importance of the Study
In her research, Rowley (2007) has stated that the effectiveness of the loyalty programmes may be impacted by the geographical market (e.g. USA, Europe, Far East) the sector (Retail, financial, travel) as well as other parameters. Given the recent economic, political and social changes that have occurred in South Africa with the last decade, the South African market is unique in its make-up and dynamics. There has been divergent views on the effectiveness of loyalty programmes in the various research studies conducted in other countries. Marketers/industries undertaking business ventures within South Africa, need an understanding of these programmes. ‘This is also of strategic importance because such programmes are costly investments and require a firm’s long-term commitment. It is vital for managers to know whether and how these programmes work before they take the plunge’ (Yuping, 2007: 19).

In his article, Olivier (2007:180), stated that the underserved, black middleclass present the ‘greatest opportunity for marketers and entrepreneurs’. The proposed research study will provide marketers with an enhanced understanding of consumers’ opinions and perceptions of loyalty programmes. Should marketers undertake the implementation of a loyalty programme, the findings from this research will assist them in tailoring the programme to South African consumers’ preferences.

In his study, Brijball (2003) found that South African consumers making purchasing decisions, valued quality followed by price, as important general product criteria. This research will contribute to this knowledge, as well as provide more current information, regarding the factors influencing purchasing decisions of South Africans, specifically consumers residing in the Durban area. An enhanced, current understanding of purchasing behaviour will allow for industry/marketers to tailor their marketing approach, according to the dominant factors emerging from the study. This knowledge will provide marketers with the opportunity to increase the effectiveness of marketing campaigns.
1.5 Contribution of the study

The research study aims to provide the following contributions:

- The research aims to examine the relationship between customer loyalty programmes and purchasing behaviour, specifically within the South African context;
- The research will also identify relationships between demographics and customer loyalty programme use and the perceptions of customer loyalty programmes; and
- Current information will be obtained regarding current use of customer loyalty programmes, within the Durban Metropolitan sector.

1.6 Assumptions of the Study

The following assumptions apply to the study:

- It is assumed that the results of the study can be generalized to reflect the attitudes, perceptions and practices of a proportion of consumers within the Durban Metropolitan area;
- It is assumed that there is the possibility of bias towards consumers who are fluent in the English language. This is because both the qualitative component (focus groups) and the quantitative component (questionnaire) will have been conducted in the English medium;
- It is assumed that a statistical proportion of the Durban consumer population will be open and responsive with regard to completing the questionnaire;
- It is assumed that the marketing management of 4 shopping malls selected for collecting the research data will allow for the questionnaire to administered on their premises;
- It is assumed that there is the possibility of bias towards the female gender as females are more shopping orientated and more likely to be available at the shopping malls selected; and
- It is assumed that the opinions and insights, gathered from the participants in the focus groups, will be representative and applicable to the majority of consumers within the Retail sector of Durban.
1.7 Delimitations of the Study

The following delimitations apply to this study:

- The study will be confined to consumers within the KwaZulu-Natal province, specifically consumers within the Durban Metropolitan sector. The financial, time and logistical constraints do not permit the researcher to extend the study to encompass the whole of KwaZulu-Natal and/or other major centres of South Africa;

- The study will be confined to exploring the possible effects of customer loyalty programmes specifically occurring within the Retail sector. The study will not incorporate loyalty programmes operating in other sectors such as the airline industry, financial services industry or health services industry;

- The study will specifically explore the attitudes, influences and practices of consumers with regard to customer loyalty programmes. The study will not explore the dimension of customer loyalty programmes from the viewpoint of retailers or organizations; and

- In conjunction with exploring the effects of customer loyalty programmes, the study will attempt to gain a deeper understanding into the major influences on purchasing behaviour. This understanding is, however, not the main focus of the research study.
1.8 Limitations of the Study

The following limitations apply to this study:

- The small sample size of consumers surveyed during the study limits the reliability and validity of the results obtained. The results are limited in its ability to be generalized to encompass the attitudes and practices of all consumers in the Durban Metropolitan sector, in KwaZulu-Natal. The size of the sample was restricted by the time, financial and logistical constraints experienced by the researcher;

- The questionnaire used in the study was compiled by the researcher after conducting focus groups. The questionnaire was not subject to stringent reliability and validity testing. This restriction further limits the results, in terms of generalizing the results to represent the KwaZulu-Natal consumer base;

- The samples, selected for both qualitative and quantitative components, were based on non-probability convenience sampling. This selection could have a possible bias to certain groups of consumers, e.g. white females, and could not be fully representative of the KwaZulu-Natal consumer population. This bias could have been reduced had a random, probability sample been taken. However, due to time and financial constraints this could not be achieved; and

- The questionnaire is complied in English and requires a good ability to read and comprehend the language. This ability limits the types of consumers able to participate in the research. Participants will have to be fluent and literate in the English language. In South Africa, a large percentage of the population speak languages other than English and are not fluent and literate in English.
1.9 List of Definitions

**Attitude:** State of mind reflecting a negative or positive personal view about an object or concept, measured to provide a link between marketing actions and consumer behaviour. May be emotional and/or cognitive views (Ambler, 2003: 280).

**Coupon:** A certificate that gives the consumer a price reduction on a specific product (Ambler, 2003: 285).

**Cross Selling:** The presentation/selling of two or more distinct but associated product classes, e.g. cheese with wine, swimwear with sunglasses, suntan products and beach towels (Ambler, 2003: 285).

**Customer Acquisition:** Marketing schemes designed to recruit new customers are classed as customer acquisition activity (Ambler, 2003: 286).

**Customer Loyalty:** Customer loyalty is viewed as the strength of the relationship between an individual’s relative attitude and repeat patronage. The relationship is seen as mediated by social norms and situational factors. Cognitive, affective, and conative antecedents of relative attitude are identified as contributing to loyalty, along with motivational, perceptual, and behavioural consequences (Dick and Basu, 1994: 99).

**Customer Lifetime Value (CLV):** May also be called customer value or customer equity. CLV is the net present value of either one or all customers, that is, the discounted value of the cash flow generated over the life of their relationship with the company (Ambler, 2003:286).

**Customer Loyalty Programme (CLP):** A Customer Loyalty Programme is defined as an integrated system of marketing actions that aims to make customers more loyal by developing personalized relationships with them(Meyer-Warden, 2006:89).
**Customer Retention:** Usually measured as a percentage of the previous period’s customers buying in the current period (Ambler, 2003: 287).

**Customer Share:** Customer share is defined as the ratio of a customer’s purchases of a particular category of products or services from supplier X to the customer’s total purchases of that category of products or services from all suppliers (Verhoef, 2003: 30).

**Discount:** Reduction on the quoted or listed price of a product either to all customers or, more typically, for specific reasons such as prompt payment, large quantities, bulk deliveries, special sizes and deliveries in off-peak times (Ambler, 2003: 288).

**Market Share:** Market share is defined as the company’s share of total sales of all the products within the category in which the company’s brand/products compete. The market share number is derived by dividing the company’s product/brand sales volume by the total category sales volume (Patterson, 2007: 73).

**Share-of-Wallet (SOW):** Share-of-Wallet measures the share of category expenditures spent on purchases at a certain company, which integrates choice behaviour and transaction sizes during a certain time period into one single measure (Leenheer, van Heerde & Bijmol, 2007: 32).

**Monogamous Loyalty:** This can be defined as 100% loyalty to a single brand, store or organization (Uncles, Dowling & Hammond, 2003: 297).

**Polygamous Loyalty:** This is defined as loyalty to a portfolio of brands in a product category and loyalty in this perspective, can be viewed as an ongoing propensity to buy the brand, usually as one of several (Uncles, Dowling & Hammond, 2003: 297).
Chapter Two: Literature Review

2.1 Background to Customer Relationship Management (CRM)

The core of the marketing concept is creating value for customers. All successful enterprises are not driven by profit but rather value creation (Perreault and McCarthy, 2002). There are linkages between loyalty, value and profits and these forces have become measurable in terms of cash flow (Venter and Jansen van Rensburg, 2004).

One of the greatest paradigm shifts in marketing over the past two decades has been the change in the marketer objectives from a transaction focus to a relationship focus (Allaway, et al., 2005). ‘Now, more than ever retailers are being challenged to create loyalty among customers. A shift in focus from finding customers to keeping customers has become prominent in recent years and this perspective has been adopted broad spectrum of retailers (Gable, et al., 2006: 35). ‘Underlying this view is the belief that it is generally less costly to invest in programmes designed to foster the retention of customers by: enhancing customer satisfaction, providing better value or development of improved or expanded services, than the costs associated with acquisition of new customers’ (Gable, et al., 2006:35).

Customer Relationship Marketing (CRM) has become one of the most prominent and prosperous avenues of marketing theory and, as a result, CRM has also become an important management issue for the business community (Wendelandt and Schrader, 2007). This development can be attributed to declining growth in industrialized countries. Marketers today have to care about retaining their existing customers instead of conquering new markets segments. Achieving high customer loyalty is seen as an important goal in relationship marketing (Wendelandt and Schrader, 2007).

Traditionally, marketing has overemphasized the attraction of new customers. However, currently, well-managed organizations work hard to retain their existing
customers and increase the amount that existing customers spend with them (McIlroy and Barnet, 2000). On average, it costs a firm five to six times as much to attract a new customer as it does to implement retention strategies to hold onto existing ones (McIlroy and Barnet, 2000: 348). In addition to improving profitability, relationship marketing is aimed at developing long-term, cost-effective links between an organization and its customers. This aim implies that companies have to learn about their customers’ needs and expectations, which are ever changing and often unpredictable (McIlroy and Barnet, 2000).

Marketing theory and practice have become more and more customer-centred and managers have increased their emphasis on long-term client relationships (i.e. customer relationship management) because loyalty, stronger relationships and, therefore, longer customer lifetimes likely are associated with a greater degree of cross-buying, a more significant level of transactions and, therefore, higher profits (Meyer-Waarden, 2006: 89).

The crux of relationship marketing is customer retention. If a company is unable to keep customers and build long-term relationships, it will continue to operate with discreet, single transactions. A desired outcome of providing quality in all transactions is customer retention (McIlroy and Barnet, 2000).

In an investigation of customer relationship management within the Retail industry, four major categories of CRM strategies were used. These included the use of marketing efforts (32%), customer analysis efforts (19%), customer loyalty programmes (18%) and implementing special customer services (15%) (Anderson, Jolly & Fairhurst, 2007: 399).
2.2 What is customer loyalty?

Relationship marketing acknowledges that a stable customer base is a core business asset. The essence and nature of relationships and their business value is encapsulated in the concept of customer loyalty (Rowley, 2005). Loyalty, however, is not a straightforward construct. Retailers and academics still search for the most suitable approaches (Smith, et al., 2004).

Dick and Basu (1994) provided a conceptual framework to understand the customer loyalty dimension. Relative attitude and repeat patronage was cross-classified along two levels, high and low for each, which lead to 4 conditions relating to customer loyalty. This classification can be viewed in Figure 1 below:

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**Figure 1**

A conceptual framework for customer loyalty

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<th>Repeated Patronage</th>
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<th>HIGH</th>
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<td>HIGH</td>
<td>Loyalty</td>
<td>Latent Loyalty</td>
</tr>
<tr>
<td>LOW</td>
<td>Spurious Loyalty</td>
<td>No Loyalty</td>
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Source: Dick and Basu, 1994: 101

*No loyalty* presents a low attitude combined with low repeat patronage which signifies an absence of loyalty. This situation could occur under a variety of market scenarios, with a new introduction of products or when competing brands are viewed as similar (Dick and Basu, 1994). *Spurious Loyalty* is low attitude accompanied by high repeat patronage characterized by non-attitudinal
influences on behaviour such as subjective norms or situational affects. This attitude is similar to the concept of inertia in that a consumer perceives little differentiation among brands in a low involvement category and undertakes repeat purchases on the basis of situational cues such as familiarity or special deals. Social influence may also lead to spurious loyalty (Dick and Basu, 1994).

**Latent Loyalty** represents a serious concern for marketers, as it is a high relative attitude with low repeat patronage. This attitude may be due to subjective or situational effects, that even if a consumer has a high attitude for a brand/store/organization, this does not translate into 100% loyalty (Dick and Basu, 1994). **Loyalty** signifies a favourable correspondence between relative attitude and repeat patronage. This attitude is the most preferred of the four conditions for most marketing managers and organizations (Dick and Basu, 1994).

Customer loyalty has been conceptualized as an interaction of attitude and behaviour (Rowley, 2000). Recently, loyalty has been commonly viewed as bi-dimensional. There is the behavioural dimension and this refers to purchase behaviours repeated over time. The other dimension is the affective dimension and refers to emotional bonds of one individual towards something, which, in this case, is the selling point. Key components in the development of affective loyalty are attitude, satisfaction, trust and commitment. Indicators of behavioural loyalty include; higher number of store visits; smaller inter-purchase times; higher purchase volumes and share of purchase (defined as the ratio of the total expenses of one consumer made in one specific retailer) (G´omez, et al., 2006).

Customers may demonstrate their loyalty to an organization in a number of ways. They may choose to stay with the provider and this continuance can be defined as a relationship or not. A customer may increase the number of purchases or the frequency of purchases or even both. They may also become advocates for the organization concerned by encouraging others to purchase at the store and influence their decision-making (Rowley, 2005).
There is a positive association between customer satisfaction and customer loyalty (Rowley, 2000). Customer loyalty can be considered a by-product of customer satisfaction. It is difficult for a retailer to achieve loyalty without shoppers first having some degree of customer satisfaction. Loyalty does not develop in a short time but is rather a stream of experiences, built one customer experience at a time. It has been found that retailers that retain their customer have three factors in common. These include:

1. Strong core values;
2. An overall customer focus; and
3. Loyalty programmes for their customers (Gable, Fiorito & Topol, 2008).

There is no apparent simple connection between customer satisfaction and customer loyalty. Even satisfied customers do not hesitate to switch to another supplier, if they believe that they will get a better deal somewhere else (Slovang, 2007). Even so, dissatisfied customers stay with the brand (Rowley, 2000). Research has shown that when a consumers are completely satisfied, they are less likely to defect or switch to competing brands. This finding suggests that the intensity of satisfaction impacts on the extent of customer loyalty (Rowley, 2000).

Consumers are faced with more choice than ever in the 21st century and polygamy, amongst consumers, is readily apparent. Therefore, the concept of customer loyalty may appear to be a quaint and out-dated notion (Rhundle-Thiele, 2006). Research has found that few consumers are ‘monogamous’, which is 100% loyal, or are they considered ‘promiscuous’, which could be defined as no loyalty to any brand. It has been found that most consumers are ‘polygamous’, which is defined as loyalty to a portfolio of brands in a product category. From the perspective of polygamy, loyalty is defined as an ‘ongoing propensity to buy the brand, usually as one of several’ (Uncles, Dowling & Hammond, 2003: 297).

Customers exhibit loyalty to a number of brands because they have little reason to develop exclusive attitudinal loyalty to any one of the brands purchased. This
is because the proliferation of brands, in most markets, has destroyed one of the key reasons for loyalty, namely, brand distinctiveness. Critics argue that, in many product categories, both the functional and the perceived differences amongst competing brands are small and customers perceive few critical and meaningful differences amongst competing brands. The advertising messages and loyalty programmes for many brands are fundamentally similar as well (Uncles, et al., 2003).

Long-term loyalty is one of the hardest qualities to build among customers, yet it is critical to the success of any business (Wright and Sparks, 1999). It has been argued that current loyalty-building techniques and tools are merely promotional gimmicks. Loyalty is only earned by consistently delivering superior value at every point of contact with customers (Wright and Sparks, 1999). The alternative view offered is that loyalty, both attitudinal and behavioural, for most consumers, is quite passive and resembles ‘habit rather than a serious commitment’ (Uncles, et al., 2003: 303).

In her research Rhundle-Theile, (2006) found that to build customer loyalty marketers needs to be market-focused and not competition-focused. She found customer loyalty to be a ‘reciprocal’ concept: that the marketers need to demonstrate loyalty to their consumers if they expect their consumer loyalty in return (Rhundle-Theile, 2006: 418). A consumer’s loyalty must be earned and managers must realize that loyalty cannot be bought (Rhundle-Theile, 2006).

2.3 Why do retailers want loyal customers?
Sales, derived from marginal, transient customers, only allow for retailers to satisfy short-term goals and not long-term goals. There is a positive relationship between customer loyalty and profitability (Gable, et al., 2008). The benefits of customer loyalty to retailers are numerous. The high profitability added by loyal customers can be explained by two reasons. Firstly, loyal customers are less price-sensitive to the products of the company and, secondly, they require a
smaller investment in communication than those people not having had experience with the company (G’omez, et al., 2006).

Loyal customers are less likely to consider the marketing effects of the competitors and a loyal customer base allows companies to devote their energies to other matters (Allaway, et al., 2005). True loyalty, based on emotional bonds, is really a source of competitive advantage and is very hard to copy (G’omez, et al., 2006). Loyal customers serve as an effective marketing force by providing recommendations and spreading positive word-of-mouth to family, friends and acquaintances. These outcomes are highly desirable and have impact, yielding effective word-of-mouth advertising (Gable, et al., 2008).

‘Companies therefore search to influence customers across their lifecycles through adequate acquisition, development and retention strategies. One such strategy designed to develop customer relationships coincident with their lifecycles, stimulate product or service usage and retain and encourage repeat purchase behaviour is loyalty card programme’ (Meyer-Waarden, 2006: 89).

It has been proved time and time again, that customer loyalty is the ‘passport to financial gain’ (Venter and Jansen van Rensburg, 2004: 64). A loyalty-based management survey, provided the following differences between companies with high loyalty versus companies with low customer loyalty:

1. As an outcome of increased customer loyalty, companies with high levels of customer loyalty tend to be more profitable;
2. As key drivers of customer loyalty, companies with high levels of loyalty would also enjoy higher levels of employee loyalty and shareholder loyalty; and
3. Companies with higher customer retention would also exhibit higher levels of market orientation. This would form part of the organizational environment enabling customer retention and profitability (Venter and Jansen van Rensburg, 2004: 53).
2.4 Customer Loyalty Programmes

Today’s consumers are presented with a wide variety of choices and a low switching barrier. It is easy for consumers to switch between brands/firms and this poses a significant threat to customer relationships because consumers are unlikely to commit to a single brand or firm (Yuping, 2007). Loyalty programmes raise switching costs for consumers and alleviate the lack of commitment and reduce customer defection. This occurs because loyalty programmes reward customers for their repeated patronage and, therefore, consumers tend to focus their purchases in one programme to maximize the benefits they receive. Consumers develop a vested interest in the programme and this makes it difficult for competitors to entice them away (Yuping, 2007).

So then, what is a loyalty programme? ‘Loyalty programmes are a marketing strategy based on offering an incentive with the aim of securing customer loyalty to a retailer. Achieving rewards is related with purchasing frequency, so these type of programmes are also called frequent purchase programmes’ (G’omez, et al., 2006: 387). Lars Meyer-Waarden describes a loyalty card programme as an integrated system of marketing actions that aims to make customers more loyal by developing personalized relationships with them. These formal programmes are designed so that customers, no matter how loyalty is defined or measured, will shop and regularly return to repurchase at their stores, despite competitive efforts to thwart this practice. The common thread among loyalty programmes is the provision of hard and soft benefits to customers as reward for their repeated purchases. Hard benefits are usually economic such as coupons or discounts. Soft benefits are not of an economic nature and represent exclusive member benefits such as special invitations, exclusive shopping hours for members and other special conveniences (Gable, et al., 2006). Hard benefits may be easier for the customers to evaluate but are more easily copied by competitors. Soft benefits may be more difficult to implement but are more difficult for competitors to duplicate. Soft benefits serve as an emotional tie that binds the customer to the retailer. ‘Loyalty programmes can be perceived as a barrier to customer
defection and similarly a barrier to entry for competing retailers’ (Gable, et al., 2006: 33).

Loyalty programmes base customer rewards on cumulative buying and aim to develop repeat purchases. This is done to create switching costs, lengthen the customer relationship cross and/or up selling possibilities. There are psychological, sociological and relational drivers which enhance customers’ trust, affective commitment and attachment to the organization and, thereby, entail higher switching costs (Meyer-Waarden, 2006). ‘Loyalty programmes can induce feelings of intelligence and pride about having achieved or won something without having to pay the normal price and a sense of appreciation among customers who relate rewards to being a preferred or special customer. Those who become members of the loyalty programmes are likely to identify more strongly with the company’ (Meyer-Waarden, 2006: 90). This identification is considered to be beneficial in sectors in which consumers purchase frequently and distinctions among suppliers are low, such as the retail sector.

Loyalty card programmes are data-rich environments for exploring the relational outcomes. When loyalty cards are scanned at the point of purchase, data is captured. This data contains information cataloguing consumer, time, day, products bought, prices and a variety of other information. Analysis of these datasets, over time, can yield invaluable insights into consumer shopping processes; consumer reactions to marketing efforts and long-term patterns of behaviour (Allaway, et al., 2005). Retailers are then able to develop new methods of measuring and managing their business and customer experiences. (Gable, et al., 2008).

Armed with customer-specific information, firms are able to direct and tailor their communications and optimize product mix offerings. Therefore, loyalty programmes represent an alternative to mass-market promotion since firms are better able to precisely target an increasingly segmented customer base. Firms are better able to communicate customized and relevant value propositions and
individual messages to individual customers (Lacey and Sneath, 2006). Loyalty schemes thus may become ‘strategic marketing tools’ to manage customer heterogeneity by selecting, identifying and segmenting consumers, which improves and personalizes the focus of marketing resources (Meyer-Waarden, 2006: 234).

Loyalty programmes not only help build customer commitment but also demonstrate a firm’s commitment to its customer. The implementation of a loyalty programme involves a great deal of cost and effort and shows the firm’s long-term commitment to establishing a long-term relationship with its customers. This demonstration of commitment and goodwill will further deepen the relationship between firm and customer (Yuping, 2007).

Loyalty programmes are considered to be highly defensive activities and are differentiated from other marketing efforts by their emphasis on increasing repeat purchase loyalty rather than purely gaining market share. Loyalty programmes explicitly reward customers for consolidating their purchases and reducing the size of their brand repertoires (Sharp and Sharp, 1997).

In comparison with other marketing activities, such as sales promotions, loyalty programmes can be considered to be more defensive and longer-term in nature. When a promotion is complete, there is nothing that prevents the customer from returning to his/her previous purchasing behaviour patterns and in most cases, this does occur. Loyalty programmes, through the ‘equity’ that the customer builds via points collection, aim to lock customers into the programme (Sharp and Sharp, 1997: 475) and customers lose advantages (i.e. points) if they change stores/brands.
2.5 Variations of Customer Loyalty Programmes

Several kinds of schemes are currently operating within the Retail industry such as card schemes, special services, customer magazines and customer panels. In most cases, several of these schemes are included within one. The card scheme is considered to be a synonym for customer loyalty schemes.

The effectiveness of a loyalty programme, and the likelihood of customers signing up for the programme, is likely to depend on the design of the programme. Delayed rewards are ‘rear-loaded incentives’ and are compatible with the main purpose of loyalty programmes, which is to increase long-term loyalty and retention. Direct rewards, such as price discounts, are ‘front-loaded incentives’ and are incompatible with long-term programme goals (Leenheer, et al., 2007:43).

In an attempt to increase share-of-wallet rather than market share, loyalty programmes have incorporated the component of cross-selling. Loyalty programme members are encouraged to buy products that they would not have bought from that provider normally. For example, the Tesco Club card in the United Kingdom, offered their customers financial services, electrical goods, high-margin wines together with their usual lower margin groceries. The loyalty programme would be seen as a ‘brand extension aid’, in essence (Uncles, et al., 2003: 305). The cross-selling opportunities such as hotels, car hire, restaurants and financial services, are themselves operating in highly competitive markets. This implies that only a ‘truly exceptional programme’ will change the purchasing behaviour of customers to significantly increase sale revenues (Uncles, et al., 2003: 305).

Since firms across different industries share many of the same customers, many loyalty programmes have begun adopting multiple branding schemes, through which the customer is able to combine and transfer programme benefits. Multiple branding programmes can occur between firms or a corporate conglomerate. The corporate conglomerate would serve as an ‘enterprise-wide programme’ of
the customer’s total marketing relationship with an organization (Lacey and
Sneath, 2006: 459). Multiple brand loyalty programmes offer increased value to
the customer by accommodating a broader scope of business, as well as
organizational value to the participants due to the sharing of business costs
(Lacey and Sneath, 2006).

A variation on this model exists when a full-fledged loyalty coalition operates
within a given country. These coalitions are most often full national networks of
merchants who elect to join the coalition and reward their customers in a
common currency. Examples of these coalitions include AIR MILES in Canada,
Nectar in the United Kingdom, Payback in Germany and Flybuys in Australia and
New Zealand (Hlrainka and Gomez, 2007). With these loyalty coalition
programmes, one could question the loyalty generated from consumers in these
schemes.

Tiered value propositions occur in some loyalty programmes, in which
organizations award select customers by recognizing them with an elevated
social status. These select customers are offered enhanced products and
services above and beyond what are normally offered to customers (Lacey and
Sneath, 2006). These tiered loyalty programmes can be used to convey prestige
to customers and make them feel important, special and appreciated. However,
the non-participating members may feel alienated and dissatisfied with the
organization (Lacey and Sneath, 2006). If this alienation to be avoided, tiered
loyalty programmes need to use consistent, unbiased and impartial standards
(Lacey and Sneath, 2006).

2.6 Loyalty Programmes within the Retail sector
The first modern loyalty programme was instituted by the airline industry when
American Airlines introduced its frequent flyer programme in 1981. The
technology boom facilitated the growth of loyalty programmes across the United
Stated and the economically developed world (Lacey and Sneath, 2006). Customer
loyalty programmes are utilized across a broad spectrum of vertical
consumer markets, including hotels, credit card issuers, retailers, airlines, car rental companies and entertainment firms (Lacey and Sneath, 2006).

In Germany, there are over 100 different loyalty programmes and the percentage of families taking part, in at least one of the loyalty programmes, exceeds 40%. In the United States of America, the number of programmes surpasses over 400 with more than 80% of families taking part (G´omez, et al., 2006: 387). Almost all Canadians (97%) belong to at least one loyalty programme, from a survey conducted in 2005. Mature loyalty markets include North America, Australia, the United Kingdom and Europe (Lacey and Sneath, 2006).

Many retailers regard loyalty programmes as fundamental (Meyer-Waarden, 2006). Retailers are faced with a dynamic and competitive retail environment. This is as a result of increased globalization, market saturation and increased competitiveness through mergers and acquisitions of companies. Retailers are seeking methods of gaining competitive advantages and better managing customer relations (Anderson, et al., 2007). The retail sector faces a challenging task, in that its customers must first be identified before any action is taken. This is in contrast with other sectors such as banking or insurance, which know their customer details from the start (Wood, 2005). Loyalty schemes provide retailers with an effective method to find out who a large proportion of their customers are and to obtain a greater understanding of their buying habits, capture extra information on them and then apply this information across the whole customer base (Wood, 2005).

Rowley (2007) states that loyalty schemes are an established feature of the retail sectors. Loyalty programmes have become widespread and arguably ‘ubiquitous’ (Rowley, 2000: 366). She goes on to highlight that increasingly competitive markets has encouraged industry enthusiasm for and commitment to such schemes. In her article of 2000, Rowley states that slow growth and intense competition in retail markets in recent years have made retention and attraction of customers a particular concern for retailers.
From their research, Wright and Sparks (1999) found that in retailing, organizations with first mover advantage and established card programmes, tended to dominate the loyalty card holdings. As the potential for saturation intensifies in markets, retailers will have to differentiate or individualize their card offering. Retailers will have to provide customers with an added reason or benefit for carrying their card (Wright and Sparks, 1999). This indicates that competition between loyalty programmes in retailing is likely to be intense and additional resources may have to be allocated to loyalty programmes, if they are to be a success.

Some researchers have questioned whether it is truly feasible to generate ‘fidelity’ in consumers within the Retail Sector, which is characterized by significantly lower levels of interdependence and personal contact, as compared with the service or industrialized domains (Bridson and Evans, 2008: 364). There is agreement that loyalty to service companies is more likely to occur, as consumers perceive there to be higher costs in switching service providers than in switching good suppliers (Rowley and Dawes, 2000).

2.7 Previous research on Customer Loyalty Programmes?
Existing research has revealed contradicting evidence regarding the success of customer loyalty programmes. The study, conducted by Lars Meyer-Waarden (2006), suggested that loyalty programmes affect purchase behaviour for both market leaders and smaller retailers. The study highlighted that cardholders demonstrate significantly different purchase behaviour to non-card members, irrespective of time and trading area. This behaviour included: higher purchase intensities in terms of total and average shopping basket; share of category purchases; purchase frequencies and inter-purchase times compared with non-members (Meyer-Waarden, 2006).

Loyalty programmes were found to attract the most loyal retail customers. The participants of loyalty programmes demonstrated greater behavioural and
affective loyalty to the retailer that has implemented the loyalty programme, than non-participants (G´omez, et al., 2006).

The study conducted by Yuping (2007) investigated the long-term impact of loyalty card programmes. She found that the loyalty card programme had positive effects on both light and moderate buyers’ purchase frequencies and transaction sizes and made these consumers more loyal to the store. Her study supports the argument that loyalty programmes can accelerate consumers’ loyalty life cycle and make them more profitable customers (Yuping, 2007).

The 2005 research study by Meyer-Waarden revealed that after programme subscription, the loyalty card significantly reduces the relative risk of defection and increases the consumer’s share-of-wallet in the focal store. This research study suggested that loyalty programmes should go beyond just rewarding usage and reward customers according to future-oriented measures such as customer lifetime value (CLV) (Meyer-Waarden, 2005).

Further research indicated that loyalty programmes were not able to modify the behaviour of consumers towards the retailers running them. The research highlighted that the main role of loyalty programmes is to retain already loyal customers (G´omez, et al., 2006). In this research study, a high percentage of participants in retailer loyalty programmes claim not to have changed their purchase behaviour as a result of the loyalty programme. They affirm that they did not shop more frequently at the retailer. These participants also stated that they did not stop shopping at competitor retailers, as a result of their participation in the loyalty programme (G´omez, et al., 2006). This study highlighted that membership in loyalty programmes may not change the purchasing habits of consumers.

Loyalty programmes themselves cannot generate loyalty through their reward mechanisms, but rather they generate information that can be used to enhance and tailor the organization’s offering (Rowley, 2007).
In a study exploring the behaviour segments within a retail loyalty card programme, it was found that distinct customer segments were profiled descriptively and statistically. Of the customer segments found, only a small percentage of loyalty card programme members demonstrated behaviours that could be considered as truly loyal (Allaway, et al., 2005). Overall consumer segments react differently to loyalty programmes as is in the case with sales promotions. Specific consumer characteristics such as variety seeking behaviour, shopping orientations, sensitivity to sales promotions all influence the strength and direction of the impact of loyalty programmes on consumers’ repurchase behaviour (Meyer-Waarden, 2005).

In a study involving discount cards, it was revealed that a discount card did not increase customer loyalty to a particular hotel chain. It was found that consumers only purchased the card for the discounts obtained and it was perceived as good value for money. Customers stated that they would not frequent the hotel chain once the card had expired (McIlroy and Barnett, 2000).

Wright and Sparks (1999) support the view that changing the fundamental repeat-purchase patterns of markets is very difficult. Loyalty programmes were found to alter repeat-purchase patterns to a small degree. However, these authors argued that the loyalty programme was probably the only marketing tool which deliberately focused on bringing about such a change (Wright and Sparks, 1999).

In a study investigating the impact of loyalty programmes on repeat purchase behaviour, it was found that the effects of loyalty schemes on stationery markets were mitigated (Meyer-Waarden and Benavent, 2006). It was also shown that loyalty programmes did not lead to increased penetration, which implied that they had little effect on recruiting new customers and mainly influenced the repeat purchase patterns of existing customers (Meyer-Waarden and Benavent, 2006). It was suggested that loyalty programmes were more effective for market-leaders
than for smaller companies, as they already enjoyed higher market-share and penetration levels (Meyer-Waarden, 2006).

There is also the issue of polygamous loyalty, which has provoked debate amongst researchers. Polygamous loyalty occurs when consumers belong to several loyalty schemes within the same industry and/or competing loyalty schemes. Some researchers argue that holding multiple loyalty cards is a sign of disloyalty. Other researchers suggest that, like businesses, customers segment because no single business, even within a specific sector, meets all their needs, or is always making them the best offer (Rowley, 2007).

Considering the mixed results of loyalty programmes above, we have to ask, why has loyalty programmes gained so much momentum amongst organizations? Uncles, et al. (2003) point out the following three main reasons for the proliferation of loyalty programmes in markets:

1. Loyalty programmes are seen as a ‘vehicle’ for keeping the brand in the customer’s repertoire and for maintaining brand share, when the programme works in combination with other value enhancements such as product and service improvements;
2. Loyalty programmes improve levels of accessibility and ‘market conspicuousness’ for a brand. It provides more credibility with retailers in terms of securing shelf-space as well as more opportunities to talk with customers; and
3. The ‘Me-too Pressure’, to follow other organizations who have embarked on loyalty programmes. Managers are reluctant to cancel programmes once they have been introduced, even if the claims are not recognized (Uncles, et al., 2003: 310).

Meyer-Waarden and Benavent (2006) argued that there was a greater degree of imitation in loyalty programmes rather than innovation and that market players have achieved a level of stability instead of gaining competitive advantage. They suggested that loyalty programmes have become the ‘cost of doing business in
the retail sector, just as investing in fixtures and fittings, maildrops and TV commercials are cost of doing business’ (Meyer-Waarden and Benavent, 2006: 82).

2.8 Customer Perspectives on Loyalty Programmes

Arising from the discussion above, leads one to ask what are customer perceptions of loyalty programmes?

Leenheer, et al. (2007) found that customers do not become loyalty programme members randomly. They found that a customer becomes a member of a loyalty programme when the expected benefits are higher than the expected costs, which are also partly driven by the attraction of the store itself. A loyal customer derives the highest benefits from a loyalty programme, and those who are already loyal are most likely to participate (Leenheer, et al., 2007).

Wright and Sparks (1999) found that consumer involvement in loyalty programmes is related to the fact that consumers shop at the particular store already. Their research further confirmed that consumers join loyalty programmes out of ‘rationality or greed’, under the perception of ‘something for nothing’ (Wright and Sparks, 1999: 438). In this regard, consumers are more attracted to the free benefits and rewards and are not exhibiting truly loyal behaviour.

It is important to consider the profile of customers that are likely to join loyalty programmes. Leenheer. et al., (2007) found that a key characteristic amongst these consumers is a positive attitude towards loyalty programmes in general. They found that the two components of this attitude are perceived economic and non-economic benefits.

It was further noted that whilst the quality of the loyalty programme has some influence on the programme participation, store related factors, including how often the store is frequented, convenience of location and product range are
greater influences on loyalty card acceptance (Wright and Sparks, 1999). This indicated that the programme alone was insufficient in enticing customers to join.

While some customers are incentivised to alter their purchasing behaviour, other customers do not see the rewards offered as worthwhile. There are some customers who are suspicious of the concept of identifying themselves and their shopping habits and fear possible misuse of their personal information (Wright and Sparks, 1999). Research has revealed that some customers are unwilling and uncomfortable about divulging personal information, which is usually a pre-requisite for loyalty card membership (Wright and Sparks, 1999). A factor which inhibits loyalty programme participation is privacy concerns. In order to reduce privacy concerns, a retailer should invest in proper communication about customer privacy protection guarantees and the constraints on data usage (Leenheer, et al., 2007).

Wright and Sparks (1999) also found that there was non-use of existing loyalty cards. This implied that some loyalty members did not present their cards on a regular basis when purchasing, which goes against the very concept of a loyalty card. This behaviour could signify possible lack of commitment or interest in the loyalty card programme.

An alternative view is that when the programme is very attractive, customers may build a relationship with the programme rather than with the brand. When this occurs, the brand’s equity becomes dependent on something that has little to do with the brand and is vulnerable to competitive responses (Uncles, et al., 2003).

Few firms systematically verify whether the programmes they implement actually achieve the goals intended (Stauss, Schmidt & Schoeler, 2005.) Ubiquitous loyalty schemes in retailing and their frequent connection to promotional devices may even have negative effects on purchasing behaviour (Meyer-Waarden, 2006). Loyalty programmes promise customers’ rewards explicitly for their loyal behaviour. If the customer does not receive the promised reward or if the
indicated rewards prove worthless, then customer frustration may arise (Stauss, *et al.*, 2005). Customers do, in fact, experience a number of different incidents that greatly frustrate them with loyalty programmes. These include the following:

1. Difficulty accessing rewards. The qualification number of points presents a barrier for obtaining rewards;
2. Impossibility of claiming the reward. Inaccessibility to the rewards;
3. Low value of the reward (worthlessness of the reward); and
4. Customer being required to invest additional material and mental costs in order to enjoy the benefits. There are redemption costs (Stauss, *et al.*, 2005).

If the customer experiences frustration with the loyalty programme, the programme will have the opposite effect than intended. The customer may then exhibit avoidance behaviour towards the firm. It is important that the quality of the programme perceived by the customer is constantly monitored (Stauss, *et al.*, 2005). The study by Wendlandt and Schrader (2007) also found that common loyalty programmes can arouse psychological reactance, especially if legal bonds are utilized. This reactance can lead to a number of negative consequences for the company, such as unwillingness to participate, enhances in negative mouth-of-mouth and even decrease the repurchase intention.

If consumers have good reasons for being multi-loyal, then it is perhaps unrealistic for brand managers to expect customers to become single-brand loyal (Uncles, *et al.*, 2003). It has been shown that customers generally do not watch one television station, drink one brand of wine, eat at one restaurant, go to one holiday destination, buy one brand of petrol, and always shop at the same book store (Uncles, *et al.*, 2003). The challenge lies with brand managers to convince customers to reduce their brand repertoire of brands and increase their propensity to buy their brand (Uncles, *et al.*, 2003). This is a great challenge and it is occurring in every competitive market. The effect of a loyalty programme decreases with the number of competitive loyalty programme memberships (Leener, *et al.*, 2007).
It has been found that many multi-loyal shoppers, who already shop at several chains on a regular basis, will join all available programmes to take advantage of all the benefits available (Meyer-Waarden, 2005). The study, conducted by Meyer-Waarden and Benavent (2006), found that the majority of card-holders in the sample (88%) were already customers before subscribing to the loyalty programme (Meyer-Waarden and Benavent, 2006: 81).

Research, by Demailin and Zidda (2008) showed that the loyalty card effect on customers’ loyalty depended on how they valued the loyalty scheme rewards. Customers, who positively value the rewards are more loyal to the store and are less influenced by holding competitive loyalty cards. Consequently, loyalty programmes’ rewards can be used as a competitive arm to cancel the effect of the competitors’ loyalty cards (Demailin and Zidda, 2008).

2.9 Reasons for Mixed Results of Customer Loyalty Programmes
There are several reasons to explain the mixed results with regard to the effectiveness of customer loyalty programmes. One of these reasons is the imitation effect, which occurs in a competitive market when the initiator of a loyalty programme will inevitably be imitated by its competitors. The current strategy, in such markets, is that managers observe which competitors’ strategies are successful and reproduce similar strategies within their own firms /organizations. This leads to an annihilation of the expected effects and an increase in the company’s costs. Even if the loyalty programme has a positive effect on the behavioural measures of loyalty, this effect is weak and transitory (Demailin and Zidda, 2008).

Considering the great number of companies proposing such programmes in some countries, there is card saturation within the Retail Sector (Demailin and Zidda, 2008). When this occurs, consumers can easily think that it is very easy for them to acquire points and going to competitors has very little effect on their collection of points. Consequently, the effects of loyalty schemes may cancel
each other out. Loyalty cards appear to be most effective when the customers do not hold competitors’ cards (Demailin and Zidda, 2008).

Another reason for the mixed results regarding customer loyalty programmes, is that the methodological limitations hinder proper assessment of the effect of loyalty programmes (Leenheer, van Heerde & Bijmol, 2007). Longitudinal data, rather than cross-sectional data, should be used to establish the causal relationship between customer behaviour and loyalty programmes (Meyer-Waarden, 2006).

A potential problem is that customers who are already loyal may have a higher likelihood to enroll into the programme, which could result in an overestimation of the loyalty programme effect (Leenheer. et al., 2007).

In general, non-card holders do not adopt the loyalty cards of a particular store because their shopping frequency and spending is not large enough to benefit from the rewards. These customers are the least loyal and the most price-sensitive because they only visit the store to take advantage of special promotions. This is known as the self-selection process, where only good customers adopt store loyalty cards (Demailin and Zidda, 2008). The expenditure differences between members and non-members could be partially attributed to this self-selection process (Leenheer, et al, 2007).

2.10 Consumers making Purchasing Decisions
The further question lies in the decision-making process that consumers engage in when making purchasing decisions. Do customers frequent stores, in which they are members of a customer loyalty programme? Do they perceive that they are gaining more value for money by being a loyalty member or are extraneous variables influencing their decision i.e. location, store size?
‘The consumer decision-making process signifies goal-striving behaviour and is just not a single activity. It is a sequential and repetitive series of psychological and physical activities ranging from problem recognition to post-purchase behaviour. They are influenced by numerous individual factors such as needs, motives, personality, perception, learning and attitudes’ (Brijball, 2003, 93).

The environmental factors such as culture, social, business and market influences, reference groups, family and economic demand factors, also have a profound effect on the consumer. All of the factors mentioned constitute what is referred to as the ‘psychological field’ and these factors constantly and simultaneously interact and play a leading role in the final outcome of the consumer’s choice (Brijball, 2003).

Brijball (2003) goes on to state that by analyzing the internal thought processes of consumers as they undergo the process of decision-making, marketers can determine the criteria that consumers use when engaging in purchasing decisions. Marketers can gain an understanding into the importance of each the variables and determine the dominant influencing variables. A thorough understanding of the decision-making process will further help marketers understand the influence, if any, that customer loyalty programmes have on purchasing decisions made within a specific industry.

A consumer chooses a retailer as the point of sale, at which he/she will make most of his/her purchases. Loyalty programmes have been shown to play a secondary role. Services such as variety, prices, location or employees are more important. The retailer should be focused on these services first to attract potential customers, and, after that, maintain a base of loyal customers (G’omez, et al., 2006).

In her article, Rowley (2007) points out that in supermarkets, there are a number of other factors, such as quick-moving check-out lines and fresh produce variety, that are more important to customers than the loyalty scheme. The switching costs for grocery retailers’ loyalty programmes tend to be low and, therefore,
customers are more influenced by factors such as inertia, proximity, convenience and fill-in shopping than loyalty programme membership (Meyer-Waarden, 2006).

Purchase decisions therefore are more related to factors such as, the distance from the store, portfolio behaviour and habits, rather than, customers’ relationships with or positive attitudes towards retailers (Meyer-Waarden, 2006). The locations of the retailers in a market, relative to the consumer base, dictate, to a large degree, their ability to attract consumers, their area of natural competitive advantage and the ease or difficulty they will have in marketing effectively (Allaway, et al., 2005). This further reiterates the importance of market geography on consumer behaviour.

In general, most people only buy what they need. Therefore, loyalty programmes, enhancing a bond between customers and their brands and expecting that this will stimulate a higher demand for the product category, are not a sustainable outcome (Uncles, et al., 2003).

Rowley (2000) stated that rewards could create loyalty but only if the rewards were in line with the company capabilities and take into account the five elements that determine value for the customer. These elements included; cash value, choice, aspirational value, relevance and convenience. (Rowley, 2000) This illustrates that other elements, besides rewards, have an influence in the purchasing behaviour of consumers.

Research indicates that different customers do not devote equal efforts to obtaining a given reward and that the heavier, more loyal buyers for a store enroll in loyalty reward schemes earlier (Meyer-Waarden, 2007). Consumer segments are likely to react differently to loyalty programmes, as they do to sales promotions. Consumer characteristics, such as shopping orientation and sensitivity to sales promotions, influence the strength and direction of the impact of loyalty programmes on repurchase behaviour (Meyer-Waarden, 2007). This
influence suggests that, depending on consumer characteristics, the impact of the loyalty programme will be different on purchasing behaviour.

### 2.11 The South African Context

Progressing from the discussion on purchasing decision behaviour, it can be assumed that one’s nationality will have a profound impact on one’s decision-making process. The South African context presents an interesting challenge to marketers. The abolishment of apartheid and the implementation of democracy in South Africa, in 1994, has changed the landscape of the country in all aspects of industry.

In his article, Olivier (2007) referred to South Africa as poised to become a ‘loyalty marketing gem’. He stated that South Africa demonstrates a position for significant loyalty growth and this can be observed in ‘12 to 15 million currently registered loyalty members across a host of programmes, representing 1 to 2 million households’ (Olivier, 2007: 180). Olivier stated that the current reality in South Africa is that loyalty programmes have been largely targeted to the historically advantaged communities. However, a developing black middle-class represents an under-served market that presents significant opportunities for marketers and entrepreneurs. The market of black middle-class consumers, consisting of no more than 2 million consumers, represents US$20-25 billion in spending power annually (Olivier, 2007:180). It was further stated, in his article that South Africa has witnessed a phenomenal 20 to 30 percent growth in key sectors such as retail and banking (Olivier, 2007:180).

This information suggests that marketers could be presented with a remarkable opportunity to serve this market and, with that, a challenge to grow/develop a loyal customer base, before one’s competitors do.

Research has shown that differences in demographic features influence the degree of loyalty-card usage, which may suggest that they also have an effect on the consumers’ propensity to join such a scheme (Cortiñas, Eloraz & Múgica,
The usage and effect of loyalty card schemes still has to be researched within the variety of cultural and social groups present in South Africa.

Research on loyalty programmes have predominately been conducted in the United States, Europe and in Asia. There is limited research to explain the influence that customer loyalty programmes have on purchasing decisions made in South Africa. Should loyalty programmes prove to be successful within the South African context, then marketers have to move quickly to pre-empt those of their competitors.

An article by Bizcommunity (2005) stated that South African consumers love belonging to a loyalty programmes, yet the concept of retailers rewarding their customers is still in its infancy in South Africa. The article goes on to state that a recent survey conducted by Razor’s Edge Intelligence and World Wide Worx, has found that 10 percent of the population retains membership of loyalty clubs of commercial organizations. These generally fell into the areas of financial services, air travel and wellness (No author, 2005). According to the findings, South African consumers are most fond of quick, easy accessible programme information and rewards. South Africans prefer rewards which do not require cumbersome or labour-intensive activity. Point collection, instant rewards systems, discounts and expected treats are generally appealing (No author, 2005).

Considering the information gathered in the literature review, the following research propositions have been formulated:

**P1:** Consumers, within the Durban, retail sector, have an accurate understanding about the purpose of a customer loyalty programme

**P2:** Customer loyalty programme membership is more than non-membership, within the Durban retail sector.
**P3:** Customer loyalty programme membership has a favourable influence over purchasing behaviour within the Durban retail sector.

**P4:** Polygamous loyalty card membership occurs in greater frequencies amongst consumers, within the Durban retail sector.

**P5:** Consumers, within the Durban retail sector, hold favourable perceptions of customer loyalty programmes.
Chapter Three: Research Methodology

The study is aimed at gaining insights into the knowledge, use, attitudes and perceptions of customer loyalty programmes and to explore the possible effect of customer loyalty programmes on purchasing behaviour, within the Durban Metropolitan area. The study used a mixed method research paradigm. The qualitative research method preceded the quantitative research method.

The mixed method research paradigm was selected for the following reasons:

- The first phase was the qualitative research. Focus groups were conducted to allow for the researcher to identify core themes and categories regarding the knowledge, attitudes and practices surrounding customer loyalty programmes and the possible influence of customer loyalty programmes on purchasing behaviour within the retail industry in the Durban Metropolitan area;

- The data analysis of the focus group allowed for the formulation of the research questionnaire. The lack of research regarding customer loyalty programmes within the South African context, did not provide an existing questionnaire which could have been modified and used; and

- The second phase was the quantitative design. A questionnaire was used to sample a larger proportion of consumers within the Durban Metropolitan area. The questionnaire allowed for the exploration of use, attitudes, perceptions and influence of customer loyalty programmes within the Durban retail area.

3.1 Qualitative Research

This qualitative research was conducted in the form of focus groups and preceded the quantitative research method. The information gained from the focus group fed into and formed the foundation for the quantitative research.

The researcher conducted 2 focus groups. These focus groups consisted of between 4 to 5 individuals and allowed the researcher to ascertain their views and perceptions on customer loyalty programmes and current purchasing
behaviour. Individuals selected for the focus group were divided into two categories: Male and Female. Broad, open-ended questions were posed to the group relating to their knowledge, perceptions and practices with regard to customer loyalty programmes.

The objective of the focus group was to gain insight into the motivation for certain consumer behaviour with regard to the use/non-use of loyalty cards. It was important to gain insights from consumers who had and used their loyalty cards as well as consumers who did not have loyalty cards. The questions brought forward emerged from the literature review on the research question.

The focus group was scheduled to last between 45 minutes and 1 hour and the discussions were recorded via tape recorder/dictaphone. A moderator (the researcher) introduced the issues to be discussed and ensured that no one member of the group dominated the discussion and ensured that the group members remained focused on the topic.

3.1.1 Sampling process for Qualitative Research:

Sampling Method: A non-probability sampling method was used in selecting participants for the focus group. Convenience sampling was used to select participants based on accessibility and availability. The researcher ensured that participants selected for the focus groups consisted of both customer loyalty programme members and non-members. This selection was done to ensure that insights, practices and perceptions from both members and non-members were obtained during the focus groups. The purpose of the research was explained to the individuals and their informed consent was obtained verbally.

A focus group presented the researcher with the following benefits:

- Researcher time was limited and the researcher was able to gain the insights and practices in two focus groups, as opposed to several face-to-face interviews;
People felt more comfortable and less intimidated talking within a group; and

Interaction among participants was more informative. The discussion encouraged individuals to state information that may be omitted in a face-to-face interview (Leedy and Ormrod, 2005).

3.2 Quantitative Research Design
A cross-sectional survey research was conducted using the questionnaire complied from the focus groups. The knowledge, use, perceptions and influence of customer loyalty programmes were gained from administering the questionnaire to a sample of the population of the Durban Metropolitan sector.

3.2.1 Questionnaire Design
Demographic information was obtained from the initial questions of the questionnaire and respondents were required to tick the box relevant to them. Demographic items were included to obtain information regarding respondents' age, gender, income, marital status and number of hours spent shopping per week. These demographic variables were used to examine how the different types of consumers responded. These demographic variables were selected because they represented important population characteristics associated with different life-style patterns usually linked to different consumption behaviours (Bellizzi and Bristol, 2004).

The questionnaire was structured to be applicable to both members and non-members of customer loyalty programmes. All respondents were required to answer the questions pertaining to demographic information and understanding of the purpose of a customer loyalty programme.

Non-members were expected to answer questions regarding the reasons behind their non-membership. Questions applicable only to non-members included Question 11 to Question 13.
Members of customer loyalty programmes were expected to answer from Question 14 to Question 24, which encompassed the remainder of the questionnaire. Members were asked about the number of customer loyalty programmes they belong to, the reasons behind joining the loyalty programme, their main influence in using their loyalty card/s and the rewards valued most by them. Members were asked to state if they engaged in polygamous loyalty and their perceptions around polygamous loyalty. Members were asked if their membership to a customer loyalty programme influenced their purchasing behaviour and, if so, to clarify this influence. For each question, a respondent was presented with several options, of which they need to select the most appropriate or most relevant option for them. The options for each question presented, were obtained from data analysis of the focus groups.

The final questions within the questionnaire encompassed the perceptions and opinions regarding customer loyalty programmes and were gained by using rating scales, such as the Likert scales or itemized rating scales. Respondents were presented with statements regarding customer loyalty programmes and were required to select the rating, which indicates their agreement or disagreement with the statement. The rating options varied from strongly agree to strongly disagree. Likert Scales are the most widely used attitude measurement technique in social and marketing research (Diamantopoulos and Schlegelmilch, 2005).

The researcher ensured that the time taken to complete the questionnaire did not exceed 10 minutes. Hence, respondents were not inconvenienced with a tedious questionnaire. A lengthy questionnaire could lead to haphazard responses.

3.2.2 The Pilot Study
A pilot study was conducted with a small sample of individuals (5-6) to ensure that the questions were phased in an unambiguous manner and the questionnaire obtained the results intended for the research study. The pilot
study allowed for the researcher to test for errors that may have occurred during the fieldwork of the questionnaire.

### 3.2.3 Administering the Questionnaire

The questionnaires were administered by the researcher. The questionnaires were handed out to work colleagues, family, friends and acquaintances of the researcher. The purpose of the questionnaire was explained and consent gained from each individual. The respondent was given a questionnaire and was requested to complete the questionnaire and place the completed questionnaire in a closed box placed in a common area. This allowed for the questionnaires to remain anonymous. The administration of the questionnaire by the researcher allowed for a good response rate.

Originally, consumers within large shopping malls within the Durban Metropolitan area were selected as a sampling frame, from which to obtain respondents for the research. However, due to time constraints and problems with gaining permission to conduct the research within the shopping malls, this type of selection was not conducted.

### 3.2.4 The Sampling Process

*Define the Population:* The target population consisted of consumers within the retail sector of the Durban Metropolitan area.

*Sampling Frame:* Consumers were drawn from the researcher’s acquaintances, work colleagues, family and friends.

*The Sampling Method:* Non-probability sampling was employed. Convenience sampling method was employed. Sample members are chosen on the basis of their being readily available/accessible (Diamantopoulos and Schlegelmilch, 2005).

*Sample Size:* No less than 100 consumers were surveyed for the purpose of the research. The researcher aimed to survey as many consumers as possible, given the time and financial constraints.
3.3 Data Analysis

The information gained was analyzed using a formal statistical package such as SPSS under the guidance of a trained statistician. The demographic and numerical information obtained in the initial part of the questionnaire, allowed for the researcher to describe the sample group with regard to age, gender, race groups, income, marital status, etc. The initial data was used to then clarify the levels of membership/non-membership of customer loyalty cards amongst Durban consumers. The demographic information was analyzed using frequencies and percentages. The starting point in descriptive analysis is the construction of a frequency distribution for each variable of interest. This construction simply shows in absolute (simple counts) or relative (percentages) terms how often the different values of the variable is actually encountered in the sample (Diamantopoulos and Schlegelmilch, 2005).

For all questions, frequencies and percentages were used to ascertain the most common option selected, with regard to the understanding of a customer loyalty programme. Frequencies and percentages allowed for clarifying the level of membership and non-membership amongst the Durban consumers.

The sample was then split after the initial questions, into a non-member group and member group and the data for each group was analyzed separately. For the non-members, the reasons behind non-membership were analyzed using frequencies and percentages.

The sample of members was analyzed using frequencies and percentages. For each question, the most common options selected by the majority of the sample, were highlighted and recognized by the researcher. The researcher attempted to develop insights and conclusions into the most common options selected and these were supplemented by the literature.

The questions regarding the perceptions of customer loyalty programmes, by respondents were phrased in a Likert Scale format. Scaling formats were treated
as ordinal or interval variables. If one was to adopt a pragmatic approach, then one would treat scaling formats as interval variables. However, the distances between the scales should be of equal distance or one could experience and error in analyzing data (Diamantopoulos and Schlegelmilch, 2005).

Each question/statement was analyzed separately, and the majority frequencies were highlighted and recognized by the researcher. The researcher determined how the majority of the sample rated and viewed each statement.

The difference in perception of customer loyalty programmes and demographic variables was analyzed using parametric statistics. The T-test was used for to compare two groups across a measure, e.g. gender and perceptions of loyalty programmes. The One-way ANOVA test was used to compare three or more groups across a measure, e.g. race and perceptions of loyalty cards.

The T-test can be used when one wants to compare two groups on a variable measured at interval or ratio level (Diamantopoulos and Schlegelmilch, 2005). One-way analysis of variance (ANOVA) test is used to investigate if three or more population means are equal (Diamantopoulos and Schlegelmilch, 2005).

Prior, to parametric tests being used, a test for normality (Kolmogorov- Smirnov Test) was run to ensure that the sample was normally distributed. This was done to ensure that the parametric tests run were valid.

As the sample will be relatively small (~ 100 consumers), non-parametric tests were run as a pre-caution, to validate the results obtained from the parametric tests. The Mann-Whitney and Kruskall-Wallis tests were run in conjunction, with the tests stipulated above.
3.4 Ethical Considerations

The following ethical considerations were applied in the execution of the research project:

- **Respect for all research participants**: Every participant was approached and treated in a respectful and dignified manner;
- **Disclosure**: The participants of the focus group and the quantitative survey were informed of the purpose of the research study. Their role within the research study was explained in detail and all questions were answered in a truthful manner;
- **Voluntary participation**: Participation for all participants within the study, was only conducted in a voluntary manner;
- **Withdrawal**: Research participants were free to withdraw from the research study at any given point during the research process;
- **Informed Consent**: Participants were required to give consent to participate in the research study. This consent was required once the purpose of the research had been explained to the participants;
- **Confidentiality**: The participants of the focus group were assured of the confidentiality of their participation within the research process;
- **Anonymity**: The participants of the quantitative survey were assured of their anonymity within the study. This was properly explained to participants prior to participation in the survey;
- **Respect for the intellectual property of others**: The work of other academics and individuals was given the appropriate recognition in the research study. All information gained from outside sources was recognized and properly cited (Eiselen, 2007).
Chapter Four: Presentation of Results

4.1 Introduction
The data obtained from the questionnaires was analyzed using the Statistical tests discussed in the Chapter three. The results obtained have been presented and described as follows.

4.2 Biographical Data of Total Sample
A sample of 115 respondents was obtained from the Durban Metropolitan area. Biographical data of respondents obtained included the following: gender, age, race, marital status, monthly income and number of adults contributing to household income. Additional information regarding the shopping orientation of respondents, such as number of hours spent shopping in a week, was also obtained.

4.2.1 Gender Groups in Sample

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Male</td>
<td>42</td>
<td>36.5</td>
<td>36.5</td>
<td>36.5</td>
</tr>
<tr>
<td>Female</td>
<td>73</td>
<td>63.5</td>
<td>63.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>115</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

It can be observed from the above table that the majority of the sample consisted of females making up 63.5% and the male respondents making up the remaining 36.5%.
4.2.2 Age Groups in Sample

Table 2: Frequencies and Percentages of the Age Groups

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid &lt;20 years</td>
<td>3</td>
<td>2.6</td>
<td>2.6</td>
<td>2.6</td>
</tr>
<tr>
<td>21-35 years</td>
<td>37</td>
<td>32.2</td>
<td>32.2</td>
<td>34.8</td>
</tr>
<tr>
<td>36-55 years</td>
<td>59</td>
<td>51.3</td>
<td>51.3</td>
<td>86.1</td>
</tr>
<tr>
<td>56-70 years</td>
<td>16</td>
<td>13.9</td>
<td>13.9</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>115</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

The majority (83.5%) of the sample consisted of respondents belonging to the 36-55 year age group (51.3%) and the 21-35 year age group (32.2%). The 56-70 year age group made up 13.9% of the population.

4.2.3 Race Groups in the Sample Population

Table 3: Frequencies and Percentages of the Race Groups

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid White/European</td>
<td>44</td>
<td>38.3</td>
<td>38.3</td>
<td>38.3</td>
</tr>
<tr>
<td>Indian/Asian</td>
<td>53</td>
<td>46.1</td>
<td>46.1</td>
<td>84.3</td>
</tr>
<tr>
<td>Black/African</td>
<td>15</td>
<td>13.0</td>
<td>13.0</td>
<td>97.4</td>
</tr>
<tr>
<td>Coloured</td>
<td>3</td>
<td>2.6</td>
<td>2.6</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>115</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

The majority of the sample consisted of respondents of the Indian race group (46.1%) followed by the White race group (38.3%). The Black race group made up 13% and the Coloured race group only made up 2.6% of the sample.
### 4.2.4 Marital Status in the Sample

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married or in a relationship</td>
<td>87</td>
<td>75.7</td>
<td>75.7</td>
<td>75.7</td>
</tr>
<tr>
<td>Single</td>
<td>14</td>
<td>12.2</td>
<td>12.2</td>
<td>87.8</td>
</tr>
<tr>
<td>Widowed</td>
<td>5</td>
<td>4.3</td>
<td>4.3</td>
<td>92.2</td>
</tr>
<tr>
<td>Divorced/Separated</td>
<td>9</td>
<td>7.8</td>
<td>7.8</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>115</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

The majority of the sample were married or in a relationship and this group composed 75.7% of the sample. The second largest group was the single group, which composed 12.2%.

### 4.2.5 Adults contributing to Household Income in Sample

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>30</td>
<td>26.1</td>
<td>26.1</td>
<td>26.1</td>
</tr>
<tr>
<td>2</td>
<td>70</td>
<td>60.9</td>
<td>60.9</td>
<td>87.0</td>
</tr>
<tr>
<td>3</td>
<td>6</td>
<td>5.2</td>
<td>5.2</td>
<td>92.2</td>
</tr>
<tr>
<td>4</td>
<td>9</td>
<td>7.8</td>
<td>7.8</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>115</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

Table 5 above shows that the majority of the sample had 2 adults contributing to the household income (60.9%). This was followed by 26.1% of the sample who had only one adult contributing to household income. Only 7.8% of the sample had 4 adults contributing to the household income.
4.2.6 Respondents with/out Children in Sample

Table 6: Frequencies and Percentages of Respondents with/out Children

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Yes</td>
<td>85</td>
<td>73.9</td>
<td>73.9</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>30</td>
<td>26.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>115</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The table above indicated that 73.9% of the sample had children. The remaining 26.1% of the sample did not have any children.

4.2.7 The Number of Children Respondents Had

Table 7: Frequencies and Percentages of the Number of Children

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>1</td>
<td>20</td>
<td>17.4</td>
<td>23.5</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>46</td>
<td>40.0</td>
<td>77.6</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>15</td>
<td>13.0</td>
<td>95.3</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>3</td>
<td>2.6</td>
<td>98.8</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>1</td>
<td>.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>85</td>
<td>73.9</td>
<td></td>
</tr>
<tr>
<td>Missing System</td>
<td>30</td>
<td>26.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>115</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Of the 85 respondents who had children, 54.1% of them had 2 children, whilst 23.5% had only one child. The remaining 22.3% had 3 or more children.
4.2.8 Monthly Income Groups of Sample

Table 8: Frequencies and Percentages of Monthly Income Groups

<table>
<thead>
<tr>
<th>Income Group</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under R1000</td>
<td>4</td>
<td>3.5</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>R1 000-R5 000</td>
<td>10</td>
<td>8.7</td>
<td>8.7</td>
<td>12.2</td>
</tr>
<tr>
<td>R6 000-R10 000</td>
<td>32</td>
<td>27.8</td>
<td>27.8</td>
<td>40.0</td>
</tr>
<tr>
<td>R11 000-R15 000</td>
<td>33</td>
<td>28.7</td>
<td>28.7</td>
<td>68.7</td>
</tr>
<tr>
<td>R15 000-R20 000</td>
<td>14</td>
<td>12.2</td>
<td>12.2</td>
<td>80.9</td>
</tr>
<tr>
<td>Over R20 000</td>
<td>22</td>
<td>19.1</td>
<td>19.1</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>115</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

The majority of respondents earned R11 000-15 000 per month (28.7%) and R6 000 – R10 000 per month (27.8%). Respondents earning over R20 000 per month composed 19.1% and 12.2% of the respondents earned between R15 000 – R20 000 per month.

4.2.9 Hours Spent Shopping Per Week

Table 9: Frequencies and Percentages of Hours Spent on Shopping

<table>
<thead>
<tr>
<th>Hours Spent Shopping</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 2 hours</td>
<td>54</td>
<td>47.0</td>
<td>47.0</td>
<td>47.0</td>
</tr>
<tr>
<td>2hrs-5hrs</td>
<td>51</td>
<td>44.3</td>
<td>44.3</td>
<td>91.3</td>
</tr>
<tr>
<td>6hrs-8hrs</td>
<td>6</td>
<td>5.2</td>
<td>5.2</td>
<td>96.5</td>
</tr>
<tr>
<td>Over 8hrs</td>
<td>4</td>
<td>3.5</td>
<td>3.5</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>115</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

The majority of the respondents (47%) spent up to 2 hours shopping per week, followed by 44.3% who spent between 2 – 5 hours shopping per week.

4.3 Understanding of a Customer Loyalty Programme

To examine the understanding of customer loyalty programmes, respondents were presented with the following sentence ‘A Customer Loyalty Programme is
designed to ……” and were asked to chose one option to complete the sentence. Respondents were presented with a list of 6 options and were asked to choose an option that best described their understanding of a customer loyalty programme (CLP).

**Table 10: Frequencies and Percentages of Understanding of a CLP**

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reward customers who purchase regularly</td>
<td>61</td>
<td>53.0</td>
<td>53.0</td>
<td>53.0</td>
</tr>
<tr>
<td>Make customers return to the store</td>
<td>23</td>
<td>20.0</td>
<td>20.0</td>
<td>73.0</td>
</tr>
<tr>
<td>Give customers a preferential service</td>
<td>7</td>
<td>6.1</td>
<td>6.1</td>
<td>79.1</td>
</tr>
<tr>
<td>Ensure that customers do not shop at competing stores</td>
<td>11</td>
<td>9.6</td>
<td>9.6</td>
<td>88.7</td>
</tr>
<tr>
<td>Maintain and enhance the customer relationship</td>
<td>12</td>
<td>10.4</td>
<td>10.4</td>
<td>99.1</td>
</tr>
<tr>
<td>I do not understand what a Customer Loyalty Programme is</td>
<td>1</td>
<td>.9</td>
<td>.9</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>115</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

Over half of the sample (53%) understood a CLP to be a programme designed to ‘*reward customers who purchase regularly*’ and 20% felt that a CLP was designed to ‘*make customers return to a store*’. Of the sample, 10.4% felt that a CLP was designed to ‘*maintain and enhance the customer relationship*’ and 9.6% of the respondents believed that a CLP was designed to ‘*ensure that customers do not shop at competing stores*’.
4.4 Demographic Information Regarding Membership and Non-Membership

The graph above indicated that females within the sample showed a much higher tendency to be members of CLPs than non-members. Males, on the other hand, showed a slightly higher tendency towards non-membership than membership of CLPs.
The graph above indicated that there was a higher frequency of membership than non-membership, across all age groups except the <20 years age group.
Respondents of the White race group showed a substantially higher tendency towards membership of CLP, than non-membership. Respondents of the Indian and Black race groups demonstrated a slightly higher tendency towards membership of CLPs, than non-membership. Respondents of the Coloured race group demonstrated a slightly higher tendency towards non-membership of CLPs, than membership.
A higher proportion of respondents who were married/in a relationship or divorced, tended to be members of CLPs, than non-members. There were equal amounts of non-membership and membership, within the single category. There was a slightly higher amount of members of CLPs, than non-members within the widowed category.
The above graph indicated that higher proportions of respondents with or without children belonged to CLPs.
The higher income categories showed higher frequencies of membership to CLP programmes, than non-membership, with the exception of the R 15 000 – R 20 000 category, which showed equal frequencies. Respondents earning between from, under R1000 to R 5000 per month, demonstrated higher non-membership frequencies than membership frequencies.
The graph indicated that respondents spending from up to 2 hrs to 8 hrs, shopping per week, demonstrated higher tendencies towards CLP membership than non-membership. Respondents spending more than 8 hrs per week shopping, tended to show higher non-membership frequencies than membership to CLPs.
4.5 Customer Loyalty Programme Non- Membership
Respondents were asked whether they belonged to any CLPs. Those that answered ‘no’ to that question, continued to answer the questions pertaining to non-membership of CLPs (Question 11 to Question 13). As shown in Table 14, 42.6% of the sample did not belong to any CLP.

The follow up question to was to determine, if non-members were interested in joining CLPs in the future.

4.5.1 Future Intent to Join CLP
Non-members were asked if they would like to belong to a customer loyalty programme in the future.

<table>
<thead>
<tr>
<th>Table 11: Frequencies and Percentages of Future Intent to Join</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Valid Yes</td>
</tr>
<tr>
<td>No</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

The table indicated that only 34.7% of non-members would like to belong to CLPs in the future, with the remaining 65.3% stating that they did not want to belong to CLPs in the future.

The follow-up question was to determine whether non-members had been offered membership to CLPs previously or whether non-members had not been presented with any opportunity to become CLP members.
4.5.2 Non-members offered CLP Membership
Non-members were asked if they were offered membership of CLPs, at the stores where they shop.

Table 12: Frequencies and Percentages of CLP Membership offered

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Yes</td>
<td>20</td>
<td>40.8</td>
<td>40.8</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>29</td>
<td>59.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>49</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The table indicated that the majority of non-members (59.2%) were not offered membership to CLPs at the stores where they regularly shopped.

The follow-up question was whether non-members requested CLP membership information, in the event that they were not offered CLP membership.

Table 12 a: Frequencies and Percentages of Non-members Requesting Membership

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>2</td>
<td>29</td>
<td>59.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Not answered</td>
<td>20</td>
<td>40.8</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>49</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The above table indicated that although, the majority of non-members (59.2%) were not offered membership to CLPs, they did not ask for any membership information at the stores. This finding indicates that non-members were not interested in joining the programme, irrespective of being offered membership or not.
4.5.3 Reasons for Non-membership
Non-members were presented with five options and were requested to select the main reason for them not belonging to any CLPs.

Table 13: Frequencies and Percentages for Reasons for Membership

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Too many cards in your wallet, purse</td>
<td>19</td>
<td>38.8</td>
<td>38.8</td>
<td>38.8</td>
</tr>
<tr>
<td>Rewards offered are not substantial enough</td>
<td>17</td>
<td>34.7</td>
<td>34.7</td>
<td>73.5</td>
</tr>
<tr>
<td>You believe that they are a scam or there is a catch</td>
<td>5</td>
<td>10.2</td>
<td>10.2</td>
<td>83.7</td>
</tr>
<tr>
<td>You find them irritating, especially when other services are pushed onto you</td>
<td>4</td>
<td>8.2</td>
<td>8.2</td>
<td>91.8</td>
</tr>
<tr>
<td>Decreased frequency of perks, rewards and inconvenience in collecting card</td>
<td>4</td>
<td>8.2</td>
<td>8.2</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>49</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

The table indicated that the most common reason for non-membership amongst respondents was ‘too many cards in (their) wallet/purse’ which was selected by 38.8% of non-members. The second most common reason for non-membership was that respondents found ‘rewards offered (were) not substantial enough’ which obtained a 34.7% response rate. Non-members who did not join CLPs because ‘(they) believe that they are a scam or there is a catch’ made up 10.2%.
4.6 Customer Loyalty Programme Membership

Respondents were asked to answer if they belong to any CLP’s. If respondents answered ‘yes’ to that question, they proceeded to set of questions (Question 14 to Question 22) asking them about the number of CLPs they belonged to, use of CLPs, the influence of CLPs and their perceptions of CLPs.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Valid</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>66</td>
<td>57.4</td>
<td>57.4</td>
<td>57.4</td>
</tr>
<tr>
<td>No</td>
<td>49</td>
<td>42.6</td>
<td>42.6</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>115</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The above table indicated that CLP membership (57.4%) was slighter higher than non-CLP membership (42.6%) within the Durban Metropolitan Area. The number of CLPs that respondents belonged to is indicated in the table 4.6.1.
4.6.1 The Number of CLP’s Respondents Belong to
Respondents who did belong to CLPs were asked to state the number of CLPs to which they belonged.

Table 15: Frequencies and Percentages of Number of CLPs

<table>
<thead>
<tr>
<th>Q14</th>
<th>Count</th>
<th>Q10 Membership to Customer Loyalty Programmes</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>Yes</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Column %</td>
<td>34.8%</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>Yes</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Column %</td>
<td>47.0%</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>Yes</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Column %</td>
<td>10.6%</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>Yes</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Column %</td>
<td>4.5%</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>Yes</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Column %</td>
<td>3.0%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>Yes</td>
<td>66</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Column %</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

The table above indicated that almost half of the CLP members (47%) belonged to 2 CLPs. Respondents belonging to only one CLP composed 34.8% and 10.6% of the respondents belonged to 3 CLPs. A combined 7.5% of the respondents belonged to 4/5 CLPs.
4.6.2 CLP Members’ Reasons for joining CLP
Respondents belonging to CLPs were presented with 6 options regarding the reason behind joining CLPs. Members were asked to choose the main reason behind them joining a customer loyalty programme. Choice of only one option was allowed.

<table>
<thead>
<tr>
<th>Q15</th>
<th>Reason</th>
<th>Yes</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To get rewards, perks</td>
<td>44</td>
<td>66.7%</td>
</tr>
<tr>
<td></td>
<td>To support good causes</td>
<td>3</td>
<td>4.5%</td>
</tr>
<tr>
<td></td>
<td>To be given first preference</td>
<td>1</td>
<td>1.5%</td>
</tr>
<tr>
<td></td>
<td>To be informed on time about specials, promotions</td>
<td>3</td>
<td>4.5%</td>
</tr>
<tr>
<td></td>
<td>Just joined the Loyalty Programme because it was being offered at the store</td>
<td>15</td>
<td>22.7%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>66</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

More than half of CLP members (66.7%) stated that the main reason for them joining a CLP was ‘to get rewards and perks’. Some CLP members (22.7%) stated that they ‘just joined a Loyalty programme because it was being offered at the store’. The reasons ‘to support a good cause’ and ‘to be informed on time about specials/promotions’ both obtained a 4.5% selection rate.
### 4.6.3 Factors Influencing Use of the Customer Loyalty Programme

CLP members were presented with five options and were asked to select the factors, which influenced them most in using their Loyalty Card. CLP members were asked to select only one option.

**Table 17: Frequencies and Percentages of Factors Influencing Use of CLP**

<table>
<thead>
<tr>
<th>Q16</th>
<th>If you are buying a substantial amount of goods</th>
<th>Count</th>
<th>Column %</th>
<th>Total</th>
<th>Q10 Membership to Customer Loyalty Programmes</th>
<th>Yes</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Proximity of the store and convenience to you</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The actual reward must be something worthwhile, beneficial to you</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Depends on the products, goods you are purchasing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>It has become a habit now for me to use my loyalty card</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The main factor stated as influencing CLP use was that ‘the actual reward must be something beneficial’ and 42.4% of CLP members selected this option. This was followed by 19.7% of CLP members stating that ‘It has become a habit for them to use (their) Loyalty Card’, whilst 18.2% of CLP members were influenced in using their CLP ‘If (they) are buying a substantial amount of goods’. 


4.6.4 Rewards Valued Most by CLP Members
CLP members were asked to select the rewards or services which they valued most of their loyalty programme. Respondents were presented with six options and were asked to select only the option they valued the most.

Table 18: Frequencies and Percentages of Rewards Valued Most

<table>
<thead>
<tr>
<th>Q10 Membership to Customer Loyalty Programmes</th>
<th>Yes</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q17  Cashback, cash vouchers</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Count</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Column %</td>
<td>53.0%</td>
<td>53.0%</td>
</tr>
<tr>
<td>Deductions off your purchase</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>Count</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Column %</td>
<td>28.8%</td>
<td>28.8%</td>
</tr>
<tr>
<td>Discounts, coupons of goods, products</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Count</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Column %</td>
<td>12.1%</td>
<td>12.1%</td>
</tr>
<tr>
<td>Being entered into competitions and lucky draws automatically</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Count</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Column %</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Funds donated to a charitable cause</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Count</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Column %</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Total</td>
<td>66</td>
<td>66</td>
</tr>
<tr>
<td>Count</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Column %</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Slightly more than half of CLP members (53%) valued ‘cashback, cash vouchers’ over other rewards or services. This was followed by 28.8% of CLP members who preferred ‘deductions off (their) purchase’ whilst, 12.1% preferred ‘discounts, coupons of goods/products’. The options of ‘being entered into competitions and lucky draws automatically’ and ‘funds donated to a charitable cause’ both obtained a selection rate of 3%.
4.7 Perceptions of Customer Loyalty Programmes by Members

Respondents who belonged to CLPs, were asked to rate statements regarding customer loyalty programmes, using the Likert Scale. Respondents were required to tick the answer that best described their option to the statement. Rating varied from ‘Strongly Agree’ to ‘Strongly Disagree’.

4.7.1 Statement 1: Customer Loyalty Programmes allow for customers to build a long-term relationship with stores/organizations.

Table 19: Frequencies and Percentages of Statement 1

<table>
<thead>
<tr>
<th></th>
<th>Q10 Membership to Customer Loyalty Programmes</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>66</td>
</tr>
<tr>
<td>Q22.1 Disagree</td>
<td>Count</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Column %</td>
<td>15.2%</td>
</tr>
<tr>
<td>Neutral</td>
<td>Count</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Column %</td>
<td>21.2%</td>
</tr>
<tr>
<td>Agree</td>
<td>Count</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td>Column %</td>
<td>57.6%</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>Count</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Column %</td>
<td>6.1%</td>
</tr>
<tr>
<td>Total</td>
<td>Count</td>
<td>66</td>
</tr>
<tr>
<td></td>
<td>Column %</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

The table indicated that slightly more than half of CLP members (57.6%) agreed with this statement. This was followed by 21.2% of CLP members who felt neutral towards the statement, whilst, 15.2% disagreed with the statement. Only 6.1% strongly agreed with the statement.
4.7.2 Statement 2: You will always join a customer loyalty programme because they give customers ‘something for nothing’.

Table 20: Frequencies and Percentages of Statement 2

<table>
<thead>
<tr>
<th>Q22.2</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>Count</td>
<td>Count</td>
<td>Count</td>
<td>Count</td>
</tr>
<tr>
<td>Yes</td>
<td>3</td>
<td>28</td>
<td>18</td>
<td>14</td>
<td>3</td>
</tr>
<tr>
<td>Column %</td>
<td>4.5%</td>
<td>42.4%</td>
<td>27.3%</td>
<td>21.2%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Total</td>
<td>66</td>
<td>66</td>
<td>66</td>
<td>66</td>
<td>66</td>
</tr>
</tbody>
</table>

A large proportion (42.4%) of CLP members disagreed with this statement. The second most popular rating was neutral and 27.3% of members selected this rating, whilst 21.3% agreed with this statement. The ratings of strongly agree and strongly disagree both obtained a selection rate of 4.5%.
4.7.3 Statement 3: *Customer loyalty programmes encourage you to be loyal to that store/organization.*

**Table 21: Frequencies and Percentages of Statement 3**

<table>
<thead>
<tr>
<th>Q22.3</th>
<th>Count</th>
<th>Column %</th>
<th>Q10 Membership to Customer Loyalty Programmes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
<td>1.5%</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>Disagree</td>
<td>21</td>
<td>31.8%</td>
<td></td>
</tr>
<tr>
<td>Neutral</td>
<td>13</td>
<td>19.7%</td>
<td></td>
</tr>
<tr>
<td>Agree</td>
<td>27</td>
<td>40.9%</td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>4</td>
<td>6.1%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>66</td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>

This table indicated that 40.9% of members agreed with this statement, whilst, a slightly lower 31.8% disagreed with this statement. A portion of members (19.7%) felt neutral towards this statement and some members (6.1%) strongly agreed with the statement.

4.7.4 Statement 4: *Customer loyalty programmes are a waste of time and the*
rewards are not substantial enough.

### Table 22: Frequencies and Percentages of Statement 4

<table>
<thead>
<tr>
<th>Q22.4</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>Count</td>
<td>Count</td>
<td>Count</td>
<td>Count</td>
<td>Count</td>
</tr>
<tr>
<td>Yes</td>
<td>3</td>
<td>9</td>
<td>23</td>
<td>29</td>
<td>2</td>
<td>66</td>
</tr>
<tr>
<td>Column %</td>
<td>4.5%</td>
<td>13.6%</td>
<td>34.8%</td>
<td>43.9%</td>
<td>3%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>9</td>
<td>23</td>
<td>29</td>
<td>2</td>
<td>66</td>
</tr>
</tbody>
</table>

A large portion of the members (43.9) disagreed with this statement. The second most popular rating was neutral and 34.8% of the members selected this rating, whilst, 13.6% of members agreed with the statement. A small portion (4.5%) of members strongly agreed with the statement, whereas only 3% strongly disagreed with the statement.
4. Demographic Variables and Perceptions of CLPs

Statistical tests were used to ascertain whether there were any significant differences amongst the demographic variables and the perception of Loyalty Cards. In the case of gender and whether respondents had any children, the Two Sample T-Test was used (Table 23) and with regard to the other demographic variables the One Way ANOVA test was used (Table 24).

A) Gender and whether Respondents had any children

<table>
<thead>
<tr>
<th>Biographical Variable</th>
<th>T-Test</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>0.891</td>
<td>.376</td>
</tr>
<tr>
<td>Whether respondents had children</td>
<td>.627</td>
<td>.533</td>
</tr>
</tbody>
</table>

There is no statistical difference in the perception of CLPs between males and females at the 95% level (p>0.05). There is no statistical difference in perception between respondents with or without children at the 95% level (p> 0.05).

B) Age, Race, Marital Status and Monthly Income Groups

<table>
<thead>
<tr>
<th>Biographical Variable</th>
<th>F</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>1.281</td>
<td>.285</td>
</tr>
<tr>
<td>Race</td>
<td>5.066</td>
<td>.009</td>
</tr>
<tr>
<td>Marital Status</td>
<td>.612</td>
<td>.610</td>
</tr>
<tr>
<td>Monthly Income</td>
<td>.851</td>
<td>.499</td>
</tr>
</tbody>
</table>

There is no statistical difference in perception of CLPs between the age groups at the 95% level (p>0.05). There is a statistical difference in perception of CLPs
between the race groups at the 95% level (p<0.05). Black and Indian groups have a higher mean score than the White group. Whites tend to disagree more in their ratings of the statements than the Black and Indian Groups. This finding indicates that White respondents have a more neutral opinion regarding the value of CLPs, whereas Indian and Black groups have a more positive view regarding the value of CLPs.

There is no statistical difference in perception of CLPs between the marital status groups at the 95% level (p > 0.05). There is no statistical difference in the perception of CLPs between the monthly income groups at the 95% level (p > 0.05).

4.9. Extent and Attitudes towards Polygamous Loyalty amongst CLP Members

Members of CLPs were asked whether they belong to CLPs of competing stores and were also asked their feelings towards polygamous loyalty. The table below indicates the proportion of CLP members who belong to competing CLPs.

Table 25: Frequencies and percentages of Polygamous Loyalty amongst CLP members

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Yes</td>
<td>16</td>
<td>24.2</td>
<td>24.2</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>50</td>
<td>75.8</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>66</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

The above table indicated that the majority of CLP members (75.8%) did not belong to competing customer loyalty programmes, whilst the remaining 24.2% did belong to competing CLPs.

The follow-up question was to ascertain CLP members’ opinions towards polygamous loyalty.
4.9.1 Opinions Towards Polygamous Loyalty

Members of CLPs were asked if they considered it to be ‘disloyal’ to belong to CLPs of competing stores. Members were simply requested to answer either ‘yes’ or ‘no’ to this question.

**Table 25 a: Frequencies and Percentages of Opinions towards Polygamous Loyalty**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Yes</td>
<td>1</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>65</td>
<td>98.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>66</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The above table indicated that almost all CLP members (98.5%) believed that it was not a sign of disloyalty to belong to CLPs of competing stores. Only one member (1.5%) believed that polygamous CLP membership was disloyal.

Respondents who answered that it was not a sign of disloyalty to belong to CLPs of competing stores, were then asked to pick the option that best described their opinion towards Polygamous Loyalty. Members were provided with a choice of five options.
Table 25 b: Frequencies and Percentages of Opinions towards Polygamous Loyalty

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>2.1</td>
<td>13</td>
<td>19.7</td>
<td>20.0</td>
</tr>
<tr>
<td></td>
<td>2.2</td>
<td>13</td>
<td>19.7</td>
<td>20.0</td>
</tr>
<tr>
<td></td>
<td>2.3</td>
<td>15</td>
<td>22.7</td>
<td>23.1</td>
</tr>
<tr>
<td></td>
<td>2.4</td>
<td>14</td>
<td>21.2</td>
<td>21.5</td>
</tr>
<tr>
<td></td>
<td>2.5</td>
<td>10</td>
<td>15.2</td>
<td>15.4</td>
</tr>
<tr>
<td>Total</td>
<td>System</td>
<td>65</td>
<td>98.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>66</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Key
2.1- You should get the most rewards out of whichever programme you can get.
2.2- You tend to lean towards the programme with the better rewards.
2.3- Stores should compete with each other for customer loyalty.
2.4- I want the best product available.
2.5- It’s called loyalty but it is not really loyalty.

The table above indicates that there is a spread regarding members’ opinions towards polygamous loyalty. The most common opinion selected (23.1%) was that ‘stores should compete for customers’ loyalty’ and the second most common opinion selected (21.5%) was that ‘I wanted the best product available’. The options ‘you should get the most rewards out of whatever programme you can get’ and ‘you tend to lean towards the programme with the better rewards’ both obtained selection rates of 19.7%. The last option of ‘it’s called loyalty but is not really loyalty’ was selected by 15.4% of the applicable CLP members.
4.10 Influence of CLP Membership on Purchasing Decisions

Members of CLPs were asked if they felt that their CLP membership influenced their purchasing behaviour.

Table 26: Frequencies and Percentages of CLP Influence on Purchasing Behaviour

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Yes</td>
<td>30</td>
<td>45.5</td>
<td>45.5</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>36</td>
<td>54.5</td>
<td>54.5</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>66</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

This table indicated that slightly more than half of CLP members (54.5%) were not influenced by CLP membership in purchasing behaviour. The remaining 45.5% were influenced by CLP membership in their purchasing behaviour.

4.10.1 Clarification of Influence on Purchasing Behaviour by CLP
**Membership**

Members who stated that CLP membership did influence their purchasing behaviour, were then asked to select one option that best described the influence of CLP membership. Members were provided with five options, from which they could chose.

**Table 27: Frequencies and Percentages of Clarification of Influence of CLPs**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid 1.1</td>
<td>5</td>
<td>7.6</td>
<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td>1.2</td>
<td>16</td>
<td>24.2</td>
<td>53.3</td>
<td>70.0</td>
</tr>
<tr>
<td>1.4</td>
<td>5</td>
<td>7.6</td>
<td>16.7</td>
<td>86.7</td>
</tr>
<tr>
<td>1.5</td>
<td>4</td>
<td>6.1</td>
<td>13.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>45.5</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Answered No for Q21</td>
<td>36</td>
<td>54.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>66</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Key:**
1.1- Loyalty Cards are not the biggest motivating factor when purchasing.
1.2- Loyalty Cards influence me because I get rewards and benefits.
1.3- Loyalty cards influence me to be loyal to a store.
1.4- I am more likely to purchase from the store of which I am a Loyalty member.
1.5- It has become a habit to shop at that store.

The table indicated that slightly more than half (53.3%) selected the option, which stated that ‘loyalty cards influenced (them) because they get rewards and benefits’. The options, which stated that ‘loyalty cards are not the biggest motivating factor and I am more likely to purchase from the store of which I am a Loyalty member’, both obtained a selection rate of 16.7%. The option, which stated ‘It has become a habit for me to shop at that store’, was selected by 13.3% of the members influenced by CLP membership. None of the members selected the option, which stated that ‘loyalty cards influence me to be loyal to a store’.
Chapter Five: Discussion of Results

The results of the study have been presented in great detail in Chapter four. This chapter will discuss the implications of the results obtained, in light of the literature reviewed. The objectives of the study will be stated and the results will be discussed separately under each objective.

5.1 Objective One

*To establish the influence of demographic information on Loyalty Card membership and non-membership.*

Within the sample, significantly higher rates of CLP membership were observed within the female group (47) than the male group (19). In the male group, a slighter higher number (23) did not belong to CLPs compared those who were CLP members (19). In the female group, the majority (47) of female respondents were CLP members compared to the 26 females who were not members. The study showed higher membership rates within the female group, and slightly higher non-membership rates was observed within the male group. In the 2008 research study conducted by Demoulin and Zidda, to determine if satisfaction with the loyalty card mattered, females were found to be in the majority of the sample of card-holders. The study was conducted in Belgium and within their sample of 180 card-holders, 76% of the sample was female. This finding indicates that there are higher membership rates of loyalty programme observed within the female gender.

Higher membership rates were observed in all age groups over 21 years old. These higher membership rates could be attributed to the fact that consumers over 21 years old are more likely to be earning an income and are more likely to be involved with increased amounts of shopping.

The highest membership rates were observed within the White race group (45.5%), followed by the Indian race group (40.9%) and then the Black race group (12.1%). These results could have been influenced by a higher number of
White and Indian respondents compared with fewer Black and Coloured respondents. Olivier (2007) stated that the current reality in South Africa is that loyalty programmes have been targeted to the historically advantaged communities. This would have consisted the White and Indian race groups in the apartheid era, which could explain the higher membership rates within these groups.

Higher rates of membership were observed in respondents who were married or in a relationship (74.2%) and this was followed by divorced respondents who composed 12.1% of CLP members. Perhaps, consumers perceive more utility from loyalty programmes when they are married/ in a relationship as opposed to being single, as they are likely to be purchasing for a larger amount. Divorced people previously were married and these consumers may have obtained their loyalty card, whilst still married.

Higher proportions of respondents belonged to CLPs, irrespective of whether they had children or not. Respondents, earning an income of R6000 per month and over, showed higher frequencies of membership. However, the R15 000 – R 20 000 income group demonstrated equal amounts of membership and non-membership. It can be deduced that people earning a higher income are likely to spend more in stores and therefore perceive more utility from a Customer Loyalty programme membership, as opposed to people earning a lower income.

5.2 Objective Two

To determine consumers’ current knowledge and understanding of what a customer loyalty programme is.

The main three options selected to describe consumers’ understanding of a customer loyalty programme includes: 1- Reward customers who purchase regularly (53%); 2- To make customers return to the store (20%) and 3- To maintain and enhance the customer relationship (10.4%). This finding indicates that most consumers within the sample, view CLPs as a mechanism for
stores/organizations to recognize regular customers and reward repeat patronage, as well as to encourage consumers to return to the store. A portion of the sample also viewed CLP as a relationship-marketing tool used to cultivate the relationship between consumers and stores/organizations. ‘Loyalty programmes are distinguished by their degree of emphasis on lifting average purchase frequency and other aspects of repeat-purchase loyalty. They explicitly reward customers for consolidating their purchases and reducing the size of their brand repertoires’ (Sharp and Sharp, 1997: 474). One of the customer relationship management (CRM) strategies employed within retail is the customer loyalty programme (Anderson, Jolly & Fairhurst, 2007). It is, therefore, revealed that the majority (83.4%) of the sample understood the main purposes of a CLP.

5.3 Objective Three

To explore the reasons behind non-card membership amongst consumers within the Durban Metropolitan Area.

In the sample, 42.6% of the respondents did not belong to CLPs. Within the portion of non-members, only 34.7% expressed a future interest in joining a CLP, indicating that the majority of non-members (65.3%) were not interested in joining a CLP in the future. The majority of non-members (59.2%) were not offered CLP membership at the stores where they shopped and the entire 59.2% did not ask for any information regarding CLP membership. This finding indicates that the majority of non-members were not interested in joining CLPs, irrespective of being offered membership. There is also the possibility that some non-members were frequenting stores, which did not have a CLP in operation. Leenheer, et al. (2007) stated that it is important to consider the profile of the consumers when considering participation rates of loyalty programmes. They found that consumers, who have a positive attitude towards loyalty programmes, are more likely to join because they perceive economic and non-economic benefits. Therefore, it can be concluded that the respondents, who are not members of
CLPs, may not have a positive attitude towards CLPs and may not perceive any benefits from membership. This would also explain why the majority of non-members were not interested in joining CLPs in the future.

The most common reason (38.8%) selected for non-membership amongst respondents was that there were ‘too many cards in wallet/purse’. Lacey and Sneath (2006) remarked that the greatest risk is seen to be that with the sheer number of cards available, consumers will refuse to carry them. This is and could become a reality for most retailers offering CLPs, considering the limited physical space contained in a wallet/purse and the increasing number of loyalty programmes available in markets.

The second most common (34.7%) reason cited for non-membership was that ‘rewards offered (were) not substantial enough’. This finding highlights the fact that rewards must be valued and considered ‘worthwhile’ in order to encourage CLP subscription by some members. These consumers may have not found a CLP, which offered rewards valued by them. Meyer-Waarden (2006) states that consumers weigh the value obtained by the loyalty programme against the associated expenses. Changes in behaviour, such as joining the programme and repeat-purchases, will only occur if the consumer perceives the utilities of the rewards (points collection, privileges, financial advantages) as higher than the costs (revealing personal data, switching costs, repeat purchase obligations). It can be observed that this portion of non-members do not believe that the associated benefits of the programme are higher than the associated costs and have, therefore, not joined any CLPs.

The third most common reason (10.2%) cited for non-membership was because ‘(they) believed that they are a scam or there is a catch’. Some customers are suspicious of the concept of identifying themselves and their shopping habits and fear possible misuse of their personal information (Wright and Sparks, 1999). Wendlandt and Schrader (2007) found that loyalty programmes can arouse psychological reactance, especially if legal bonds are utilized. It is revealed that
some Durban consumers will not join CLPs because they distrust the intention of the programme and are suspicious of providing their personal details.

5.4 Objective Four

To determine the extent of customer loyalty programme (CLP) membership and use within the Durban Metropolitan sector.

This study showed that membership (57.4%) to CLPs was slightly higher than non-membership (42.6%) within the Durban Metropolitan area. Of the respondents belonging to CLPs, only 38.8% belonged to just one CLP and the remaining card-holders belonged to two or more CLPs. This finding indicates that the majority of card-holders within the sample held multiple CLP memberships.

Members (66.7%) stated that the main reason for them joining a CLP was to ‘get rewards and perks’. Loyalty programmes enhance customer loyalty through several economic, psychological and sociological mechanisms. In terms of an economic perspective, loyalty programmes provide members with value in the form of rewards. A second economic driver consists of switching costs, because loyalty programmes’ members lose value if they stop purchasing from the company (Leenheer, et al., 2007). Loyalty programmes also create feelings of being a preferred customer and provides smart shopper feelings, resulting in pride about being economical (Leenheer, et al., 2007). This explains the reasons why some consumers join loyalty programmes for the rewards and benefits gained.

A portion of card-holders (22.7%) stated that ‘they just joined the Loyalty Programme because it was being offered at the store’. This finding is in line with the study conducted by Meyer Waarden and Benavet (2006) who found that the majority (88%) of card-holders, in their sample, were already customers of the store before subscribing to the loyalty programme. Wright and Sparks (1999) found that consumer involvement within the loyalty programme was related to the fact that they shop at the particular store already. Leenheer, et al. (2007) stated
that loyalty programmes aim to enhance purchase behaviour, but the company’s best customers are the most likely to subscribe as members.

When asked to select factors influencing their use of the loyalty card, a large portion of members (42.4%) selected the option stating that the ‘actual reward must be something worthwhile/beneficial to you’. The other influencing factor selected by members (19.7%) was that ‘it has become a habit for (them) to use (their) Loyalty Card’ and some members were influenced to use their card ‘when buying a substantial amount of goods’. Research indicates that customers do not devote equal efforts into obtaining a given reward and that the heavier, more loyal buyers of a store enroll in loyalty reward schemes earlier (Meyer-Waarden, 2006). This study concurs with this evidence because if a reward is considered ‘worthwhile’ and is valued by consumers, then consumers will devote energy into obtaining the reward.

Research by Demoulin and Zidda (2008) found that the loyalty card effect on customers’ loyalty depends on how they value the loyalty scheme rewards. They also found that, in addition to being more loyal to the store, customers satisfied with the card scheme are less influenced by holding competitors’ loyalty cards. This finding further explains why some consumers are influenced to use their card when they are buying for a ‘substantial amount’. The more they buy, the quicker and greater are their chances of receiving the rewards that they value. Customers may also perceive that they are getting something back for the money they have spent, when they buy for a substantial amount. This research provides evidence that in order to change behaviour patterns of consumers, rewards of CLPs have to be substantial and something valued by customers. As stated previously, consumers, who are already customers of the store join Loyalty Programmes and this could explain why it has become a ‘habit’ for some members within the sample to use their loyalty card.

When asked to select the rewards most valued by CLP members, 53% valued ‘cashback, cash vouchers’. This finding implies that Durban CLP members prefer
hard, tangible benefits (cash) and most members prefer to be able to decide how to spend the rewards earned. When consumers receive rewards of cash/cashback, they experience feelings of intelligence and pride about having achieved something or won something without having to pay the normal price. These feelings are ultimately meant to strengthen the emotional/psychological bonds with the store/organization (Meyer-Waarden, 2006).

A portion of members (28.8%) stated that they preferred ‘deductions off their purchase’ and 12.1% of members preferred ‘discounts off their goods/products’. These can be considered as hard benefits offered by the CLPs, which consumers would enjoy depending on their point accumulation. Although customers do not receive tangible cashback/cashvouchers, they probably will still experience feelings of pride and achievement due to the savings incurred. The article in Bizcommunity (2005) stated that South Africans are most fond of quick, easy accessible programme information and rewards. They prefer rewards which do not require cumbersome or labour-intensive activity. It was found that points collection, instant rewards systems, discounts and expected treats are generally appealing. This finding is confirmed by this study, which shows that Durban consumers prefer hard benefits obtained easily, such as rewards, deductions off purchase and discounts.

5.5. Objective Five

To explore the possible effects of loyalty card membership purchasing decisions made within the Retail sector of the Durban Metropolitan sector.

Within the 66 respondents, who belonged to CLPs, a substantial portion (54.5%) stated that their purchasing behaviour was not influenced by their CLP membership. This finding could be partially explained by the 22.7% of members who stated that they only joined the CLP because it was being offered at the store where they shop. This finding is confirmed by the study by Gomez, et al., (2006) who found that CLPs were not able to modify the behaviour of consumers towards the retailers running them. Their research highlighted that the main role
of loyalty programmes is to retain already loyal customers. Loyalty programmes were found to alter repeat-repurchase patterns to a small degree (Sparks, 1999). Specific consumer characteristics, such as variety seeking behaviour, shopping orientations, sensitivity to sales promotions, all influence the strength and impact of loyalty programmes on consumers’ repurchase behaviour (Meyer-Waarden, 2006).

The remaining 45.5% of the CLP members, who were influenced by their CLP membership, were asked to clarify their influence by selecting one of the options presented. The most common influence (53.3%) selected was that ‘Loyalty cards influence me because I get rewards and benefits’. This is to be expected as 66.7% of the respondents initially stated that they joined CLPs for the rewards and benefits. In line with Meyer-Waarden (2006), customers, who perceive the utilities of the loyalty programme as higher than the associated costs, will change their buying behaviour and engage in repeat-purchase behaviour.

The influence that ‘Loyalty Cards are not the biggest motivating factor when purchasing’, was selected by 16.7% of the members. Loyalty programmes have been shown to play a secondary role, in terms of choice of retailer. Services such as variety, prices, location of store and employees were shown to be more important (G’omez. et al, 2006). This study confirms that a portion of CLP members are more influenced by other factors when purchasing, than by CLP membership.

The influence, ‘I am more likely to purchase from the store of which I am a Loyalty member’, was also selected by 16.7% of members. The 2005 research by Meyer-Waarden revealed that after programme subscription, the loyalty card significantly reduces the relative risk of defection and increases the consumers’ share-of-wallet in the focal store. This finding suggests that a portion of CLP members are encouraged to shop at a store after membership subscription, possibly to maximize their benefits received by the CLP.
The influence, ‘*It has become a habit for me to shop at the store of which I am a Loyalty member*’, was selected by 13.3%. The literature has shown that most loyalty card members were customers of the store prior to the initiation of the loyalty card programme and that the more regular and loyal customers are likely to subscribe to Loyalty Card Programmes (Meyer-Waarden, 2006, G´omez, *et al*., 2006, Wright and Sparks, 1999). If respondents were regular customers of the store prior the Loyalty Card programme, it would explain why it has become a habit for them to use their card.

5.6 Objective Six

*To explore the extent of polygamous loyalty and attitudes of consumers towards polygamous loyalty within the Durban Metropolitan area.*

It was found that 75.8% of the CLP members did not belong to competing Loyalty programmes whilst 24.4% did belong to competing CLPs. This finding indicates that, although polygamy with regard to CLP membership is occurring within the Durban area, it is not occurring with the majority loyalty card-holders. This difference could be due to the fact that the Loyalty programme market has not reached saturation and the South African market demonstrates ‘a position for significant loyalty growth’ (Olivier, 2007: 180).

Almost all CLP members (98.5%) believed that it was not a sign of disloyalty to belong to CLPs of competing stores. Only one member (1.5%) believed that polygamous CLP membership was a sign of disloyalty. Research has found that few consumers are ‘monogamous’, which is 100% loyal or are they considered ‘promiscuous’, which could be defined as no loyalty to any brand. It has been found that most consumers are ‘polygamous’, which is defined as loyalty to a portfolio of brands in a product category. From the perspective of polygamy, loyalty is defined as an ‘ongoing propensity to buy the brand, usually as one of several’ (Uncles, Dowling & Hammond, 2003: 297).
Members, who believed that it was not a sign of disloyalty to belong to competing stores, were asked to clarify this perception by selecting the most appropriate option. There was a close spread of options selected. The most common option (23.1%) selected was that ‘stores should compete for customers’ loyalty’. These consumers view their loyalty as a goal for which stores/organizations should compete. In many product categories, both the functional and the perceived differences amongst competing brands are small and customers perceive few critical and meaningful differences amongst competing brands (Uncles, et al., 2003). Therefore, consumers feel that stores should compete with each other in offering them the best programme available, in an attempt to win over their patronage.

The second most common option (21.5%) was that ‘I want the best product available’, which indicates that consumers will purchase at the shop which offers the best product at the best price. Consumers may possibly engage in polygamous loyalty to ensure that they get value for money when shopping.

The option, which stated that ‘you should get the most rewards out of whatever programme you can get’, was selected by 20% of the CLP members. This finding implies that customers will enroll in multiple loyalty programmes to reap the benefits from all the programmes. This is in line with the research conducted by Meyer-Waarden (2005) who found that many multi-loyal shoppers, who already shop at several chains on a regular basis, will join all available programmes to take advantage of all the benefits available.

The option, which stated that ‘you tend to lean towards the programme with the better rewards’, was also selected by 20% of the CLP members. This finding reiterates the research of Demoulin and Zidda (2008,) who found that consumers were more loyal when they were satisfied with the focal stores rewards. Stores were able to re-inforce loyalty when customers were satisfied with the rewards of the programme. Rewards are a competitive arm that can be used to cancel out the effects of the competitors’ loyalty cards (Demoulin and Zidda, 2008).
The option which stated that ‘it’s called loyalty but it is not really loyalty’ was selected by 15.4% of the CLP members, indicating that a portion of CLP members do not view a CLP as an instrument which encourages ‘true loyalty’ from consumers. Uncles, et al. (2003) questioned whether it was feasible to generate loyalty amongst consumers. In the 21st century, when consumers are faced with more choice than ever and polygamy appeared readily apparent, loyalty amongst consumers may appear to be a quaint and out-dated notion (Rhundle-Thiele, 2006).

5.7 Objective Seven

To gain insights into the perceptions of loyalty card holders within the Retail sector of Durban Metropolitan area.

Statement one: Customer Loyalty Programmes allow for customers to build a long-term relationship with stores/organizations.

The majority of the sample (63.7%) agreed and strongly agreed with the statement, indicating that the majority did view loyalty programmes as a tool which stores/organizations use to cultivate a long-term relationship with customers. In comparison with other marketing activities, such as sales promotions, loyalty programmes can be considered to be more defensive and longer-term in nature (Sharp and Sharp, 1997). Loyalty programmes raise switching costs for consumers and alleviate the lack of commitment and reduce customer defection. This occurs because loyalty programmes reward customers for their repeated patronage and, therefore, consumers tend to focus their purchases in one programme to maximize the benefits they receive. Consumers develop a vested interest in the programme and this makes it difficult for competitors to entice them away (Yuping, 2007). It can be seen that consumers within this sample, do view loyalty programmes as a mechanism which allows for building a long-term relationship with the store/organization.
Within the sample, 21.2% felt neutral towards the statement and 15.2% disagreed with the statement.

**Statement 2:** *You will always join customer loyalty programmes because they give customers ‘something for nothing.’*

A larger proportion of the sample (46.9%) disagreed/strongly disagreed with the statement. This finding contradicts the research by Wright and Sparks (1999: 438), who found that consumers join loyalty programmes out of ‘rationality or greed’, under the perception of ‘something for nothing’.

A total of, 25.8% of the members agreed/strongly agreed and this is in line with the research of Meyer-Waarden (2005) who found that many multi-loyal shoppers, who already shop at several chains on a regular basis, will join all available programmes to take advantage of all the benefits available (Meyer-Waarden, 2005). A portion of the members (27.3%) felt neutral towards the statement. This study further supports evidence provided by Meyer-Warden (2006) that consumer segments are likely to react differently to programmes, as they do to sales promotions.

**Statement 3:** *Customer loyalty programmes encourage you to be loyal to the store/organization.*

A larger proportion (47%) of the population agreed/strongly agreed with the statement, whereas, 33.3% of the population disagreed/strongly disagreed with the statement. A portion of the population (19.7%) felt neutral towards the statement.

The objective of loyalty card programmes is to increase customer propensity to choose one retailer chain or outlet over competitive alternatives within markets. In essence, the loyalty card is meant to entice consumers into ‘acting loyally’ by giving up or driving past competitors to shop at a particular store (Allaway, et al.,
It can be observed that a larger percentage of card-holders do view loyalty programmes as encouraging their loyalty to the store/organization.

**Statement 4:** *Customer Loyalty Programmes are a waste of time and the rewards are not substantial enough.*

A larger portion (47%) of the population disagreed/strongly disagreed with the statement. A portion of members (17.6%) agreed/strongly agreed with the statement. A portion of members (34.8%) felt neutral towards the statement.

As mentioned, a customer is encouraged to join a loyalty programme when the perceived value and utility is greater than the associated costs (Meyer-Waarden, 2006). This can be observed with a larger percentage of the population, as most of the card-holders do not view loyalty programmes as a waste of time and the rewards are not substantial. The 17.6% of the card-holders who strongly agreed/agreed and the 34.8% who felt neutral, may have overestimated the utility of the programme when joining, and have, consequently, come to view loyalty programmes as a waste of time and rewards as unworthy.

**5.7 a) Demographic Variables and the Perceptions of Customer Loyalty Programmes**

The results indicate that there was no statistical difference amongst the demographic variables and the perceptions of loyalty cards, except for the race variable. It was found that White respondents held a more neutral view of loyalty cards, whereas Indian and Black groups held a more favourable view of Loyalty Cards. This finding is interesting as loyalty programmes have been previously targeted to the historically advantaged populations (Olivier, 2007), and this would have comprised the White Race group. This finding indicates that there is a possibility for growth for the loyalty programme market within the Black race group, especially.
Chapter Six: Conclusions and Recommendations

The results have been discussed under the specific objectives of the study. The research report will conclude by discussing the research propositions and the findings of each proposition. This chapter will conclude by making recommendations for future research.

6.1 Conclusions

P1: Consumers, within the Durban retail sector, have an accurate understanding about the purpose of a Customer Loyalty programme

It can be concluded that the majority of the respondents, within the sample have an accurate understanding of the purpose of a customer loyalty programme and P1 can be accepted. Most respondents view a customer loyalty programme as a mechanism for stores/organizations to recognize regular customers and reward repeat patronage, as well as to encourage consumers to return to the store. Some consumers view a CLP as a relationship-marketing tool used to cultivate the relationship between consumers and stores/organizations. This finding is congruent with the main aims of most customer loyalty programmes implemented.

P2: Customer Loyalty programme membership is more than non-membership, within the Durban retail sector.

P2 can be accepted, as the study showed that membership (57.4%) to CLPs was slightly higher than non-membership (42.6%), with the majority of members holding multiple cards.

The main reason (66.7%) cited for joining a loyalty programme was to obtain rewards and perks. Customer loyalty programmes use several economic, psychological and sociological mechanisms to enhance customer loyalty. Previous research has demonstrated that the majority of card-holders were already customers of the store before joining the programme. It has been found
that the more heavy and loyal customers enroll in the programmes earlier. This finding is related to the fact that regular, loyal customers perceive more utility from joining the programme than the associated costs. This fact is further supported by the 22.7% of the sample who only joined the programme because it was being offered at the store at which they shop. This finding indicates that a portion of CLP members were already customers of the store, prior to joining the programme. This study provides some evidence that consumers are more likely to join CLPs if they perceive value and utility in the programme. It, therefore, stands to reason that a store’s most regular and loyal customers will receive the most benefit from such programmes and this encourages membership towards the programme.

The main factor influencing use of the loyalty card was that the reward obtained must be worthwhile/beneficial. Therefore, companies should try and ensure that members are satisfied with the programme. The reward most valued by card-holders was cashback/cash vouchers, indicating that most Durban consumers preferred hard benefits, which allowed them freedom of choice, in terms of using the benefit.

The main reasons cited for non-membership was ‘too many cards in wallet/purse’ (38.8%) and that the ‘rewards offered are not substantial enough’ (34.7%). The first reason is the fact that some consumers lack the physical space to carry additional cards within their purses/wallets and is a reality for retailers considering implementing such programmes. The second most common reason once again echoes that if consumers perceive utility and value in the programme over the associated costs, they will be encouraged to join loyalty programmes. Retailers considering loyalty programmes in the future, are advised to invest in market research to ascertain which rewards are considered ‘worthwhile and beneficial’ by their specific customers, to increase participation rates.
**P3:** *Customer loyalty programme membership has a favourable influence over purchasing behaviour, within the Durban retail sector.*

It was found that a membership to a customer loyalty programme did not influence the majority (54.5%) of members, with their purchasing behaviour. P3 can, therefore be rejected. This is confirmed by the study by Gomez. *et al.* (2006) who found that CLPs were not able to modify the behaviour of consumers towards the retailers running them. Their research highlighted that the main role loyalty programmes is to retain already loyal customers. In the study of supermarket loyalty, Bellizzi and Bristol (2004) found the presence of a loyalty card irrelevant in terms of driving loyalty. Other factors such as convenient location, good produce and low prices were more important, with regard to driving loyalty.

This study showed that for the majority of card-holders, loyalty programme membership did not influence purchasing behaviour. It is advised that retailers investigate the factors, which do actually influence purchasing behaviour and focus on delivering these factors to consumers, as a means of driving customer loyalty. Customer loyalty programmes, in this study, prove to be an ineffective means of influencing customer behaviour.

**P4:** *Polygamous loyalty card membership occurs in greater frequencies amongst consumers, within the Durban retail sector.*

Polygamous loyalty can be described as having multiple loyalty cards of stores/brands within the same category. The study found that 75.8% of the CLP members did not belong to competing Loyalty programmes whilst 24.4% did belong to competing CLPs. Therefore, P4 can be rejected, as the majority of the sample, did not hold engage in polygamous loyalty. This could be due to the fact, that the loyalty programme market has not reached saturation and the South African market demonstrates ‘a position for significant loyalty growth’ (Olivier, 2007: 180).
However, almost the entire sample of card-holders (98.5%) did not feel that it was a sign of disloyalty to belong to competing loyalty programmes. This finding indicates that, if presented with the appropriate opportunity in the future, there is a high likelihood that these consumers will belong to competing loyalty programmes. Demoulin and Zidda (2007) have shown that the effectiveness of the loyalty card decreases with the number of competitive loyalty programme memberships.

The study provides evidence, which is congruent with the findings of Meyer-Waarden (2005) who found that many multi-loyal shoppers who already shop at several chains on a regular basis, will join all available programmes to take advantage of all the benefits available. Durban consumers have indicated that they do not believe it is disloyal to belong to competing store programmes.

**P5:** *Consumers, within the Durban retail sector, hold favourable perceptions of Customer loyalty programmes.*

With statements 1 and 3 regarding the perceptions of Customer Loyalty programmes, it was found that the greater percentages of card-holders held favourable perceptions. This is measured by greater percentages of card-holders selecting the agree and strongly agree options.

With statement 2, it was revealed that a greater percentage of members would not join Customer Loyalty programmes because they offered ‘something for nothing’, indicating, that members are more likely to join a CLP if they perceive a higher utility in their membership over the associated costs.

With Statement 4, a larger percentage disagreed that Loyalty programmes are a waste of time and that rewards are not substantial enough. This finding indicates that members found loyalty programmes beneficial and the rewards ‘worthwhile’ and, thus, joined the programme.
P5 can, therefore, be accepted as with all four statements, since larger percentages of card-holders adopted more favourable perceptions of Customer loyalty programmes.
6.2 Recommendations

In light of the study completed, there remains a large scope for future research studies to be conducted within the South African context, regarding Customer Loyalty Programmes.

It is recommended that similar research be conducted with a substantially larger sample size, which is representative of the demographics of the Durban area. It is recommended that the sample be randomly drawn, to increase validity and feasibility of results obtained. Such a sample would allow for more representative results to be obtained from the Durban retail sector.

It is recommended that future research studies explore the extent of membership and influence of customer loyalty programmes in other geographical areas within South Africa. This study examined the awareness, perceptions and effects of customer loyalty programmes within the Durban retail sector. Other studies, looking at similar variables, can be conducted in the Gauteng region, or Cape region. Researchers could explore if there are any significant differences in the awareness, perception and influences of consumers, of the different geographical areas.

This research study revealed that Customer Loyalty membership does not have an influence over the majority of card-holders, with regard to their purchasing behaviour. A further research study could examine the main influence on purchasing behaviour amongst Durban consumers and the influence ascribed to Customer Loyalty programmes, in conjunction with these other factors, such as location, convenience and price.

A study, which examines the behavioural measures of loyalty, such as higher number of store visits; smaller inter-purchase times; higher purchase volumes and share of purchase, can be conducted and compared across members and non-members of an existing loyalty programme, within the South African context. Such a study would provide empirical evidence on the effectiveness of customer
loyalty programme membership, within the South African context. This information would be useful to organizations considering introducing a customer loyalty programme into the South African market. Many of these studies have been conducted in other countries. However, consumer behaviour is naturally likely to vary from country to country.
References


APPENDIX ONE: QUESTIONNAIRE

Dear Participant,

This research questionnaire forms part of my third year MBL research regarding Customer Loyalty Programmes within the Durban metropolitan area. I would like to kindly request that you fill in my questionnaire. The information you provide will help me to better understand the knowledge, use and attitudes towards Customer Loyalty Programmes. Because you are the one who can give me a correct picture of how you experience Customer Loyalty Programmes, I request you to respond to the questions frankly and honestly.

Your time and assistance would be greatly appreciated. Please note that the information contained in this questionnaire will only be used for research purposes and your anonymity is guaranteed.

Thank you very much for your time and cooperation. I greatly appreciate your help in furthering this research endeavour.

Cordially,

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Aditi Maharaj
MBL 3 - 2008
UNISA - Graduate School of Business Leadership
Midrand Campus
QUESTIONNAIRE

1. Please tick the appropriate box

☐ MALE  ☐ FEMALE

2. Please indicate your age by ticking the appropriate box

☐ < 20 Years  ☐ 21 - 35 Years  ☐ 36 - 55 Years
☐ 56 - 70 Years  ☐ Over 70 Years

3. Please tick the appropriate box

☐ White/ European  ☐ Indian/ Asian  ☐ Black/ African
☐ Coloured

4. Please tick the appropriate box regarding your marital status?

☐ Married or in a relationship  ☐ Single  ☐ Widowed
☐ Divorced/Separated

5. Please state the number of adults who contribute to the household income?

Number ____________

6. Do you have children?

☐ YES  ☐ NO

6.1 If yes, please indicate how many children you have

Number ____________

7. Please indicate your approximate monthly income?

☐ Under R 1 000 p m  ☐ R 1 000 – R 5 000 p m
☐ R 6 000 – R 10 000 p m  ☐ R 11 000 – R 15 000 p m
☐ R 15 000 – R 20 000 p m  ☐ Over R 20 000 p m

8. On average, how much time in a week do you spend shopping? ________ HRS
9. What is your understanding of the purpose of a Customer Loyalty Programme?

A Customer Loyalty Programme is designed to ....................... (Please pick one option that best completes the sentence)

☐ Reward customers who purchase regularly
☐ Make customers return to the store
☐ Give customers a preferential service
☐ Ensure that customers do not shop at competing stores
☐ Maintain and enhance the customer relationship
☐ I do not understand what a Customer Loyalty Programme is

10. Do you belong to a Customer Loyalty Programme?

☐ YES ☐ NO

If yes, please proceed straight to question 14

11. If you do not belong to a Customer Loyalty Programme, would you like a Loyalty Card in the future?

☐ YES ☐ NO

12. Are you offered membership to a Customer Loyalty Programme at stores you shop at?

☐ YES ☐ NO

12.1 If no, did you ask for one?

☐ YES ☐ NO

13. Please select the main reason why you have NOT joined a Loyalty Programme? (Please select only the option that best describes how you feel)

☐ Too many cards in your wallet/purse
☐ Rewards offered are not substantial enough
☐ You believe that they are a scam or there is a catch
☐ You find them irritating, especially when other services are pushed onto you
☐ Decreased frequency of perks/rewards and inconvenience in collecting card
☐ I have not been offered membership of a Customer Loyalty Programme
14. If you do belong to Customer Loyalty Programmes, please state how many Programmes you belong to? _________________

14.1 If you belong to many Customer Loyalty Programmes, do you leave some of the loyalty cards at home?

☐ YES  ☐ NO

14.2 Do you have to be reminded to use your Customer Loyalty Card at stores?

☐ YES  ☐ NO

15. As a customer, please state the **main reason behind joining** a Customer Loyalty programme? (Please tick only the most appropriate box)

☐ To get rewards/perks
☐ To support good causes
☐ To be treated uniquely
☐ To be given first preference
☐ To be informed on time about specials/promotions
☐ Just joined the Loyalty Programme because it was being offered at the store.

16. What are the factors which will influence you the **most in using** your Loyalty Card? (Please tick the only box which best describes how you feel)

☐ If you are buying a substantial amount of goods
☐ Proximity of the store and convenience to you
☐ The actual reward must be something worthwhile/beneficial to you
☐ Depends on the products/goods you are purchasing
☐ It has become a habit now for me to use my loyalty card

17. As a member of a Customer Loyalty Programme, which rewards do you **value** the most? (Please tick one only)

☐ Cashback/ cash vouchers
☐ Deductions off your purchase
☐ Discounts/ coupons of goods/products
☐ Special invites to events/promotions
☐ Being entered into competitions and lucky draws automatically
☐ Funds donated to a charitable cause
18. Do you receive magazines/pamphlets from your Loyalty Card Programme in the post?

☐ YES  ☐ NO

18.1 If yes, do these magazines/pamphlets motivate you to buy?

☐ YES  ☐ NO

19. Do you own Loyalty Cards from competing stores?

☐ YES  ☐ NO

20. Do you feel, it is a sign of disloyalty to own Loyalty Cards from competing stores?

☐ YES  ☐ NO

20.1 If no, please tick the box that best describes your opinion

☐ You should get the most rewards out of whichever programme you can get
☐ You tend to lean towards the programme with the better rewards
☐ Stores should compete with each other for customer loyalty
☐ I want the best product available
☐ It’s called loyalty but it is not really loyalty

21. Would a Loyalty Card Programme influence your purchasing behaviour?

☐ YES  ☐ NO

21.1 If yes, please tick the box that best describes your opinion

☐ Loyalty Cards are not the biggest motivating factor when purchasing
☐ Loyalty Cards influence me because I get rewards and benefits
☐ Loyalty Cards influence me to be loyal to a store
☐ I am more likely to purchase from the store of which I am a Loyalty member
☐ It has become a habit to shop at that store
22. Please read the following statements and tick the box which best describes your opinion.

22.1 Customer Loyalty Programmes allow for customers to build a long-term relationship with stores/organizations.
☐ Strongly Agree  ☐ Agree  ☐ Neutral  ☐ Disagree  ☐ Strongly Disagree

22.2 You will always join Customer Loyalty Programmes because they give customers ‘something for nothing’.
☐ Strongly Agree  ☐ Agree  ☐ Neutral  ☐ Disagree  ☐ Strongly Disagree

22.3 Customer Loyalty Programmes encourage you to be loyal to that store/organization.
☐ Strongly Agree  ☐ Agree  ☐ Neutral  ☐ Disagree  ☐ Strongly Disagree

22.4 Customer Loyalty Programmes are a waste of time and the rewards are not substantial enough.
☐ Strongly Agree  ☐ Agree  ☐ Neutral  ☐ Disagree  ☐ Strongly Disagree

THANK YOU! I sincerely appreciate your time and cooperation. Please check to make sure that you have not skipped any questions inadvertently and please return the questionnaire to the research field worker.