

**RETAIL LOYALTY PROGRAMMES:
RELATIONSHIP QUALITY AND CUSTOMER LOYALTY
BETWEEN THE CARD-HOLDER AND THE RETAILER
IN SOUTH AFRICA**

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DECLARATION

I hereby declare that, except where noted, this dissertation represents my own work, and that all references, to the best of my knowledge are accurately reported.

.....
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.....
DATE

DEDICATION

This Doctorate is dedicated to my nearest and dearest who supported me throughout this project. Without their encouragement and confidence in my ability, it would never have taken place.

My husband Gavin, and family Stuart and Clive, Jaimie and Charis.

*Also in memory of my beloved parents, Doug and Ethne Gelling who were always so proud of everything that I did and were not able to witness this ultimate achievement.
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ABSTRACT

Loyalty programmes have become a popular marketing tool in marketplaces that are highly competitive and where differentiation is difficult. Although they are not new anymore, they continue to grow in popularity, particularly in South Africa where numbers are steadily increasing. The main aim of this study was to determine the influence of various types of perceived benefits from loyalty programmes in the South African fast moving consumer goods (FMCG) market with respect to their impact on relationship quality and loyalty towards the retailer concerned. The study reveals three forms of perceived benefits which are named as consumeristic, altruistic and egoistic benefits. In addition, the influence of socio-demographic characteristics are examined to ascertain any differences that might occur in the results.

The study design was based on an exploratory sequential mixed methods approach and began with qualitative research before proceeding to quantitative data collection and analysis. The qualitative section of the research involved two in-depth interviews with managers of loyalty programmes at major retailers and two focus groups aimed at loyalty programme members. These assisted in the design of the quantitative data collection instrument. The quantitative data collection was aimed at a consumer database which incorporated those who were actively employed in the economy, resulting in a sample of 559 respondents.

The initial findings of the study, revealed by means of regression analysis, were that all three forms of perceived benefits lead towards the three constructs that make up relationship quality, namely trust, satisfaction, and commitment with the retailer concerned. In addition, the same benefits were found to contribute towards customer loyalty. However, once structural equation modelling was employed, the results evolved. Firstly, the constructs of trust and satisfaction cross loaded onto each other and were therefore treated as a single construct named trust/satisfaction. Secondly, egoistic benefits were absorbed into consumeristic benefits and were therefore no longer featured as a separate item. Explanations are offered for this phenomenon. Consumeristic benefits still had a positive and significant relationship with trust/satisfaction, as did altruistic benefits. However, it was found that although

altruistic benefits still enjoy a significant relationship with commitment, consumeristic benefits did not. A suggestion for this is that the perception of altruistic benefits has a greater attitudinal impact than consumeristic benefits do. Finally, neither altruistic nor consumeristic benefits showed a direct relationship with loyalty. The introduction of demographic variables established that only age affects the results, with older consumers being more receptive than others to altruistic benefits.

However, findings revealed that a pathway to loyalty remains through the constructs of trust/satisfaction and commitment. This emphasises the importance of achieving trust and satisfaction first by means of the benefits offered. Finally, a new structural model is developed in line with the results of the structural equation model.

The results from this study add to the body of research in the field, yielding both significant theoretical and practical contributions to the field of loyalty programmes, relationship quality and loyalty research, particularly in the South African FMCG retail marketplace. Retailers are advised to continue offering both altruistic and consumeristic benefits to customers, despite consumeristic benefits not necessarily creating a direct route towards loyalty. This is because once trust and satisfaction is achieved, loyalty will follow. In addition, loyalty programme providers should ensure that offerings provide both simplicity and transparency in order to create a positive relationship with trust and satisfaction.

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LIST OF ACRONYMS

ABEN	altruistic benefits
AVE	average variance extracted
CBEN	consumeristic benefits
CFA	confirmatory factor analysis
CL	customer loyalty
COM	commitment
CR	composite reliability
CRM	customer relationship management
EBEN	egoistic benefits
EFA	exploratory factor analysis
FMCG	fast moving consumer goods
KMO	Kaiser-Meyer-Okin
LOY	loyalty
LP	loyalty programme
LSM	living standards measure
MM	measurement model
RM	relationship marketing
RQ	relationship quality
SAT	satisfaction
SEM	structural equation model
SET	social exchange theory
SV	shared variances
TRST	trust

CHAPTER 1 : INTRODUCTION AND OVERVIEW OF THE STUDY

1.1 INTRODUCTION

The fast moving consumer goods (FMCG) retail marketplace is highly competitive. Customers have a wide choice of retailers and are able to select those that offer the most value. Under these competitive market conditions, maintaining customer loyalty is essential. This presents many challenges for retailers (Omar, Ramly, Alam and Nazri 2015: 145). One of the methods employed by retailers to gain supremacy is through differentiation of their offerings to their target markets. For this reason, relationship marketing tools are operationalised in order to improve the understanding and enhancement of customer relationships (Bojei, Julian, Wel and Ahmed 2013: 171). The main objective of a relationship marketing (RM) strategy is to improve customer loyalty through the development of relationships (Aurier and de Lanauze 2012: 1606). One of the methods that have become popular within this approach is the implementation of a loyalty programme (LP) of some type (Kreis and Mafael 2014: 590; Meyer-Waarden, Benavent and Castéran 2013: 202). This study investigates relationship quality (RQ) and customer loyalty (CL) between the consumer and the retailer and whether these constructs are affected by the presence of an LP. It examines the factors of trust, commitment and satisfaction which are considered to be the main contributors towards RQ, and in turn, CL. Furthermore, the study questions whether different forms of LPs have a greater effect on RQ and CL. The results of this study should assist retailers in isolating which types of rewards that are more likely to resonate with specific groups of customers.

Although LPs are no longer new, consumers continue to adopt them as they enter the marketplace. In South Africa, the number of LPs are still increasing (eNCA 2014: 1), with research showing that in 2014, at least 101 LPs were operating on a national basis in the marketplace. A large amount of that growth took place during the five to ten years before that (Olivier and Burnstone 2014: 1). According to Cromhout, Reid

and Netto (2016a: 2) although South African businesses are responsible for LPs which are being compared on an international basis, they have still been found wanting in terms of the execution, communication and differentiation of its offerings. By understanding how customers perceive and feel about LPs and the benefits that they offer businesses will find it easier to create offerings that enable them to differentiate themselves from those of their competitors.

It has been suggested that LPs are used intermittently by customers, in a way that can be best described as promiscuous, with the customer selecting the best deal available at any given time. From a RM point of view, this contradicts the objectives of creating customer loyalty through a reward system, and effectively downplays the main objective behind LPs (Steinhoff and Palmatier 2014: 1). Research on this topic is both of academic and practical interest, providing answers to retailers who might be questioning the usefulness of LPs and / or considering which types of LPs are most likely to contribute towards RQ and CL for their customers. Loyalty programmes are expensive to launch and run, and it is therefore necessary to question whether businesses are paying out large amounts of money in vain or whether LPs do actually increase earnings.

The study focuses on the FMCG retail market in South Africa. This market is of particular interest due to the highly competitive nature of the FMCG retail industry, and the difficulties that retailers experience in identifying ways in which to differentiate themselves within the marketplace (Beneke, Hayworth, Hobson and Mia 2012: 27). Although a number of prominent FMCG retailers in South Africa either offer or accept loyalty cards, others have either not adopted them yet, or have no intention of ever adopting them (Thomas 2015: 11; Magwaza 2014). This study categorises LP perceived benefits into three areas, namely altruistic, consumeristic and egoistic and questions how each form contributes towards RQ and CL.

Chapter 1 introduces this study by presenting the background to the topics of LPs, RQ and CL. It outlines the research problem and contextualises the current setting in which the study takes place. Objectives and hypotheses that form the basis for the study are detailed. A summary of the research philosophies and methodologies that were used in order to operationalise this study is included.

1.2 BACKGROUND TO THE RESEARCH

Loyal customers are valuable in the marketplace. The more time that a customer spends with a business, the greater the revenue generated from them, as they become more prepared to increase their spend and pay higher prices. It is therefore not surprising that the number of retailers offering LPs has increased (Eason, Bing and Smothers 2015: 72; Cromhout, Netto and Hamilton 2016b: 2). Loyalty programmes are part of the effort by businesses to enhance their offerings to customers in such a way that both the customer and the business can benefit, and sometimes even a third party. The large number of LPs that are offered is a reflection of a transformed market environment characterised by stiff competition and customers who are both expectant and knowledgeable, as well as being a reflection of a move towards relationship marketing and consumer centricity (Liu and Yang 2009: 93; Demoulin and Zidda 2009: 391). Although LPs are all slightly different, the desired result is similar – building customer relationships and increasing profitability (Ipsos 2014: 1). In retail environments such as the supermarket industry, where offerings are similar and customer purchases are both frequent and substantial, efforts to establish relationships and retain customers become even more commonplace (Sharma and Verma 2014: 925). The grocery industry, in particular, is characterised by negligible switching costs and customers who are notoriously fickle, purchasing from a number of stores depending on the best offering available at the time (Vesel and Zabkar 2010a: 214).

1.2.1 Customer Loyalty

Customer loyalty is a critical component of this research and for this reason a large portion of Chapter 2 is devoted to the theory that underlies this concept. A loyal customer base plays an important role in the long-term prosperity of any brand (Curran and Healy 2014: 367). Loyalty marketing has become recognised as an essential element in the battle for competitive differentiation between organisations.

Loyalty can signify a constant stream of income over a prolonged period of time (Evanschitzky *et al.* 2011: 631)), and is linked with lower costs and higher margins due to loyal customers having more positive attitudes towards the product, service or retailer concerned (Bellizzi and Bristol 2004: 144). Truly loyal customers are described as frequent repeat purchasers who also prefer that store over and above any others (). Companies are continually searching for methods that can assist in building a loyal customer base. One of the ways in which retail businesses can gain competitive advantage is to understand their customer base and respond to their needs in a way that exceeds that of competitors (Cedrola and Memmo 2010 205-206).

Relationship marketing works towards the establishment of CL through the building of more privileged relationships (Aureier and Séré de Lanuaze 2012:1606) and is a key method used to build a business's competitive status. Kumar and Eshgi (2013: 443) concur by stating that relationship marketing promises the most highly sought after reward of CL.

1.2.2 Relationship Marketing

The marketing function of relationship building is obtained through the creation of exchanges and the fulfilment of promises (Grönroos 1994: 9). These relationships are almost always maintained for a lengthy period of time. This phenomenon is known as relationship marketing (RM). The requirement of RM is that customers are attracted and then retained in order to achieve the necessary economic objectives. The idea behind RM is to reach customers in a more personal way in an environment that is cluttered with products and brands, mass marketing efforts and sales promotions (Xie and Chen 2013: 466). Šonková and Growbowska (2015: 197) explain that most definitions on RM agree on the presence of three factors. The first is the provision of activities that create opportunities for engagement throughout the customer lifecycle. Secondly, specific groups of customers are selected and targeted with relationship creating activities. Finally, benefits should be available to both parties involved in the relationship. Leenheer and Bijmolt (2008: 430) state that the benefits of LPs fit within the description of RM.

Relationship marketing sets out to build stronger relationships in order to strengthen marketing strategy and better satisfy customer needs (Irshad, Amjad and Janjua 2015: 96). The main objective of RM is the building of CL (Ahmad and Bashir 2015: 120). The challenge to marketers is to establish long-term relationships with customers which result in CL and increased profitability.

1.2.3 Relationship Quality

According to Ou, Shih, Chen and Wang (2011: 195), RQ is a measurement of the strength of the relationship between the business and the customer. Relationship quality refers to the condition of the relationship between the business and the customer in connection with how well customers' needs are being met (Ou, Shih, Chen and Wang. 2011: 195). Vesel and Zabkar (2010a: 1353) state that good RQ within the retail marketplace has a significant effect on CL. Retail RQ is typically made up of three dimensions, namely commitment, trust, and satisfaction (Vesel and Zabkar 2010a: 217; De Cannière, De Pelsmacker and Gueuns 2010: 88).

The concept of commitment is defined by Moorman, Zaltman and Deshpande (1992: 316) as “an enduring desire to maintain a valued relationship”. Liu, Guo and Lee (2011: 72) describe trust in a relationship as the feeling of confidence that the other member will fulfil needs as expected. Liu *et al.* (2011: 72) explain the concept of customer satisfaction as a reflection of contentedness with a product or service. Satisfaction is also believed to be an antecedent of CL, therefore one can say that satisfied customers are generally more loyal than those who are not (Nessim, Thurn, Gustafsson and Zineldin 2014: 2; Liu *et al.* 2011: 72). These concepts will be discussed in greater detail in Chapter 3. Customer LPs have become one of the most significant tools that businesses use to manage relationships and CL.

1.2.4 Customer Loyalty Programmes

Recognising the necessity of establishing relationships, businesses have been introducing LPs to try to connect with their customers (Henderson, Beck and Palmatier, 2011: 267). Loyalty programmes reward participants with various types of

compensation in return for desired purchasing actions (Bojei *et al.* 2013:172). Well-designed LPs are said to reduce costs, focus on valuable customers, and increase customer satisfaction with respect to the business. This in turn raises switching barriers and increases the potential longevity of customers (Sowier-Kasprzyk 2014: 48; Arbore and Estes 2013: 444). By using LPs both businesses and consumers can benefit (Omar, Wel, Aziz and Alam 2013: 33).

Loyalty programmes are generally found in businesses that operate in highly competitive markets where it is difficult to differentiate an offering, and customer purchasing is frequent (Garcia-Gomez *et al.* 2012b: 547), such as FMCG retailers. In this environment, the importance of maintaining a relationship with customers becomes paramount (Demoulin and Zidda 2009: 391). Winters and Ha (2012: 371) state that the design, development and implementation of a customer LP can provide a sustainable competitive advantage for a retailer in a marketplace such as this. Ou *et al.* (2011: 197) concur, stating that well designed LPs help to develop a stronger relationship with customers, contribute towards a more sustainable customer life cycle, and serve to grow customer expenditure. For these reasons, the value of a well-designed LP cannot be ignored. Intrinsic to this is the customer's perceptions of the value of the rewards connected to the programme. In contrast, others question the ability of LPs to build any form of long-term advantage in a transactional type of marketplace where programmes are easy to copy, and customers are often promiscuous, moving from retailer to retailer depending on the size of the reward (Egan 2000: 382). This raises the question of whether LPs achieve their planned objectives, and whether different types of LP offerings might vary in their contribution towards relationship building and customer loyalty. Loyalty programmes are discussed in greater depth in Chapter 4.

1.3 CONTEXT

The context within which this study is set is now described. This study was on LPs in the FMCG retail marketplace, set within the South African business environment. It interrogated the perceived benefits that are inherent in various LPs and their impact on RQ and CL between the customer and the retailer.

1.3.1 Loyalty Programmes in South Africa

Loyalty programmes reward customers for their purchases and help retailers to understand their customers better. These first became popular in developed countries such as the United States and the United Kingdom before they grew to the extent that they have in South Africa. Ferguson and Hlavinka (2009 in Meyer-Waarden 2015: 22) reported that 90% of Europeans and United States' consumers had at least one loyalty card in their possession. Membership numbers in the United States escalated from 2.1 billion in 2011 to 2.65 billion in 2012 (Kang, Alejandro and Groza 2015: 464; Meyer-Waarden 2015: 22). They have now firmly established themselves in South Africa and grown rapidly over the last decade (Moorad 2015: 1).

Many types of LPs have been introduced by a number of large business institutions in South Africa in recent years. According to Olivier and Burnstone (2014: 6), LPs have experienced exponential growth in South Africa over the last three or four years with membership numbers practically doubling in 2011. This growth was mainly driven by the retail market which accounts for 47 programmes out of a total of 101. In membership numbers this is tallied at 64 million out of an overall total of 82.8 million. These figures imply that the average South African adult holds membership of at least 3.2 programmes, with the average household holding approximately 10 memberships (these figures assume a target market of 8 million households).

Both retailers and card-holders were reported to be benefiting as consumers enjoyed both points and rewards, while retailers were able to learn more about their customers. Table 1.1 reflects the percentages of memberships held in the leading LPs in South Africa, showing clearly that the FMCG sector is of particular significance with large numbers of memberships held in this sector (Cromhout, Netto and Hamilton 2016b: 8).

Table 1.1: Leading SA loyalty programmes

Retailer	Programme	Percentage of respondents
Pick n Pay	Smart Shopper	71%
Clicks	Clicks Club Card	62%
Woolworths	WRewards	50%
Edgars	Thank U Card	46%
Dis-Chem	Benefits	42%

Source: Adapted from Cromhout, Netto and Hamilton 2016b: 8

A study released by Deloitte in 2013 revealed that most South African consumers believed that supermarket LPs were amongst the most innovative and rewarding in the country (Moorad 2015: 1). Programmes have also become more sophisticated with the advent of mobile communications technology and complex multi-partner operations (Kearney 2013: 1).

Over the last few years a number of retailers have made large investments in loyalty programmes (du Toit and Cant 2012: 1423). For example, two years ago Pick 'n Pay claimed that they had already invested R140 million in their loyalty card programme with the aim to both increase its customer base as well as its sales (Magwaza 2014). This raises the question of whether this type of investment is providing both retailers and customers with the required returns in terms of customer satisfaction, commitment and trust.

1.3.2 Programme Design

Past research referred to perceived benefits from loyalty programmes as the perception of value that customers believe they are receiving as a result of their interaction with a LP (Mimouni-Chaabane and Volle 2010: 32). A number of papers have indicated how important it is to have the right combination of rewards in an LP (Dorotic, Bijmolt and Verhoef 2012: 220; Meyer-Waarden *et al.* 2013: 221). However, there is still a lack of empirical evidence to support what might actually be best (Bridson, Evans and Hickman 2008: 365). Rese, Hundertmark, Schimmelpfennig and Schons (2013: 306) stated that additional research in the field of LP design could assist

in answering the question of which forms of LP would be most effective, with important implications for management. Customer LPs can be found in a number of formats, offering rewards that result in the perception of various benefits. Cromhout, Netto and Hamilton (2016b: 2) suggested that the traditional reward structure which has been mainly based on tangible points and discounts might not result in sustainable customer loyalty. For that reason, businesses need to investigate how to reward customers with the objective of creating better relationships.

For example, 'consumeristic' or economic benefits are terms that are used to describe the perceived benefits inherent in programmes that reward the customer in a way that is tangible in the form of gifts and discounts (Eason *et al.* 2015: 73; Mimouni-Chaabane and Volle 2010: 33). The term 'altruistic' benefits would describe a method of 'giving back' where the programme donates money to a charity or cause on behalf of the customer (Amos, Holms and Allred 2015: 354; Tapia-Fonllem, Corral-Verdugo, Fraijo-Sing and Durón-Ramos 2012: 713; Feiler, Tost and Grant 2012: 1323). Finally, the term 'egoistic' benefits is used to describe schemes that reward the customer for adopting a desirable behaviour such as buying healthy food or environmentally friendly products. The word egoistic describes a feeling of self-satisfaction that might be experienced by the cardholder as they believe that they are doing the right thing for themselves and others (Izuma, Saito and Sadato 2008: 284).

Despite the fact that LPs are becoming a prominent part of the marketing mix for many retailers, and research has become more prolific in this area, there are still gaps that remain in the understanding of LPs, the benefits thereof, and customers' relationships with them (Meyer-Waarden *et al.* 2013: 202; Winters and Ha 2012: 379). One of the main objectives of an LP is to reward members for their loyalty (both behavioural and attitudinal) and in so doing encourage customers to remain and to increase their spending (Dorotic *et al.* 2012: 218). Businesses are confronted with the challenge of designing LPs that are different to that of their competitors, and that add value leading to relationships that improve members' patronage (Daryanto, de Ruyter, Wetzels and Patterson 2010: 604). According to Jade Kinkel – Marketing Manager of the Sorbet Group,

loyalty has not necessarily changed but the customer perception of how they should be rewarded has. Customers are becoming more selective of where they spend their money and rewarding them for choosing their brand should become a significant part of a business strategy.....Loyalty programmes are going to come under pressure in terms of the value they create for customers vs. for the organisation (Cromhout, Netto and Hamilton 2016b: 4/30).

Olivier in Thomas (2015: 13) stated that there is still room for growth, (particularly in South Africa), with the marketplace being a long way off saturation point. Loyalty programmes are discussed in greater depth in Chapter 2.

1.3.3 Fast Moving Consumer Goods (FMCG) Sector

Fast Moving Consumer Goods (FMCG) are of a lesser value than most other products and are purchased frequently. The most common retailers that stock FMCG products are supermarkets. Most FMCG shoppers have one main retailer where they conduct the bulk of their purchases (Meyer-Waarden and Benavent 2008: 3 47;). Managers of the preferred store continually strive towards increasing that share. One of the ways to increase market share it to increase customer satisfaction levels, which might include the offering of a customer LP.

The FMCG retailing industry is recognised as having the greatest number of LPs globally (Garcia-Gómez, Gutiérrez-Arranz and Gutiérrez-Cillán 2006: 393). Most of the major grocery retailers in Europe launched LPs during the 1990's. These programmes were indicative of the growing desire to know more about their customers though CRM which is a major part of the grocery industry (Cromhout *et al.* 2016: 6). Mauri (2003: 22) noted that in the early days most supermarket LPs were similar to each other in terms of the way they worked and the rewards on offer. Because of the growth in the number of stores that are offering these programmes, it has become obvious that in order to succeed with an LP, one has to offer something that is more sophisticated than competitors. Some LPs are particularly costly to launch and run, and for this reason the validity of such a programme is often questioned by researchers, in particular where the FMCG retail sector is concerned.

1.3.4 The South African Retail Environment

The South African Retail marketplace is identified by Price Waterhouse Coopers (2012: 2) as the largest retail market in sub-Saharan Africa, as well as the 20th largest in the world. It boasts a substantial food and non-food manufacturing sector. Although average GDP growth rates are unexceptional, per capita incomes are substantially higher than those elsewhere on the African continent. The South African consumer can be described as brand conscious and ambitious which contributes towards a highly competitive retail and consumer goods marketplace (Price Waterhouse Coopers 2012: 2).

According to Euromonitor International (2016), retailing in South Africa is expected to grow over the next few years. However, this predicted growth is vulnerable to economic instability and any potential labour unrest within the mining industry. The South African retail market is classified as mature, and as such has limited potential for expansion in comparison with other African countries where the potential is still great (Farfan 2015: 1). Jackson (2012: 1) notes that South Africa has become very appealing for Western retailers as they search for new opportunities for growth in emerging markets.

The South African retail market is dominated by 12 major holding companies, which between them own most of the country's biggest brands. The South African supermarket sector is dominated by five major supermarket chains, namely Shoprite, Pick n Pay, Spar, Checkers and Woolworths (Beneke, Hayworth, Hobson and Mia 2012: 27). Grocery retailing leads the field in the South African retail market, with food sales accounting for about 54% of retail sales in 2011. The grocery marketplace is an intensely competitive environment where supermarkets are competing to satisfy the changing requirements of consumers (Euromonitor International 2015). The South African FMCG marketplace has followed in the rest of the world's footsteps, where LPs are common. The largest LPs in the retail market space in South Africa are Clicks, Pick n Pay and Woolworths who offer well recognised programmes with various formats and incentives for customers.

1.3.5 Socio-Demographics and Loyalty Programmes

The study of demographics is important to marketers as it is one of the most useful ways in which a market segment can be described. Liu and Yang (2009: 96) suggest that in addition to LP design and management, consumer reaction to an LP is critical to the LP's success. Studies on the influence of consumer characteristics on the success of an LP are limited. Those that have been undertaken have included socio-demographic factors as well as firm-specific attitudinal and behavioural factors such as usage levels, and consumer-specific traits and characteristics.

Previous studies have stated that socio-demographic characteristics have very little impact on enrolment in LPs (Demoulin and Zidda 2009: 402). Goncalves and Sampaio (2012: 1513) studied five moderating variables and their impact on the link between customer satisfaction and loyalty. Four of these were socio-demographic variables namely gender, age, income, and involvement. An additional variable was a relational variable, namely the length of the relationship. The study found that gender and age were both moderating variables that impacted on repurchase intention which translated to CL.

Olivier and Burnstone (2014: 7) found that recent programmes were more likely to have a younger membership base, while the average age of LP members in South Africa was more in alignment with the economically active population. This translates to 60% of the base being between 35 and 44 years of age, and 35% between 25 and 34 years of age. Cromhout *et al.* (2016a: 28) concurred with these findings, stating that respondents under the age of 25 were less likely to belong to an LP compared with those that were older. Cromhout *et al.* (2016a: 26) stated that women were members of a greater number of LPs than men were, in particular in the areas of groceries and clothing. In contrast men preferred LPs that were based in the financial sector.

Finally, Cromhout (2016a: 16) noted that income is one of the most telling factors in loyalty with consumers who earn in excess of R30 thousand per month being significantly more likely to hold membership of a greater number of LPs. The highest

number of LP members emanated from the R50 to R100 thousand per month brackets.

Dorotic *et al.* (2012: 224) recommended additional research on the effectiveness of LPs within customer segments. An explanation of segment differences, as well as direction for the targeting of various segments is required, based on the notion that success is more likely to accrue to retailers who target their campaigns more precisely.

1.4 RESEARCH PROBLEM AND HYPOTHESES

Loyalty programmes are playing a growing role in the South African retail marketplace. The FMCG marketplace, in particular, is highly competitive and plays an important role in the South African business environment. Retailers are continually working towards satisfying the needs of their various groups of customers in a dynamic market. Loyalty programmes are one of the tools being used to gain customers' satisfaction and loyalty. The research problem emanated from this scenario.

1.4.1 The Setting

Loyalty programmes are a rapidly developing strategic tool in the South Africa retail environment, with some of their aims being to create differentiation, improve relationships and develop CL. However, despite a fair amount of research, there are still inadequate answers as to the efficacy of LPs.

Eason *et al.* (2015: 79) stated that there is an expectation from managers that LPs produce results that are financially meaningful to the business in order to validate the investment required to set them up and manage them. Whilst many businesses are spending large amounts of money on LPs and their popularity is not disputed, not all researchers are convinced that these programmes offer value (Kreis and Mafael 2014: 590). Meyer-Waarden *et al.* (2013: 202) are amongst those who believe that even though loyalty cards are prevalent in retailers' strategies as well as customers' wallets, the real benefits are still in doubt. Critics believe that they are unnecessary and that customers are more likely to feel rewarded when their overall experience is good,

whilst proponents have no doubt that LPs serve to alter and encourage shopping behaviour (Kearney 2013: 1).

Omar *et al.* (2013: 44) state that it is important for managers to understand how the customer perception of additional value in LPs can be promulgated in order to increase programme and store loyalty. Even though there has been much publicity on the effectiveness of LPs over the years, there is still limited understanding of how customers perceive them. For example, Winters and Ha (2012: 379) questioned the design of LPs as well as customer characteristics and how they affect behaviour. Evanschitzky, Ramaseshan, Woisetschläger, Richelsen, Blut and Backhaus (2011: 9) found that the strongest driver of programme loyalty is economic value, whilst company loyalty is more affective in nature and driven by the quality of the relationship. Du Toit and Cant (2012: 1424) add to this by commenting that loyal behaviour can be encouraged not solely through the use of financial rewards, but also by providing other special benefits that encourage the establishment of affective connections.

Much academic debate has taken place over LPs, whether they are in fact needed, if there is any impact and what their future is (Villacé-Molinero, Reinares-Lara and Reinares-Lara 2016: 3; Sharma and Bhardwaj 2015: 24). Shugan (2005: 186) challenged the idea of LPs suggesting that they may be 'shams' and that they produce liabilities for businesses, rather than assets. The reasoning behind this is that while an LP produces short-term income, it also results in long-term commitments, which can be substantial, stating that "rather than investing in the customer, the programme requires customers to commit their resources to the firm in exchange for the promise of future rewards or deferred rebates". Du Toit and Cant (2012: 1424) also question whether LPs are a viable strategy that works towards increasing income, despite the existence of many such programmes in the marketplace.

1.4.2 The Research Problem and Question

The problem in the FMCG sector is the establishment of relationships and customer loyalty in a field that is essentially transactional. The problem in this study is specifically focused on LPs and the perceived benefits contained in their reward system.

In order to enable LPs to be more effective, a greater understanding is required to explain whether different forms of LPs and their benefits do indeed create a greater depth of RQ and CL between the customer who is a member of an LP and the retailer that participates in it. Although a fair amount of research has been conducted in developed countries, much less has taken place in South Africa.

Connected with the problem statement, the general research question of this study is:

How do different forms of loyalty programme contribute towards relationship quality and customer loyalty between programme members and the retailer that offers the programme?

1.4.3 Aim of the Research

The aim of this research was to analyse how different forms of loyalty programme benefits contribute towards relationship quality and customer loyalty between programme members and the retailer that offers the programme. Any results will contribute towards the growing body of research, having theoretical and practical significance in the field of loyalty programmes in the South African FMCG retail market.

A schematic diagram of the study is outlined in Figure 1.1. The diagram illustrates the investigation of RQ which is made up of trust, commitment, and satisfaction, and the effect that different forms of benefits have on these factors. The impact of these antecedents on CL will also be measured. The entire study is moderated by socio-demographic characteristics.

This study was guided by the research objectives that follow. The objectives were established with reference to the problem statement and the aim of the research as discussed above.

1.4.4 Research Objectives

The research objectives for this study are delineated below:

Objective 1

To determine how the perception of benefits gained from different types of LPs contributes towards relationship quality.

Sub-objectives related to Objective 1

- To determine the extent to which perceived consumeristic benefits from loyalty programmes build trust, satisfaction, and commitment.
- To determine the extent to which perceived altruistic benefits from loyalty programmes build trust, satisfaction, and commitment.
- To determine the extent to which perceived egoistic benefits from loyalty programmes build trust, satisfaction, and commitment.

Objective 2

To determine which perceived benefits, gained from different types of loyalty programmes, should be preferable for retailers in building loyalty.

Sub-objectives related to objective 2

- To determine the extent to which perceived consumeristic benefits from loyalty programmes build loyalty.
- To determine the extent to which perceived altruistic benefits from loyalty programmes build loyalty.
- To determine the extent to which perceived egoistic benefits from loyalty programmes build loyalty.

Objective 3

To establish whether any of the above differ when various socio-demographic variables are applied.

Objective 4

To propose a framework that describes the relationship that develops between consumers and FMCG retailers when an LP is included.

1.4.5 Hypotheses

Once the literature was reviewed, a number of hypotheses were generated in order to achieve Objectives 1 and 2. Objectives 3 and 4 did not have hypotheses attached to them. The derivation of the hypotheses is explained in Chapters 3 and 4. The hypotheses for Objectives 1 and 2 were as follows:

- H1 Perceived consumeristic benefits from loyalty programmes have a positive relationship with customer trust.
- H2 Perceived consumeristic benefits from loyalty programmes have a positive relationship with customer satisfaction.
- H3 Perceived consumeristic benefits from loyalty programmes have a positive relationship with customer commitment.
- H4 Perceived consumeristic benefits from loyalty programmes have a positive relationship with customer loyalty.
- H5 Perceived altruistic benefits from loyalty programmes have a positive relationship with customer trust.
- H6 Perceived altruistic benefits from loyalty programmes have a positive relationship with customer satisfaction.
- H7 Perceived altruistic benefits from loyalty programmes have a positive relationship with customer commitment.
- H8 Perceived altruistic benefits from loyalty programmes have a positive relationship with customer loyalty.

- H9 Perceived egoistic benefits from loyalty programmes have a positive relationship with customer trust.
- H10 Perceived egoistic benefits from loyalty programmes have a positive relationship with customer satisfaction.
- H11 Perceived egoistic benefits from loyalty programmes have a positive relationship with customer commitment.
- H12 Perceived egoistic benefits from loyalty programmes have a positive relationship with customer loyalty.

1.4.6 The Variables in this Study

There are three independent variables in this study, namely perceived altruistic benefits, perceived consumeristic benefits and perceived egoistic benefits. Later on these variables are termed as ABEN, CBEN and EBEN. There are three dependent variables related to RQ, namely trust, satisfaction, and commitment, and one related to CL, namely loyalty. These are identified as exogenous constructs in the structural equation model (SEM). The variables are outlined in Table 1.2 and graphically displayed in Figure 1.1.

Table 1.2: Research variables

Type of Variable	Concept	Variables
Independent	Perceived benefits of retail loyalty programmes	Altruistic, consumeristic, egoistic
Dependent	Relationship quality	Trust, satisfaction, commitment
Dependent	Customer loyalty	Loyalty
Moderator	Socio-demographics	Age, gender, income, race

Figure 1.1 illustrates the proposed relationships which will be tested in the study. The three different groups of perceived benefits that are being used in this study (altruistic, consumeristic and egoistic) are illustrated in the diagram as independent variables. The diagram illustrates potential relationships between each of these categories of perceived benefits and each of the elements that have been described as making up the construct of RQ. In addition, each of the perceived benefits have also been linked

as potential antecedents for CL. Finally, the diagram illustrates that the RQ and CL in this study are described as being situated between the retailer that accepts or offers the LP and the customer that holds membership with the LP.

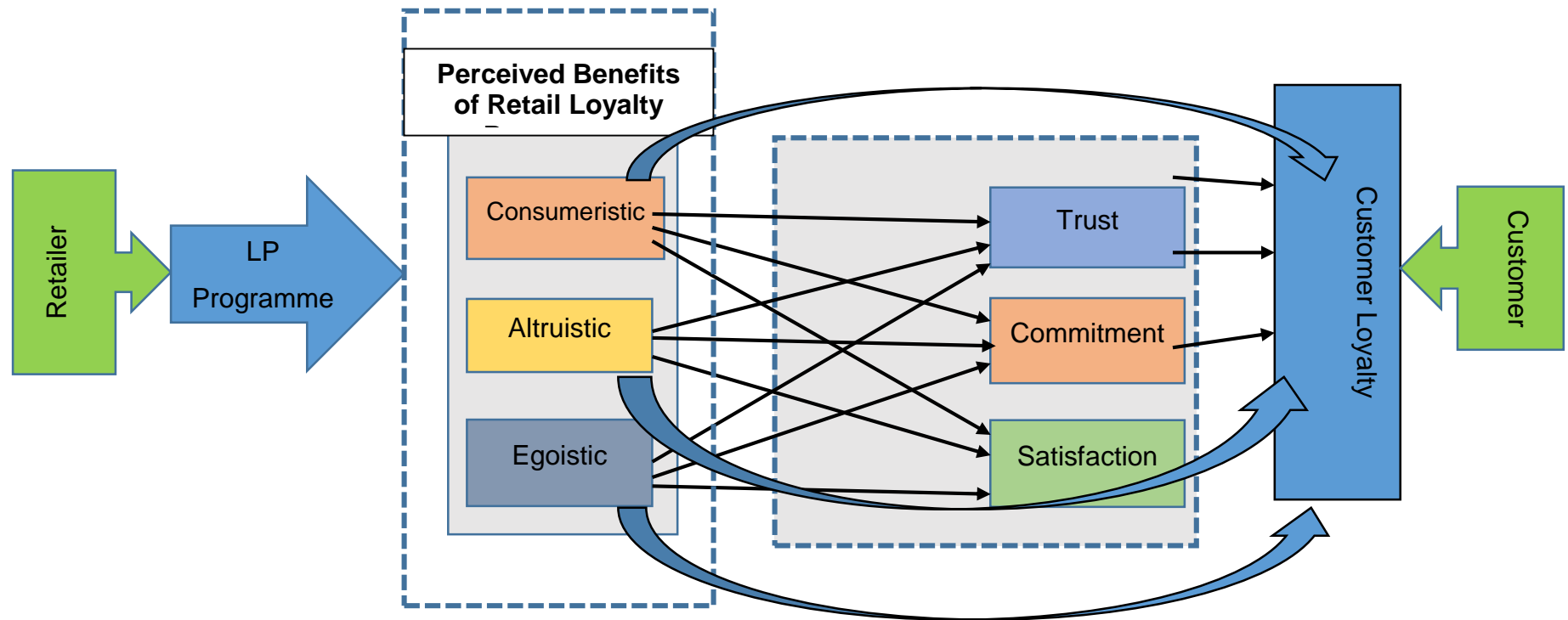


Figure 1.1: Conceptual framework

1.5 CONCEPTUALISATION AND META-THEORETICAL FRAMEWORK

The theoretical and meta-theoretical conceptualisations of the study are illustrated in Table 1.3. Customer loyalty is described by Yadav (2016: 39) as a “complex and dynamic” process that a customer engages in as they interact and evaluate their exchanges. Psychology plays a major role in this as they weigh up their perceived results with their expectations. The specific areas that address the research problem, ranging from the grand theory, culminating in actual disciplines and constructs, are illustrated in Table 1.3. This is discussed in greater detail in Chapter 2.

A grand theory is described as one that plays a role in offering overall explanations for a particular body of knowledge. A grand theory cannot be easily turned into variables or hypotheses, but is useful in the building of frameworks which assist in the building of knowledge (Given 2008). For this particular study, Social Exchange Theory (SET) was proposed as the grand theory which underlies business exchanges, relationships and customer loyalty.

A second order of theories or meta-theories follows, namely equity theory, utility theory and relationship theory. These are all explained in Chapter 2. These all play a role in the field of loyalty, which is found in a number of different disciplines with different applications. Specific to the field of marketing and relationship marketing (see chapter 4), are the concepts of customer loyalty (Chapter 3), relationship quality (Chapter 4) and loyalty programmes (Chapter 2) which are relationship marketing tools. One last step illustrates the elements or constructs that play a role in each of these concepts. These items are all part of the study that follows.

Table 1.3: Theoretical and metatheoretical conceptualisation

RESEARCH QUESTION	How do different forms of loyalty programme contribute towards relationship quality and customer loyalty between programme members and the retailer that offers the programme?		
GRAND THEORY	Social exchange theory		
META THEORIES	Equity Theory	Utility Theory	Relationship Theory
INTERDISCIPLINARY FIELD	Loyalty		
ACADEMIC DISCIPLINE	Relationship Marketing		
CONCEPTS	Customer Loyalty	Relationship Quality	Loyalty Programmes
CONSTRUCTS OR DIMENSIONS	Attitudinal Behavioural	Trust Commitment Satisfaction	Altruistic Consumeristic Egoistic

1.5 JUSTIFICATION FOR THE RESEARCH

Rese *et al.* (2013: 306) indicated that a major limitation of previous research is that there was very little distinction between different forms of LP, with either the form of programme not being mentioned or only one form of programme being investigated. Despite the large number of LPs being established throughout the world, overall there was very little agreement on whether these programmes were actually effective with a number of findings being contradictory (Bennett 2014: 930; Gandomi and Zolfaghari 2013: 797; Frisou and Yildez 2011: 81).

Past studies have indicated that the form of reward offered in an LP can affect the outcomes of a programme (Sharma and Verma 2014: 925). However, these studies compared rewards and benefits such as tangible and intangible, immediate and deferred, direct and indirect, and utilitarian and hedonistic. Garcia-Gomez *et al.* (2012: 558) stated that this type of research, comparing various kinds of grocery retailer loyalty programs should be considered as preliminary in this area and that there was a need for further investigation into the benefits offered by LPs and the perceptions of participants. Meyer-Waarden (2013: 183) explained that the interrogation of how different rewards serve to either intensify or diminish loyalty is a critical issue. Sharma and Verma's (2014: 925) research concluded that more work is necessary in order to study the efficacy of various forms of benefits received from LPs.

The question for any particular company is whether an LP is a worthwhile strategy that can assist them to increase future revenues, considering that similar offerings exist in the marketplace. Egan (2000: 381) noted that the validity of LPs was highly questionable in the FMCG sector because of the high cost of running such schemes. Steinhoff and Palmatier (2014) supported the idea that additional theoretical frameworks were required in order to provide additional in-depth understanding of LP performance.

In conclusion, previous research has indicated that many questions in this field remain unanswered. Where research has taken place, answers have often been contradictory and/or uncertain. South Africa, as an emerging economy with different cultural and

demographic structures amongst its consumers, cannot be compared directly with the developed world. Therefore, this study can make a useful contribution towards academic theory and business practice in this region in this field.

1.6 OVERVIEW OF THE METHODOLOGY

This section presents an overview of the research design and methodology used to address the research question and objectives of this study. The research methodology used in this study is presented in greater detail in Chapter 5. This research was carried out in order to generate findings that fulfilled the objectives of the research and led to acceptance or rejection of the hypotheses. This section covers the philosophical approach that is used in this study, and provides a brief overview of the research design and methods used.

1.6.1 Research Philosophy

It is important to understand the philosophies that underlie the methods with which data is collected and processed. Research methodology is based on a set of ontological and epistemological assumptions (Neuman 2011: 91). This research relied on a positivist epistemological viewpoint with a deductive approach. The ontology was pragmatic, relying on an understanding of a real world situation rather than an artificial one.

Pragmatic knowledge claims are said to “rise out of actions, situations and consequences instead of antecedent conditions” (Cresswell 2014: 220). This is discussed in further detail in Chapter 5.

1.6.2 Research Design

The research design is described as an exploratory sequential mixed methods approach. The mixed methods approach is ideally suited to a pragmatic ontological approach. Table 1.4 describes the mixed methods approach and the philosophies that underlie it.

Table 1.4: Mixed methods approach

TEND TO OR TYPICALLY	MIXED METHODS APPROACH
Use these philosophical assumptions Employ these strategies of enquiry	Pragmatic knowledge claims Sequential, concurrent, and transformative
Employ these methods	Both open- and closed-ended questions, both emerging and predetermined approaches and both quantitative and qualitative data and analysis
Use these practices of research as the researcher	Collects both quantitative and qualitative data Develops a rationale for mixing methods Integrates the data at different stages of enquiry Presents visual pictures of the procedures in the study Employs the practices of both qualitative and quantitative research

Source: Cresswell 2003: 19

This study was carried out in two phases as mixed methods research involves the collection of data that is both qualitative and quantitative. After the initial interrogation of secondary data through a rigorous literature review, the collection of primary data began with qualitative data collection by means of interviews and focus groups, followed by quantitative data collection by means of a survey hosted on the internet. Data was analysed and interpreted. These phases will be discussed in the ensuing paragraphs as well as in Chapter 5.

1.6.2.1 Phase 1 – Qualitative Research

The qualitative phase was made up of two components. These are outlined in Figure 1.2.

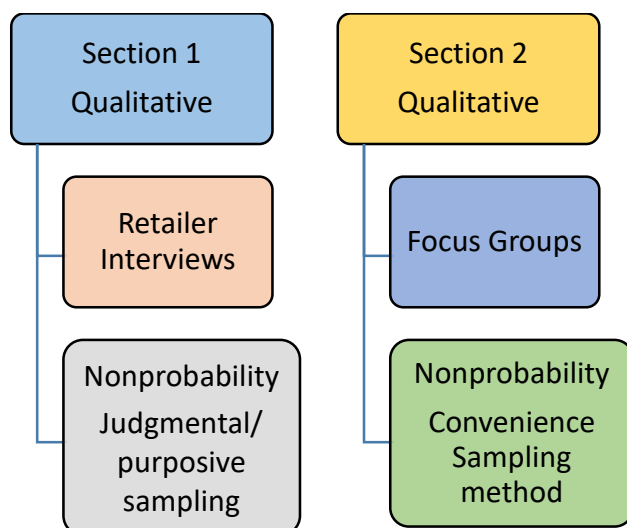


Figure 1.2: Qualitative sections

➤ ***Phase I – Section 1 – In-depth interviews with senior retailer representatives involved with loyalty programmes***

This component was made up of in-depth interviews with two selected retailers who are involved with LPs. The aim was to establish further details on the programmes they are offering within the South African FMCG sector, as well as the retailers' perceptions of the benefits they aim to achieve with their programmes. The sampling methods for the in-depth retailer interviews were judgemental or purposive.

➤ ***Phase I - Section 2 - Focus groups***

Section two gathered additional qualitative information by holding a number of focus groups. Focus groups were made up of card-holding consumers. Sampling for this stage was a non-probability method, namely convenience sampling.

These discussions explored customer's perceptions of loyalty cards and the relationship between themselves and the retailer that accepts the card. The expectation was that the focus group sessions would result in responses that were both unstructured and spontaneous allowing for respondents' genuine feelings and opinions on the topic to emerge.

Transcripts generated from interviews and focus groups were analysed by summarising and categorising according to themes. ATLAS.ti software was used to assist with the process of coding and categorising. The information generated was

used in the design of the questionnaire in the quantitative phase, as well as for information triangulation.

1.6.2.2 Phase II – Quantitative

The quantitative phase was operationalised by means of a questionnaire. The questionnaire was designed by making use of information derived from the interviews and focus groups as well as validated items from previous research studies which were gathered while conducting the literature review. Data was collected by means of a web survey with the help of a marketing research firm.

The population was made up of individuals who were members of LPs connected within the FMCG sector. The structured questionnaire was administered on the internet to a database made up of over 500 000 of South Africa's economically active upmarket consumers.

Data was analysed using appropriate statistical methods by means of SPSS and AMOS. Initial analysis involved the use of univariate, bivariate and multivariate methods. An SEM was produced using AMOS. Structural equation modelling enables the testing of multiple relationships between both independent and dependent constructs, providing a more complex method than traditional ones.

1.6.3 Validity and Reliability

Various methods were used to ensure trustworthiness and validity in the qualitative phase and to ensure validity and reliability in the quantitative phase. These will be described in detail in Chapter 5.

1.7 DELIMITATIONS

The quantitative study was delimited to LP members within the FMCG sector in South Africa. It did not include programmes that were operationalised by banks and other

concerns, besides the Vitality programme which is very clearly linked to a number of retailers.

In addition, as a result of the method with which the research was conducted, it was delimited to individuals who had access to the internet. This was determined by the decision to utilise a digital database which was described as being made up of economically active people who are currently employed across the Living Standards Measure (LSM) spectrum, covering the demographic description of most members of LPs.

1.8 OUTLINE OF THE THESIS

The way in which the thesis is structured is discussed in this section. The thesis is made up of nine chapters.

Chapter 1: Introduction and Overview of the Study

Chapter 1 introduces and provides an overview of the topic. The research problem is stated, as well as the significance of the study. Aims and objectives are outlined. Delimitations are explained.

Chapter 2: Literature Review – Loyalty Programmes

This chapter provides a review of the literature regarding a number of theoretical concepts that are relevant to the subject matter, such as social, exchange and equity theory. This chapter then proceeds by defining LPs, as well as listing some of the objectives of running an LP. The advantages and disadvantages of offering LPs are discussed. The various LP designs are outlined as well as the forms of reward that are available to LP providers. Past and present research is discussed, emphasising research that is relevant to this research topic.

Chapter 3: Literature Review – Relationship Management

This chapter covers the theoretical background to relationship marketing and RQ. It introduces and defines the topic of relationship marketing, moving on to the concept of RQ, and the three main components that make up this construct.

Chapter 4: Literature Review – Customer Loyalty

Chapter 4 interrogates the topic of CL, beginning with definitions and proceeding to an in-depth discussion. Customer loyalty is then contextualised with relationship marketing and quality as well as customer LPs.

Chapter 5: Research Methodology and Design

This chapter presents and discusses the research design, research questions and choice of methods. It includes a discussion on the choice of population and samples as well as the methods used for data collection and analysis.

Chapter 6: Presentation and Analysis and Presentation of Qualitative Results

This chapter presents and analyses the findings from the qualitative data gathered in the first and second phases.

Chapter 7: Analysis and Presentation of Quantitative Results

This chapter presents and analyses the findings from the quantitative data gathered in Phase 2

Chapter 8: Discussion of the Findings

This chapter revisits the study as a whole, including the problem statement and the methods used in the investigation of the problem. This chapter summarises and discusses the objectives and hypotheses, in relation to the findings and underlying theory.

Chapter 9: Conclusions and Recommendations

This chapter presents a final summary of the research and the findings. The conclusions relative to the research objectives and implications for marketing theory and retail practitioners are presented. Recommendations are made for further research.

1.9 CONCLUSION

This study considers how LPs impact on RQ between participating partners, namely the retailer and the customer, examining the factors of trust, commitment, and satisfaction, which are considered to be the main contributors towards RQ. It also interrogates the concept of CL and the impact that different forms of LPs could have on it.

Literature suggests that research into different types of programmes can assist businesses to select which type of programme would be most suitable for them considering the specific goals that their business might have. A study that compares some of the more common FMCG programme forms in South Africa such as altruistic, consumeristic and good behaviour is not evident in the literature. The South Africa retail scenario is unique and LPs are growing in popularity for both retailers and consumers. Therefore, there is a need for additional research in this marketplace.

Chapter 2 is the first chapter in a series of three. These chapters will outline the literature that has been reviewed on topics pertinent to this study. Chapter 2 will cover the topic of LPs, as well as the theoretical foundations which underlie the concepts from which this study emanates.

CHAPTER 2 : THEORETICAL GROUNDING AND LOYALTY PROGRAMMES

2.1 INTRODUCTION

A large number of retailers have taken on a customer focus within a CRM stance as a key marketing activity (Meyer-Waarden 2015: 22; Zhang and Breugelmans 2012: 50). Amongst the many marketing tools that are being used in the retail environment to manage the complexities of modern consumer behaviour, LPs are becoming a common strategy offered by a number of major retailers (King and Clark 2014: 573; Vesel and Zabkar 2010a: 218).

Loyalty programmes in various forms have been established in different business types as a result of an on-going desire to gain and retain customers, as well as to develop relationships with them (Lee, Capella, Taylor, Luo and Gabler 2014: 2139; Kreis and Mafael 2014: 590; Ou *et al.* 2011: 195). Amongst other tactics, LPs have become an integral part of the marketing strategy for most retailers in the FMCG sector (Garcia-Gómez, Gutiérrez-Arranz, and Gutiérrez-Cillán 2012b: 547). Loyalty programmes have increased in popularity and sophistication by making use of complex CRM systems (Kim, Lee, Choi, Wu and Johnson 2013: 96) as businesses struggle for differential advantage over their competitors and compete for customers' acknowledgement and support (So, Danaher and Gupta 2015: 197; du Toit and Cant 2012: 1423).

Investment in LP marketing has been perceived as an instigator of retail success by building and cultivating positive attitudes and good behaviour amongst sought after customers for a sustainable future (Winters and Ha 2012: 371). This has resulted in many businesses launching their own models albeit with varying results. Sharma and Verma (2014: 924) caution that a poorly conceived LP only serves to increase marketing costs, with little or no improvement in desired behaviour. Furthermore, King

and Clark (2014: 576) state that the design and development of a customer LP that can produce true CL is difficult and potentially an elusive idea.

This chapter provides a review of literature on the theoretical foundations which underlie the concepts from which this study emanates. It begins with an explanation of the grand theory of social exchange that explains business to consumer exchanges, amongst others. It is followed by an introduction to LPs. This includes a number of definitions for LPs, and the objectives, advantages and disadvantages of running such a programme. Loyalty programme design is then discussed with most of the main forms of rewards being presented.

2.2 THEORETICAL GROUNDING

Consumers and businesses take part in exchanges for a number of reasons, including economic and social reasons. Marketing exchanges usually involve the exchange of things such as goods, services, money and other symbolic gestures such as social rewards (Lacey and Sneath 2006: 461). Lee *et al.* (2014: 2141) highlight exchange as one of the main components within the definition and conceptualisation of marketing. Customers are understood to be “partners and co-producers of value” and relationships are conducted with a long-term outlook and an understanding of mutual respect (Vesel and Zabkar 2010b: 1335). The theoretical grounding that underpins this study is highlighted in Table 2.1.

Table 2.1: Theoretical and metatheoretical conceptualisation

Research Question	How does customer perception of various loyalty programme benefits contribute towards relationship quality and customer loyalty between programme members and the retailer that offers the programme?		
GRAND THEORY	Social exchange theory		
META THEORIES	Equity theory	Relationship theory	Commitment-trust theory
INTERDISCIPLINARY FIELD	Loyalty		
Academic discipline	Marketing		
Concepts	Customer loyalty	Relationship quality	Loyalty programme benefits
Constructs / Dimensions	Attitudinal Behavioural	Trust Commitment Satisfaction	Altruistic Consumeristic Egoistic

2.2.1 Grand Theory – Social Exchange

Emanating from the realms of behavioural psychology, social exchange theory (SET) tries to outline relationships between people in terms of human social decision-making behaviour (Lee *et al.* 2014: 2141). Social exchange theory is originally derived from sociological and social psychological theory, but is also grounded in economics and business theory, with connections to a number of economic theories (Lee *et al.* 2014: 2141). Economic exchanges are characterised in terms of financial transactions, in contrast to social exchanges which are broader in description and include benefits that can be tangible or intangible.

Social exchange is measured in terms of the relationship established between those involved in the exchange. Involved parties could be individuals or bigger groups such as businesses (Tanskanen 2015: 578). Social exchange is explained by Lawler (2001: 322) as a situation engaged in by two or more individuals where each person has something to offer that one of the other values. Lee *et al.* (2014: 2141) adds to this by describing SET as a method of understanding relationships between people.

The strength of a relationship depends on the perception of how fair the exchange is, and hence the levels of satisfaction and equity. According to SET, an individual will participate in a particular behaviour when there is an understanding that the benefits will be equal to or greater than the costs involved. In terms of this theory, relationships operate between people and rely on elements such as “reciprocity, moral obligations, interdependence, trust and relational norms” (Kingshott 2006 in Vesel and Zabkar 2010b: 1335). Thus, the benefits are not necessarily tangible items such as gifts and cash, but could also be intangible, for example the admiration of your fellow human beings.

Ahmad and Bashir (2015: 121) state that rewards can consist of non-material benefits such as “love, esteem and affection”. In other words, the term ‘reward’ could encompass a number of aspects including an individual’s reputation within a social setting (Izuma *et al.* 2008: 284). Central to the idea of SET is self-interest, assuming that participants in the exchange set out to acquire benefits from the relationship which would not feasibly be achieved in isolation (Lee *et al.* 2014: 2141). Furthermore, people will continue with a relationship for only as long as they feel that it is advantageous to both parties (Zafirovski 2005: 1).

The idea of marketing consisting of relationships is a central concept within SET (Vesel and Zabkar 2010b: 1335). Customers and businesses will continue to undertake exchanges for reasons that can be either economic or social, with the exchange of services and/or goods occurring either for money or for intangible benefits such as love, self-image and altruistic feelings (Ahmad and Bashir 2015: 120). This concept applies to various types of exchanges including the decision of whether or not to participate in an LP. When a customer joins an LP, imagined costs and benefits are taken into consideration (Eason *et al.* 2015: 72).

Loyalty programme rewards come in a number of variations. Most commonly, the retailer rewards the customer with a form of ‘credit’ which can be used by the customer at some stage in the future to purchase something or obtain a reward. Credits can be stated in terms of points or monetary terms. This, therefore, is a simple description of SET.

Costs for LPs could emanate from a number of different areas. For example, the 'time' involved in the joining process and monitoring the account, the 'effort' involved in gathering rewards by shopping, the concerns of losing one's privacy, and sometimes even fees that can be attached to programmes. Benefits, on the other hand, revolve around the rewards that can be gathered (Eason *et al.* 2015: 72). These could be made up of goods, services, information, prestige, affection or money. Those that engage in an exchange do so with expectations of benefiting in a way that will maximise their satisfaction. In most cases the cost and the benefit goes to the customer.

Lawler (2001: 322) extended SET by adding 'affect' to the mix. The outcome of an exchange can have emotional effects that can vary in terms of form and intensity. These outcomes could either be in the form of a 'reward' or a 'punishment'. Participants can experience positive emotions (excitement, pleasure, pride and gratitude) when things go well and negative emotions (sadness, disappointment and anger) when the opposite occurs. Eason *et al.* (2015: 73) used this theory to explain how altruistic appeals work, by suggesting that consumers are happy to channel funds to a charity when they believe that the benefits involved in the transactions outweigh the costs involved. In this case, the benefits would be intangible. The explanation is that altruistic benefits such as those described above could be perceived as a form of reward for the participant, increasing the attractiveness of the LP to them.

The affect theory explains how commitment is developed from rewarding exchanges which are repeated and continue to generate positive emotions. Social exchange theory suggests that over a period of time, relationships strengthen through the establishment of trust and commitment when customers' experience satisfaction, cooperation, and the sharing of values (Lee *et al.* 2014: 2142; Wu, Chen and Chen 2015: 23). The presence of these factors is linked to loyalty behaviour as well as the presence of advocacy for the business concerned. This emphasises the importance of managers focusing on the creation of value for customers and not just the business (Kim, Park, Dubinsky and Chaik 2012: 84).

2.2.2 Meta theory – Equity Theory

Connected to the functioning of SET is equity theory. Originating from SET, the concept of equity suggests that interpersonal interactions such as those between customers and retailers are dynamic and subject to change as they accumulate over time. The continuum ranges from a transaction specific state when a relationship first begins to a cumulative state after a number of transactions have occurred (Kwon and Jang 2012: 1236).

Equity theory, also termed social justice, is viewed as a method of making judgements about whether something is seen to be fair, correct or worthy when compared to other possibilities. Reciprocity is understood by most individuals to be the basis of a relationship. It suggests that there are two main concerns in any form of relationship: firstly, how much can an individual benefit from a particular relationship? Secondly, how fair and just is that relationship? (Lee *et al.* 2014: 2141). Equity theory states that individuals are more satisfied when they perceive that a relationship is maximising their rewards and that the output in contrast with the input is deserving (Hatfield, Salmon and Rapson 2011: 101).

Upon purchasing a product, a customer offers resources to the retailer in exchange for an expected outcome in relation to his/her input. Equity theory relates to customers' understanding of how much they have put in with respect to money, time, effort, and other opportunity costs, in comparison with the outputs (both tangible and intangible) that they believe they are receiving in return. Previous experiences in similar categories will assist with the assessment (Morrison and Huppertz 2010: 246). Value is conceptualised according to the assessment of how costs weigh up in contrast to what the participant receives (Evanschitzky *et al.* 2011: 4). Failure will occur when there is a gap between customer expectations and managements' understanding thereof (Vesel and Zabkar 2009: 398).

Equity theory is evident in the decision-making process when a consumer decides whether or not to become a member of an LP. On joining an LP, both the customer and the provider of the programme will give up something with the hope that this will be compensated for by the benefits that they receive in return. The member will thus

be giving up some of his or her freedom of choice when selecting a retailer as well as a certain amount of privacy, whilst the retailer will agree to provide benefits to the customer in return. The idea is that these benefits will add the extra value that the participant requires and that the net present value of the relationship in the sustainable future will be positive (De Wulf, Oderkerken-Schröder, de Cannière and Van Oppen 2003: 73). Only if both parties in the equation are seen to be exchanging something of equal value will there be a promise of future exchanges. Consumers will be most likely to become members of LPs that are offering relationships that are believed to be fair and just (Söderland and Colliander 2015:53).

The benefits that the retailer offers could be described as allowances that are offered by the retailer in order to earn the loyalty of the customer. Equity theory assists in describing LP members' behaviour, demonstrating that when members are treated in a manner that enhances equity, they are more likely to behave in a manner that is advantageous to the relationship between the customer and the retailer (Omar, Alam, Aziz and Nazri 2011: 336). Steyn, Pitt, Strasheim, Boschhoff and Abratt (2010: 356) commented that the rapid growth of LPs has caused the situation where "loyalty-card fatigue", "loyalty overload" and/or a "backlash" against LPs is beginning to emerge. The main reason for this is that consumers begin to think that what is on offer is not worth the amount of effort required in participating in the programme. To put it more succinctly, when the customer perceives that the potential input is comparatively higher than the benefits that are on offer, they believe that the cost of participating is not justified (Steyn *et al.* 2010: 356).

Equity theory explains that distributive, procedural and interactional equity/justice all play a role in the customers' perceptions about an LP, as well as RQ (Ting 2016: 276). Table 2.2 outlines the three main types of equity that should be considered. Each type of equity comes into play in an LP at the various stages of reward allocation (procedural equity), receipt of rewards (distributive equity) and the entire process (interactional equity) (Vesel and Zabkar 2009: 398).

Table 2.2: Equity theory

EQUITY / JUSTICE	DEFINITION
Distributive Equity	The outcomes of decisions that are made. Whether rewards are fair in contrast to the customer's input.
Procedural Equity	The way in which outcomes are achieved. How fair is the method with which rewards are made?
Interactional Equity	Is the communicative process fair? How customers are treated within the system.

Adapted from: Ting 2016: 277; Vesel and Zabkar 2009: 398 and Lacey and Sneath 2006: 460

Distributive justice is related to the results of decisions that are made, in comparison with procedural justice which is involved with the method with which the decision is carried out (Ting 2016: 277). The idea is that when many customers are involved, individuals will compare their rewards with those of others. Justice or equity will be assumed if the customer perceives his or her rewards to be equitable with those of others. On the other hand, if they perceive their reward as inequitable with others then the assumption would be that an injustice has taken place (Söderland and Colliander 2015: 49).

Lacey and Sneath (2006: 260) argue that distributive, procedural and interactional equities should all be taken into consideration in order for customers to believe that belonging to an LP is a positive experience. Kwon and Jang (2012: 1237) add to this by suggesting that equity theory encapsulates two main elements: firstly, the perception of fairness and secondly, the idea of accumulation within the relationship created through market exchange.

Both equity theory and SET are of interest in understanding the reasons that customers have for allowing themselves to engage in these types of relationships. These theories explain how a customer's perception of equity within an LP can result in the perception of value, satisfaction and trust in the programme. In other words, both SET and equity theory assist in underpinning the understanding of consumer-retailer relationships within a loyalty program context (Omar *et al.* 2011: 346). Overall, equity can be described as concerning itself with the total amount of value that customers can accumulate over the complete term of a relationship that could finally result in CL. This value can be created by mutual cooperation between the

participating customer and supplier, termed co-creation. Benefits resulting from a relationship are related to the concepts of commitment and trust.

2.2.3 Meta theory – Relationship Theory and Commitment-Trust Theory

According to Vesel and Zabkar (2010a: 1335), RM is derived from SET. Relationship marketing theory explains that exchanges are intertwined with relationships. As marketing evolved from transactional to relational exchanges, a number of new constructs became evident. Three of the most noted are satisfaction, trust, and commitment, which often serve to predict how customers might behave in the future (Fullerton 2011: 93-94). Commitment and trust are identified as critical elements in both RM and SET (Vesel and Zabkar 2010a: 1336; Hart, Smith, Sparks and Tzokas 2010: 543). One of the earliest groups of researchers in the field of relationship marketing was Morgan and Hunt who presented the commitment-trust model in 1994 (Macintosh and Lockshin 1997: 488).

The commitment-trust theory states that in order for businesses to establish and continue relationships, the parties in the relationship should exhibit elements of trust and commitment. When trust and commitment fail, customers in the relationship may seek out new partnerships with competitors (Wu *et al.* 2015: 2). Morgan and Hunt (1994: 23) stated that commitment was dependent on four variables. These were relationship benefits, termination costs, shared values, and trust. Trust in turn is said to depend on shared values, communication, and opportunistic behaviour (MacMillan, Money, Money and Downing, 2005: 807). The commitment-trust theory suggests that these two aspects are critical because they contribute towards marketers working together with their exchange partners in order to foster relationships, remaining with partners because of an understanding of the benefits of a long-term relationship, and believing that partners will not act unexpectedly (Morgan and Hunt 1994: 22).

Commitment is described as a customer exercising their free will to remain in a relationship with their business partner based on a rational decision that it is the right thing to do (Vesel and Zabkar 2010b: 218). In other words, commitment is only said to exist when the relationship is viewed as being of great importance. The idea of brand

loyalty is also connected to this concept, with the understanding that loyalty should no longer be viewed only as repeat purchasing, but also as commitment where a positive attitude regarding the brand under consideration is evident (Morgan and Hunt 1994: 23).

Trust is viewed as one partner having confidence in the other partner's "reliability and integrity" (Morgan and Hunt 1994: 23). Sometimes viewed as the cornerstone of a partnership, trust in a relationship is highly sought after. A customer will usually turn to a supplier that they believe will deliver as expected and who they perceive to be concerned with the customer's needs (Doney and Cannon 1997: 36).

Morgan and Hunt (1994: 34) conclude their study by stating that relationship commitment and trust only develop when businesses pay attention to their relationships by ensuring that they invest in the relationship through the provision of resources, opportunities and benefits that position the offering as better than that of the competition. Furthermore, they should exhibit sound values that are appreciated by others in the relationship, communicate in a way that is informative and clear with respect to their expectations and evaluations and finally take care not to take advantage of their exchange partners in any fashion.

2.3 LOYALTY PROGRAMMES

In the retail world, strategies that have been designed to create relationships and CL have included various forms of LPs (Vesel and Zabkar 2010b: 1339). 'Loyalty programme' is just one of the titles given to this popular relationship management tool. Amongst others, they are also referred to as reward programmes, frequency reward programmes, frequent-shopper programmes, loyalty cards or schemes and frequent-flyer programmes (Zakaria, Rahman, Othman, Azlina, Yunus, Dzulkipili and Osman 2014: 23; Dorotic *et al.* 2012: 218; Henderson, *et al.* 2011: 258). A large number of retailers have adopted LPs and customers appear to enjoy participating in them. This field of marketing has advanced rapidly, mainly due to the dramatic improvements in information technology.

Loyalty programmes have rapidly become a world-wide phenomenon as marketers have increasingly adopted the idea of recognising customers and incentivising them so that marketers can increase the benefits that they achieve from their better customers (Meyer-Waarden 2015: 22). In times of economic crisis, these programmes appear to become even more popular as businesses strategise to secure customers in the face of stiff competition (Zakaria *et al.* 2014: 23).

The US market had at least 2.65 billion registered members of LPs by the end of 2012. This translates to a 100% growth in membership from 2006. This averages out to approximately 18 memberships per household in the US (as per the COLLOQUY report, a well-recognised Loyalty Marketing internet publisher, cited in Olivier and Burnstone (2014: 1)). The incredible growth that has taken place in the US industry both in the form of the number of programmes as well as memberships per household suggests that the South African marketplace still has unlimited potential and has significant scope for growth before it becomes saturated (Olivier and Burnstone 2014: 1).

There are many ideas about what an LP actually is and how it is conceived and understood in the retail world, and there is much debate regarding the ensuing value that is accrued to either customers and/or sponsors from the programmes (Ou *et al.* 2011: 195). Although a great deal of research has been carried out on LPs and their efficacy, there is still no clear consensus on their value. The current study is based on LPs, the perceived benefits that might be inherent in the rewards, and how these perceived benefits might impact on RQ and customer loyalty towards the retailer that is involved in any transactions with the LP member. The conceptual model in Figure 2.1 outlines the constructs that will be considered in this study as well as indicating what this particular chapter will be discussing.

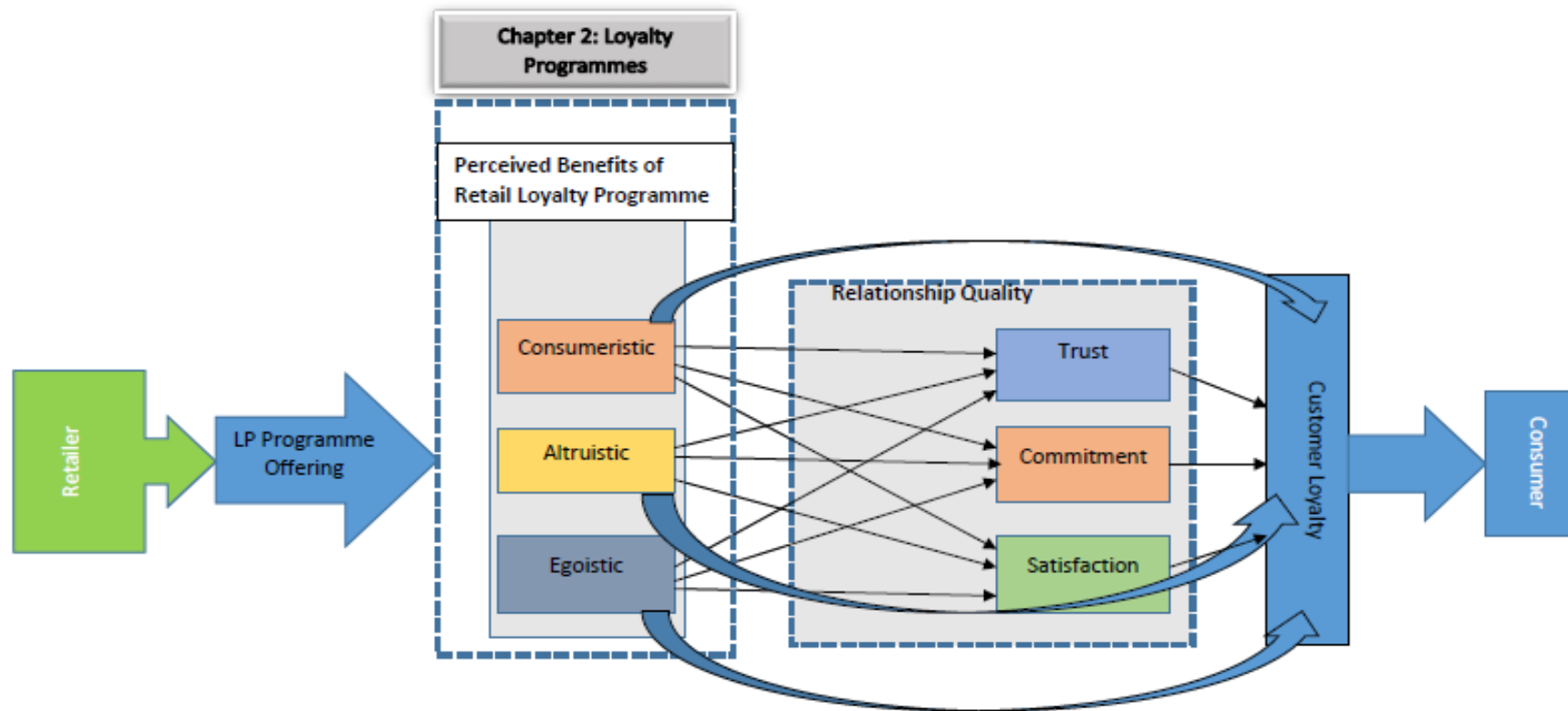


Figure 2.1: Conceptual model of the material discussed in the remainder of Chapter 2

2.3.1 Loyalty Programme (LP) definitions

An LP is created with the objective of building CL, and in so doing, increasing profitability by recognising good customers with rewards and/or incentives in return for their repeat purchases (Sharma and Verma 2014: 924; Nsakanda, Diaby and Cao 2010: 1). Designed with the objective of both retaining customers and increasing sales, members of LPs gather points that are usually based on the amount and frequency with which they spend at the relevant business partner. Points are usually earned through the mechanism of a plastic card which is swiped at the till in order to identify the customer (Bojei *et al.* 2013: 173). The idea is that this motivates the customer to continue to support the product, service or retailer concerned.

Liu and Yang (2009: 91) define LPs as: “long-term oriented programs that allow consumers to accumulate some form of program currency, which can be redeemed later for free rewards”. By using the expression ‘long-term’ the authors have deliberately excluded sales promotion type programmes that offer the customer immediate, one-off, benefits such as supermarket discount programmes. Loyalty programmes, Gandomi and Zolfaghari (2013: 797) explain, are forward thinking and designed to create switching barriers over time. Short term promotions are more likely to create spikes in sales without resulting in on-going loyalty and income for the firm. Besides that, one-off programmes also create immediate costs as well as benefits, whilst LP’s create both obligations and value for the business that are long-term.

South African researchers, Olivier and Burnstone (2014: 3), describe an LP as

a structured marketing intervention that rewards and encourages specific customer behaviour (transaction value, purchase frequency, basket spread/product cross-holding and tenure) which is beneficial to the programme owner or sponsor. The programme member is either entitled to a discount on the current purchase, or an allocation of loyalty points that can be used (i.e. redeemed) for future purchases (i.e. for future rewards) or even used to purchase products and services not normally sold by the programme owner/sponsor. In addition to the benefit of discounts or points, members may have access to membership privileges, which is determined by their relative value (as evidenced by their tier level).

As rewards are often connected to particular behaviours, the benefits achieved by retailers offering rewards programmes should be in the form of prolonged desired customer behaviour or planned changes in customer behaviour as required.

Dorotic *et al.* (2012: 218) have identified a number of characteristics that are found in most LPs. These are:

1. *Fosters loyalty* – by recognising and rewarding members' loyalty (both behavioural and attitudinal), thereby encouraging customer retention and growth in customer share.
2. *Structured* – Customers become formal members by applying and being given a card to identify themselves.
3. *Long term* – An LP is expected to be sustainable, unlike a sales promotion.
4. *Rewarding* – Members are rewarded for their loyal behaviour through various tangible and intangible methods.
5. *Ongoing marketing efforts* – The business partner designs its marketing in response to the needs and desires of the members and target market.

Central to the success of an LP is the idea of reinforcement which suggests that rewarded behaviour is often repeated (Bridson *et al.* 2008: 364). This idea is evident in Sharma and Verma's (2014: 925) definition:

In its simplest form, a customer rewards program is designed to provide some benefit or equivalent substitution to the customer for executing some transaction (or a number of transactions) with a particular firm. The idea is that the benefit, or reward, is of some value to the consumer given in response to a certain behaviour – in this case executing some transactions(s) – that will be more likely to occur again in the future.

Meyer-Waarden (2008: 89) adds to this definition by stating that LPs create relationships that foster interactivity, based on the premise of individualisation. In so doing, they assist in the management of relationships. Through the gathering of information LPs can design unique offerings for particular groups of customers.

With due consideration of the above definitions, and the context of this study, LPs will be described as retailer linked programmes where the customer is rewarded in exchange for participating in transactions that are desired by the retailer. In response

to the perception of gaining attractive benefits, the preferred behaviour is reinforced, culminating in relationships that are enjoyed by both retailer and customer.

Loyalty programmes have become evident both globally and in a broad spectrum of industries. Many view them as an effective way in which to establish, support and preserve long-term relationships with the businesses' most profitable customers (Nsakanda *et al.* 2010: 2). Retailers have recognised that spending money on LP's has become an important contributor to their success.

2.3.2 Loyalty Programme Objectives

The main objective of an LP is to reward customers for certain behaviours (for example, purchases) in the hope that the response will be a repetition of the sought after behaviour (O'Malley 1998: 51). According to Szczepańska and Gawron (2011: 93-94) LPs are marketing tools designed to fulfil the objectives of a customer relationship management plan, and so strengthen relationships between businesses and customers. Improved relationships contribute towards a decrease in customer turnover and lower costs associated with customer service and advertising. This serves to improve the level of CL (Omar *et al.* 2015: 155) by identifying targets that the business desires the customer to achieve and rewarding them accordingly. The more effective the LP, the more likely it is that the company will be able to retain its existing customers (Bose and Rao 2011: 544). Demoulin and Zidda (2008: 387) state that the success of any LP is dependent on consumers appreciating the value and receipt of rewards.

Uncles, Dowling and Hammond/. (2003: 294) identify two main objectives for LPs. The first is to increase purchases and the second is to establish a better relationship between the supplier and the customer and in so doing retain customers. By doing so the business will benefit by:

1. The maintenance of sales levels, margins and profits.
2. Increased CL which will relate to the above statement.
3. The instigation of cross-buying by loyal customers.

One of the reasons for introducing an LP is that in a highly competitive environment, it is seen as prudent to at least try to hold onto your best customers (Evanschitzky *et al.* 2011: 2). Winters and Ha (2012: 371) state that “Designing, developing and implementing customer LPs is viewed as a critical source of sustainable competitive advantage for retailers in a highly combative environment”. In addition, Henderson *et al.* (2011: 258) note that three particular areas of psychological mechanisms underlie the theory of most LPs. These three areas can be described as follows:

- *Status* – Allows customers to perceive that they are ‘better’ than others.
- *Habit* – The creation of habitual behaviour which becomes ingrained in the memory.
- *Relational* – The establishment of relationships with customers which result in them treating the business more favourably.

Gummesson (2008: 121) describes LP membership as fulfilling the objective of providing information on customers through the establishment of a database. This serves to ensure that mass marketing is eliminated and marketing efforts are more focused, through offerings that are customised (Ou *et al.* 2011: 203).

Meyer-Waarden (2008: 93) identified two potential affects that LPs can have on buying behaviour. The first was termed ‘differentiation loyalty’, which was explained as a change in sensitivity towards competitors’ offers and/or prices. This could result in programme members potentially paying higher prices, buying greater quantities or more expensive brands when given the choice. The second affect was termed ‘purchase loyalty’, which assumes that LPs create repeat buying behaviour and customer retention should they be deemed as useful programmes by consumers.

Leenheer and Bijmolt (2008: 437) observed that LP’s were more evident in environments where retailers were characterised by customer-orientation, high purchase frequency and homogeneity in assortment, for example, the FMCG sector under which supermarkets fall. One of the objectives of LPs in this environment is to encourage customers to move from an individual purchase setting to one that is more dynamic and on-going, by building relationships and establishing switching costs (Gandomi and Zolfaghari (2013: 797). In Chapter 3 there is a discussion on how

transaction type marketing can be shifted towards relationship based marketing through the improvement of the association between customer and supplier to create an affinity with the organisation (Gummesson 2008: 25). Vesel and Zabkar (2010a: 214) believe that the influence of LPs is evident through trust and satisfaction as well as the “multi-dimensional construct” of commitment.

In addition, LP's send a message to customers telling them that they are recognised and their support is valued. Rewards are a way to thank the customer. Customers can also return the feeling by extending more business to the retailer in question, creating a self-perpetuating cycle. The challenge to marketers is to manage this cycle in such a way that the 'payback' is both “profitable and effective in the competitive marketplace” (Kumar and Shah 2004: 328).

A successful LP should create financial outcomes that are more than the investment that has been made in the programme (Bolton, Kannan and Bramlett 2000: 95). It is suggested by Meyer-Waarden (2015: 23) that the design of an LP can have an effect on customers' expectations that are used to measure whether there are any advantages in being a member of the LP. However, some retailers launch LPs simply to imitate the competition and do not always understand the benefits that the customer could be provided with and/or the influence that such a programme can have on the business (Ou *et al.* 2011: 195).

In conclusion, LP objectives can be summarised as follows:

- The enhancement of CL.
- The improvement of the relationship between the retailer and the customer.
- The creation of competitive advantage through the offering of something unique.
- An increase in sales and profitability.
- The gathering of customer data in order to create more customised offerings.

The objectives that are of particular relevance for this study are the first three, particularly the first two. The next section will discuss the advantages that are observed to be inherent in LPs.

2.3.3 Advantages and Disadvantages of Loyalty Programmes

Although extensive research has taken place, the question still remains over whether benefits are inherent in customer LPs, both for customers and retailers (Ou *et al.* 2011: 194). Bridson *et al.* (2008: 364) concur, stating that a more cynical perspective would be one that suggests that customer rewards are awarded in exchange for allowing retailers access to information on their buying behaviour, despite the term 'loyalty programme' that implies that the obvious strategy is one of building loyalty. Bennett (2014: 934) reports that literature still gives very little insight into how membership of an LP might impact on CL. Despite many critics stating that LPs do not contribute towards CL, there is ample evidence of the benefits that customers can experience when participating in a well-structured programme. Advantages and disadvantages that have already been outlined in the literature are presented in the following two sections.

2.3.3.1 Advantages of Loyalty Programmes

Eason *et al.* (2015: 71) state that customer LPs have become popular because of their potential to grow customer purchases, loyalty and business in general. Uncles *et al.* (2003: 303) explain that with respect to individual customers, LPs can lead to single-brand loyalty, less sensitivity to price (So, Danaher and Gupta 2015: 197) or other potentially better offers, and generate positive word-of-mouth thereby recruiting additional customers as well as increased sales. Szczepańska and Gower (2011: 93-94) suggest that LPs can assist in decreasing operational costs with respect to customer acquisition and increased sales and profitability, thereby increasing customer portfolio value. Bolton *et al.* (2000: 105) found that LP members were not as sensitive to any shortcomings that the business might exhibit such as service quality or pricing and that members of an LP are therefore less likely to compare the business offering with that of competitors.

Xie and Chen (2013: 470) concurred by revealing a number of advantages of LPs for retailers. These include the driving of positive behavioural intentions, the establishment of databases for marketing purposes, the preservation of market share

and differentiation in the eyes of the consumer. Leenheer *et al.* (2007: 33) and Meyer-Waarden (2007: 224) explain these phenomena by describing how LPs feed CL through “economic, psychological and sociological mechanisms”. The economic perspective is explained by the rewards that customers receive, as well as the avoidance of switching. There are suggestions of an escalation in customer perceptions of increased economic value, the receipt of a variety of rewards and the chance to win prizes within the programme offering. Customers that are satisfied with an LP are observed to exhibit greater trust (Ou *et al.* 2011: 195). Uncles *et al.* (2003: 303) explain that advocates of customer LPs believe that there is ‘psychological bonding’ for customers that emanates from belonging to an LP. Psychological drivers relate to customer feelings of goodwill when they perceive that they are being favoured. Furthermore, emotions of pride and satisfaction can become evident when members are able to attain rewards and savings. Lastly, if members believe that they have been included in a select group, sociological rewards are initiated.

LPs are also said to encourage participation through heightened communication between the customer and the business. The knowledge that can be gained through the use of loyalty cards can be used by retailers to cultivate store loyalty and to develop better relationships with customers (Cromhout *et al.* 2016a: 6). The suggestion that LPs can contribute to CL is reinforced by statements that LPs have increased in popularity due to their potential for increased purchases and hence CL (Eason *et al.* 2015: 71).

Furthermore, it is argued that if a consumer perceives that an LP’s offering is better than that of competitors’, then the obvious deduction is that he or she will be likely to wish to become a member and participate in the programme. Differential advantages serve to increase membership and participation in the LP concerned (Wirtz, Mattila and Lwin 2007: 328). Advantages discussed in the preceding paragraphs illustrate the benefits that are potentially on offer through an LP, with respect to the issues of CL and RQ under investigation in this study. In conclusion, the main advantages that have become evident in this discussion are summarised below:

- Increased sales.
- Improved CL.

- Increase in positive behavioural intentions.
- Preservation of market share.
- Differential advantages.
- Customer perception of increased value.
- Greater customer participation.
- Improved communication between the customer and the retailer.
- A decrease in switching.

Those that are of particular significance and interest to this study include CL which encapsulates positive behavioural intentions and market share. In addition, the research will consider various forms of LP and customer perceptions thereof which speak to the advantages gained through differentiation and the customers' perceptions of value. An additional advantage that will be considered is that of improved quality of relationships between the customer and the retailer concerned.

Although not the main focus of the study, any potential disadvantages of LPs need to be taken into consideration.

2.3.3.2 Disadvantages of Loyalty Programmes

Evidence that LPs can serve to minimise price competition, increase switching costs for customers and reduce marketing expenses as customer loyalty increases, is contradicted by arguments that LPs are offering less of a competitive advantage than they previously did, mainly due to the similarity of many programmes in the marketplace (Zhang and Breugelmans 2012: 50). Despite all the apparent advantages of LPs, a number of studies have detailed negative views. These studies have highlighted drawbacks such as a lack of consumer commitment and concerns about costliness. Elements that result in frustrations for consumers and competition overcome any gains that are made by LPs (Xie and Chen 2013: 472). Some critics suggest that LPs have very little to do with customer commitment, claiming that LPs do not offer much more than fancy sales promotion, that loyalty is directed towards the programme and not the retailer or the brand, and that costs frequently outweigh the benefits (O'Malley 1998: 51-52). Uncles *et al.* (2003: 303) reiterate critics' perceptions

that LPs are costly and that research has revealed very little evidence of obvious changes in behaviour that could justify the expenses.

In addition, it is suggested that customer frustrations associated with LPs can create dissatisfaction. Bose and Rao (2011: 547) make mention of frustrations associated with LPs such as inaccessibility, worthlessness, barriers to entry, redemption costs and other relationship-based incidents. Steyn *et al.* (2010: 356) argue that due to the rapid uptake of LPs in recent years, consumers are no longer as fascinated as they originally were. They refer to terms such as “loyalty card fatigue”, “loyalty overload” and even a “backlash” with respect to LPs. The main explanation offered by Steyn *et al.* (2010: 356) is that consumers are beginning to perceive that the amount of effort put in might not be worth the rewards / benefits that are available to them.

Stauss, Schmidt and Schoeler (2005: 232) added to this debate by listing a number of criticisms that customers have of LPs. These include:

- Businesses not abiding by their promises. For example, this can occur when they run out of promised prizes.
- Rewards being difficult to obtain due to an unrealistic number of points being attached to the reward, or because points expire after a period of time.
- Rewards are often perceived to not be of any value.
- The violation of the customer’s privacy.

Although there appears to be a positive link with LPs and expenditure at the retailer concerned, many consumers own more than one programme which can result in polygamy which impacts negatively on loyalty. Much of the downside of LPs can also be attributed to a lack of innovation and differentiation of programmes (Cedrola and Memmo 2010: 207). It is often stated that any differentiation that is gained from LPs is soon eliminated as competitors introduce similar offerings (Xie and Chen 2013: 473). Dowling and Uncles (1997: 80), seminal authors in the field of LPs, highlight the dangers of an LP that is a copy-cat of other programmes offered in a similar industry. Nessim *et al.* (2014: 6) argue that programmes that appear to be successful in achieving their objectives can be rapidly imitated by competitors, cancelling out any benefits that have been achieved in the short-term. Meyer-Waarden (2012: 202)

concur by arguing that when markets become saturated, differentiation becomes difficult, hindering retailers from developing unique programmes. Furthermore, Uncles *et al.* (2003: 303) suggest that if customers are already brand-loyal, an LP can only be justified if members can be persuaded to purchase more than they already do. This can be difficult to achieve.

Potential disadvantages have been listed above, but they will not be tested in this study. However, they still remain relevant as they should be taken into consideration when trying to understand why the desired outcomes of CL and positive measures of RQ factors related to the instigation of an LP are not forthcoming.

2.4 LOYALTY PROGRAMME DESIGN

The success of LPs in the future will depend a lot on programme designers gaining a better perspective on the evolution of trends in the field (King and Clark 2014: 576; Cedrola and Memmo 2010: 207). According to Kreis and Mafael (2014: 590), the jury is still out on how different groups of consumers might respond to different programme designs. Xie and Chen (2013: 470) state that customers that view their LP in a positive light develop a desire to remain with that supplier for as long as they feel the same way. Properly designed LPs can be of great value to the business and result in greater income, loyalty and market share. On the other hand, a poorly designed programme can be more costly, with a return that is negligible, and provide little or no change in customer behaviour (Sharma and Verma 2014: 924; Ou *et al.* 2011: 202). The main aim of an LP is to raise the customer's attachment towards the retailer concerned. According to Szczepańska and Gawron (2011: 94), a well-planned LP leads to improved relationships, allowing the business concerned to collect additional data resulting in the customer receiving sought after treatment.

An LP provides the customer with an offer that he/she can choose to participate in or ignore. From a financial perspective, most customers will only join such a programme if they expect a positive benefit from their membership (Rese *et al.* 2013: 308). Benefits are generally perceived by customers in different ways, and are provided in the form of rewards. The type of rewards that are offered by LPs differ from programme to

programme. They also vary in terms of tangibility, with intangible rewards being promulgated as more likely to connect with recipients on an emotional level (García-Gómez, Gutiérrez-Arranz, and Gutiérrez-Cillán 2012b: 549). To design a programme that results in true loyalty is difficult. Eason *et al.* (2015: 71) highlighted the importance of LP design in order to create attitudinal changes, rather than just behavioural results. Successes and/or failures of LPs have been largely attributed to the amount of research that was carried out before the programme was designed and launched.

Reward types and perceptions of benefits attached to rewards are discussed at length in the literature. Furthermore, the number of different interpretations have been varied and extensive. Henderson *et al.* (2011: 257) explain that LPs are often involved with more than one mental and/or social process at a time. These include feelings of status enhancement, gratitude building, social belonging, and reciprocation. These can interact with each other and occur at the same time. There are psychological, as well as hedonic and utilitarian benefits depending on the nature of the reward (Yi and Jeon 2003: 231). It is not the objective of this study to try to establish a single version of rewards and benefits that is seen to be the only correct one, but rather to attempt to examine alternative interpretations in combinations that could potentially be applied to the LP scenario of the South African FMCG sector.

2.4.1 Forms of Reward

The main way in which customers are encouraged to be part of an LP is by rewarding them (Brashear-Alejandro, Kang and Groza 2015: 2). The ability of a programme to stimulate repetitive purchasing depends on the rewards that are given for doing so. If the customer does not perceive the offerings as beneficial to him or her, they will move on (So *et al.* 2015: 199; Steyn *et al.* 2010: 356). Rewards that are perceived to be more compatible, beneficial, and valuable assist in stimulating customer interest in the programme.

The importance of developing LPs that customers identify with at an emotional and attitudinal level and which result in more than just behavioural loyalty, cannot be over emphasised (Eason *et al.* 2015: 71). Loyalty programmes should be designed in such a way that customers will identify with them at both emotional and attitudinal levels so

that any real patronage is created through more than just financial inducements (Eason *et al.* 2015: 71). Businesses would rather engage with LPs that result in changes in the customer's psychological make-up, leading to repeat purchases, heightened switching barriers and a reduction in price sensitivity. Rewards on offer might be interpreted as economic, psychological, and/or sociological.

2.4.1.1 Rewards and Benefits

There have been many interpretations of reward types and the benefits that each one can offer, each with its own terms and descriptions. A number of these will be discussed and compared in the ensuing pages. Eason *et al.* (2015: 73) identified three different forms of reward types in terms of the potential benefits provided. These are discussed below in combination with other researchers' ideas, where they may appear to be similar.

- *Self-benefit rewards* describe those where customers understand that they are receiving a direct reward in exchange for their patronage. This type of reward is often in a financial/tangible format where the customer receives cash, discounts or points that can be exchanged for something special (Garcia-Gómez *et al.* 2012b: 550). It could also be in the form of perks where the customer might receive special treatment. Some researchers have argued that this type of programme does not result in achieving true CL, with Tabaku and Zerellari (2015: 94) suggesting that this promulgates spurious loyalty (see Chapter 4) where patronage is on-going, with the absence of any connection with attitude.
- *Altruistic (other-benefit) rewards* encompass those that are passed on to a third party which could be a charity or a cause of some form. The idea behind this is that customers could see this as an act of altruism where the reward is perceived as socially responsible. This type of reward is prospectively more attractive and conducive to loyalty for some. The South African MySchool programme would be a good example of this. Eason *et al.* (2015: 79) commented that an LP that contributes towards a charity would be a worthwhile

differentiator for a retailer and could also gain positive publicity. Furthermore, the emotional appeal of a programme that contributes towards a charity could serve to improve customer attitudes and contribute towards the building of true loyalty, where both attitudes and behaviour are synchronised.

- *Combination type rewards* occur when some businesses feel that it is more conducive to capitalise on more than one type of benefit in order to capture both customers who are more charitable versus and that weigh up the benefits and costs in terms of a financially quantifiable result (Eason *et al.* 2015: 74; Winters and Ha 2012: 371). This technique suggests the design of an LP specifically to fill the needs of a specific customer. Customised programme offerings can give the customer the opportunity to choose rewards and services that will satisfy his/her needs. Bridson *et al.* (2008: 365) accentuate the need to offer the right combination of rewards in an LP.

Rewards can also be categorised as 'hard' and 'soft'. Alternatively termed as tangible (money-off, discounts, gifts) and intangible (status, personalised treatment). In addition, rewards have been sometimes grouped according to "immediate versus deferred, direct versus indirect, efficient versus inefficient, monetary versus luxury, and utilitarian versus hedonistic" (Sharma and Verma 2014: 925; Demoulin and Zidda 2009: 391).

Table 2.3: Forms of rewards

GROUP	REWARD/BENEFIT TYPE	DESCRIPTION	REFERENCES
1	Hard; tangible; monetary economic; external; utilitarian.	Financial incentives such as prizes, monetary rewards, vouchers or coupons, discounts or rebates; bonus points; gifts. Material rewards offered in exchange for desired behaviour.	Arbore and Estes 2013; Frisou and Yildiz 2011; Bridson <i>et al.</i> 2008; Gable, Fiorito and Topol 2008; Kumar and Shah 2004; Stauss <i>et al.</i> 2005; Noble Esmark and Noble 2014; Leenheer <i>et al.</i> 2007; Kreis and Mafael 2014; Meyer-Waarden 2007; Meyer-Waarden 2015; Kim <i>et al.</i> 2013; Melancon, Noble and Noble 2010.
	Soft; intangible; experiential; non-monetary; non-economic; social; internal.	Psychological, relational, emotional and functional. Creates recognition and belonging. Designed to make customers feel special and get a sense of status. More difficult to copy. Internal enjoyment of a behaviour.	
2	Self-Benefit; egoistic.	Financial rewards and special benefits.	Eason <i>et al.</i> 2015.
	Altruistic; affinity; other-benefit.	Rewards are passed on to a third party (charity).	
	Combination.	A combination of both the above two forms.	
3	Customised.	Tailoring the services and rewards to suit the needs of customers	Winters and Ha 2012.
4	Utilitarian.	Instrumental, functional and cognitive. Monetary saving and convenience.	Mimouni-Chaabane and Volle 2010; Kreis and Mafael 2014; Kim <i>et al.</i> 2013; Radder, van Eyk and Swiegelaar 2015.
	Hedonic; special treatment.	Non-instrumental, experiential, emotional and personally gratifying. Exploration and entertainment. Designed to provide comfort and peace of mind. Enjoyment related	
	Symbolic; egoistic.	Intangible and non-product related. Recognition and Social. Related to self-esteem and social approval.	
5	Psychological.	Sense of community.	Meyer-Waarden 2007.
	Sociological; egoistic.	Social status, social class, prestige or recognition.	
6	Immediate and delayed.	After every purchase or after a number of purchases.	Yi and Jeon 2003.

Table 2.3 presents a summary of different types of rewards as well as the various terminologies gleaned from the literature. Forms of rewards that are deemed to be the same or similar have been grouped together. In addition, they have been grouped according to comparisons that were outlined in the literature, hence some reward

types have been repeated. Shaded categories illustrate the various comparisons that have been made. This table should illustrate to the reader the great number of titles and interpretations that have been given to LP rewards and/or benefits. In addition, it identifies a number of the studies that have been carried out in this field. This study will add to the field of knowledge, by examining three specific groups of perceived benefits that have been identified in the South African FMCG sector.

2.4.1.2 Tangibility of the Reward

Tangible or hard rewards are those that can be given to the customer in the form of monetary rewards, gifts and discounts, as compared to intangible rewards which are more associated with psychological and emotional benefits. Some suggest that although tangible rewards are desirable and are often awarded to customers, they are more likely to provide a short-term benefit rather than a long-term effect on RQ. This is partly explained by the suggestion that a tangible reward is more likely to be associated with the programme than the retailer (Meyer-Waarden 2015: 23;).

According to Garcia-Gómez *et al.* (2012b: 548), most forms of programme offer some form of tangible reward, be it money or prizes in return for the customers' patronage. Where they differ from one other is the nature of the intangible awards that are connected to them. For example, an altruistic LP accumulates tangible rewards but passes them on to a charity of the cardholder's choice, so rewarding the cardholder in a different way. A cardholder that is rewarded for making healthy or environmentally friendly product choices receives a tangible reward in the form of money back. However, the suggestion for both these formats is that there is an additional, intangible reward that accompanies these forms of recognition. Garcia-Gómez *et al.* (2012b: 553) state that a number of studies have produced evidence that intangible rewards connected to LPs have resulted in a positive change to affective loyalty. Bridson *et al.* (2008: 371) found that although tangible rewards contribute more effectively towards satisfaction, intangible rewards are more likely to contribute towards store loyalty.

Meyer-Waarden (2015: 30) studied the effect of LPs and reward type on CL. The study focused on reward, (in)tangibility, compatibility with company image and timing of

rewards (immediate vs. delayed). They found that immediate rewards, rewards that are compatible with the store's image and tangible rewards all have a greater impact than their counterparts. However, it was also found that reward timing along with tangibility and compatibility were moderated by the customer level of involvement. The higher the level of involvement, the more likely it was that compatibility of image would have an effect on LP preference, whereas low involvement situations are more likely to be impacted by the timing of the reward with immediate rewards being perceived to be more valuable than delayed ones.

When interrogating the psychological side of LPs, the type of programme becomes significant to customers who will react in different ways depending on the type of programme and the rewards that are associated with it (Sharma and Verma 2014: 925). Gable *et al.* (2008: 46) comment that additional research is required into the efficacy of hard (tangible) versus soft (intangible) rewards, accentuating that hard rewards are expensive to offer and soft benefits are more complex but more difficult to imitate. The potential for uniqueness of soft rewards makes them worthy of investigation. Soft benefits are said to create emotional value for the customer, by making them feel special compared to others. Soft benefits are said to create reinforcement by means of a relationship that is not based on financial rewards (Bendz and Himmelstrup 2015: 22).

2.4.2 The Perception of Benefits Received from Rewards

It is apparent from the previous discussions that LPs offer a wide range of rewards extending from tangible to intangible. Researchers have classified these rewards into different dimensions according to members' perceptions of value offered by each area. The perception of benefits received by customers can be described as their interpretation of value received through their interaction with something (such as an LP) (Mimouni-Chaabane and Volle 2010: 32). Researchers have classified these rewards into different dimensions according to members' perceptions of value offered by each area. Perceived benefits of LPs are identified by Mimouni-Chaabane and Volle (2010: 33) in terms of three main dimensions. These are categorised as utilitarian, hedonic and symbolic. Table 2.4 outlines the three categories:

Table 2.4: Perceived benefits of loyalty programs

Dimensions of benefits	Sub-dimensions of benefits	Definition
Utilitarian	Monetary savings.	To spend less and save money.
	Convenience.	To reduce choice and save time and effort.
Hedonic	Exploration.	To discover and try new products sold by the company.
	Entertainment.	To enjoy collecting and redeeming points.
Symbolic	Recognition.	To have a special status, to feel distinguished and to be treated better.
	Social.	To belong to a group that shares the same values.

Source: Mimouni-Chaabane and Volle 2010: 33

Utilitarian benefits are seen to mainly be instrumental, functional and cognitive and are attractive to customers as they are seen as offering some means to an end. The interpretation of these benefits corresponds with Eason *et al.*'s (2015: 73) description of self-benefit rewards. Dorotic *et al.* (2012: 220) also identified utilitarian advantages which are designed to provide solutions to customers' needs (economic savings, convenience and gifts). Others refer to the term economic utility when they discuss monetary rewards. These are short term incentives, where customers feel that they have been compensated in return for their purchases. Mägi (2003: 104) found that economic orientation had a significant effect on customer share-of-wallet, appealing to the desire to save money.

In contrast, Henderson *et al.* (2011: 258) have chosen to exclude economic utility from the theoretical underpinning of LPs, because their understanding is that true loyalty should have a psychological basis that explains the customer's predisposition towards the business concerned. Price is seen to be short-lived and any results gained from price decreases leave the customer susceptible to switching once the deal is over. Furthermore, lowering prices can result in a loss of profitability for the business and can also be easily imitated by competitors.

Hedonic benefits, on the other hand, are viewed as non-instrumental, experiential, emotional and personally gratifying benefits. As customers are able to enjoy unique experiences and have joyful and pleasurable experiences, hedonic needs are being filled. Hedonic advantages would cover items such as personalised treatment, exploration of new products and entertainment (Dorotic *et al.* 2012: 220).

Symbolic benefits are connected with the desire for personal expression, self-esteem and social approval. Symbolic rewards would include recognition by the business, social status and belonging (Dorotic *et al.* 2012: 220). The last two dimensions are most often connected with product-related attributes that are intangible (Mimouni-Chabaane and Volle 2010: 33).

Kreis and Mafael (2014: 592) divided LPs into monetary and treatment based designs when questioning customer motives for participating in a programme. They also detail the perceived value of different benefits that would be available for programme members. Treatment based rewards are identified by Radder, van Eyk and Swiegelaar (2015: 97) as symbolic which can affect customers sense of self-esteem as they perceive the approval of others. They accentuate that although customer motives for joining can explain the first steps that customers take in joining a programme, perceived customer value explains customer reasons for remaining members of an LP. The perception of value is influenced by the benefit structures within the programme. Table 2.5 is adapted from Kreis and Mafael's (2014: 592) conceptual framework which sets out to illustrate the above discussion.

Table 2.5: Loyalty programme designs and perceived value

Motives for Loyalty Programme Participation			
Utilitarian		Symbolic	
Economic		Socio-psychological	
Reward redemption	Money saving	Superiority	Affiliation
Loyalty Programme Design Elements			
Monetary-based		Treatment-based	
Rewards (e.g. points)	Money (e.g. discounts)	Superiority (e.g. status)	Affiliation (e.g. contact)
Perceived Customer Value			
Economic value		Psychological value	Interaction value

Source: Adapted from Kreis and Mafael 2014: 592

According to Mimouni-Chaabane and Volle (2010: 32) the perception of value received from rewards by customers is important for LPs to achieve the objectives of the programme. Based on the review of the literature on LPs and reward types, four different types of potential benefits with respect to rewards on offer have been isolated

for the purpose of this research within the South African FMCG sector. Although past literature has referred to many forms of benefits with various terminologies, this study has clustered them under specific headings. These headings will refer to psychological or emotional benefits that could be sought by consumers and could feasibly be fulfilled through the mechanism of rewards. It is possible that each of these three terms, namely egoistic, altruistic and consumeristic could be satisfied through a number of different reward types as per Tables 2.3-2.5.

2.4.2.1 Consumeristic

The most common form of LP is one that rewards customers specifically for their patronage. Also referred to in the literature as utilitarian, self-benefit, economic, and monetary, the reward accrues directly to the customer and is felt in the pocket (Mimouni-Chaabane and Volle 2010: 33). These rewards are usually tangible and could be in the form of cashback, prizes, discounts or gifts (Eason *et al.* 2015: 73). It is argued that programmes that reward customers in this way do not result in true loyalty, but rather a spurious form of loyalty where the customer increases expenditure, but does not experience a similar improvement in attitude towards the retailer (Eason *et al.* 2015: 73). These types of benefits are seen to be most effective in gaining new customers, but their efficacy in retaining customers for the long term is still questionable. This is because of the understanding that emotional attachment is not necessarily achieved in the customer's mind under these conditions, therefore not achieving 'true loyalty'. These types of programmes are often associated with sales promotion efforts which are short term, by nature. Furthermore, they are easier to duplicate by competitors, removing any reason for customers to remain loyal. Examples of rewards that might lead to these titles would be discounts, cash-back, points and gifts.

2.4.2.2 Egoistic

Egoistic values are described by Feiler *et al.* (2012: 1323) as the desire to develop one's sense of well-being and enhance self-achievement. These values highlight traits such as pleasure, power and achievement, termed as "self-benefit" by White and

Peloza (2009: 109). The source of egoistic motivation is explained by Amos *et al.* (2015: 354) as being driven by rewards that are tangible (e.g. economic), as well as intangible, with benefits which could be described as social or psychological. Mimouni-Chaabane and Volle (2010: 33) use the term 'symbolic' when they describe benefits which contribute towards needs such as "personal expression, social approval and self-esteem".

Research has shown that healthy food purchases are connected with egoistic values, when an individual is thinking about their personal health (Kareklas, Carlson and Muehling 2014: 27). It is suggested that programmes that reward the customer for engaging in "good behaviour" such as healthy eating or environmentally friendly acts or purchases enhance the member's ego. In addition, when cardholders are rewarded with higher levels of status than other shoppers, egoistic feelings could be evoked.

2.4.2.3 Altruistic

Altruism signifies the uplifting of others and contribution to the greater good (Feiler *et al.* 2012: 1323). Altruistic motives are connected with helping those in need and are not connected to any material benefit that the individual may acquire from contributing to this (Amos *et al.* 2015: 354; Tapia-Fonllem, Corral-Verdugo, Fraijo-Sing and Durón-Ramos 2012: 713). According to Eason *et al.* (2015: 73), altruistic behaviour can be connected with self-interest gained from the recognition received from others. Also termed as "other-benefit" by White and Peloza (2009: 109), it can also be driven by the need to give back to those in need and the social norms that are connected with that.

It has become increasingly popular for businesses to connect sales with contributions towards charitable causes. This is commonly known as cause related marketing and falls under the umbrella of corporate social responsibility (Nguyen 2015: 177). According to Romani, Grappi and Bagozzi (2013: 193), there are many researchers that agree that corporate social responsibility strategies serve to improve consumer opinions of the business. Consumers are more likely to establish an association with a business that is associated with CSR. This results in consumer behaviour being

affected with relationships being nurtured, CL developing, and increased advocacy and attachment. How consumers respond to altruistic offerings has often arisen as a topic for investigation (Nguyen 2015: 177). There have been suggestions that customers are often mistrustful of the motives that underlie retailers' altruistic efforts, as such efforts do not easily reconcile with profit maximisation philosophies. As a consequence, it is suggested that customers might resist these efforts, especially when prices are perceived to be higher than usual (Nguyen 2015: 178).

In contrast, Eason *et al.* (2015: 73) suggest that if an LP incorporates an altruistic option into its reward system such as the choice of donations to a cause, customers may tend towards this option, increasing the chance of them joining the LP and spending more with the retailer that is affiliated with the offering. They also comment that members that engage in an LP where the reward is perceived as altruistic might perceive that the business involved is truly socially responsible, and should that be compatible with the customers' goals, loyalty could follow. Overall, Eason *et al.* (2015: 79) found that an LP that offered to donate the reward to a cause was popular with customers and could justifiably be used as a tool for differentiation in the competitive arena of retail. The idea of the retailer being more socially or environmentally responsible, could also contribute towards CL. Kareklas *et al.* (2014: 27) stated that healthy food purchases can also invoke altruistic motives when there is a perception that the food is healthy because it has been produced in a way that is considered environmentally friendly.

Eason *et al.* (2015: 72) used SET as a means of describing customer interpretation of appeals. It is suggested that individuals invest in relationships according to their interpretation of whether the benefits of the relationship will exceed the costs thereof. The benefits that are under discussion could be tangible, but they might also be more abstract when rewards are based on emotions that could emanate from the desire for social approval and reputational judgements (Izuma *et al.* 2008: 284). This discussion posits that customers might be more responsive to charitable contributions when self-benefit (i.e. egoistic) appeals are made. In other words, individuals are happy for a cause to receive assistance from them when they can also perceive some form of personal gain from the act. In addition, although research states that egoistic and altruistic values (also described as other-focused and self-focused) are viewed as two

elements that are distinctly opposite from each other (Kareklas *et al.* 2014: 20), in recent years it has been acknowledged that these two elements can exist side by side, with certain behaviours being driven by a combination of egoistic and altruistic views (Feiler *et al.* 2012: 1324).

2.4.2.4 Combination

Eason *et al.* (2015: 71) carried out research on the characteristics of LPs with particular with reference to their fee and benefit structures, to try to establish whether one design would be more attractive than another in order to try to maximise future behaviour. The impact of an LP where 'rewards' were made up of a donation to a charity was considered. Even though there is an argument that rewards that benefit the customer in a 'selfish' (egoistic) way or a 'selfless' (altruistic) method can serve to increase the chance of the customer joining the programme and purchasing from the retailer, Eason *et al.* (2015: 79) found that LPs that offered two forms of rewards, to the customer and to a charity, were most attractive to customers, and could provide a differential advantage to a retailer where the business would be perceived as socially responsible.

It is argued by Feiler *et al.* (2012: 1322) that both egoism and altruism can be reasons for individuals donating towards a cause. Egoistic giving is attributed to the objective of improving one's identity, image and emotions in comparison with altruistic giving which is focused on the objective of improving the welfare of others. Although egoistic and altruistic reasons are separate from each other, individuals can perform one act and benefit in both ways. Kareklas *et al.* (2014: 20) found that customers who are concerned about the environment can be linked to altruism because they believe that the choice of environmentally friendly products is an expression of their efforts to behave appropriately towards the environment or support animal welfare. A number of other researchers have found that consumers who purchase with environmental concerns have egoistic tendencies as their purchasing is carried out with the goal of a healthier lifestyle (Kareklas *et al.* 2014:19).

Feiler *et al.* (2012: 1324) have a different point of view on this matter, finding in their studies that the mixing of altruism and egoism decreased customer enthusiasm for giving. They recommended that either of these elements could be used to promote an item, but in order to obtain the best result, they should be used separately rather than at the same time. It should be noted that consumeristic rewards could be viewed as tangible in nature in contrast to the latter versions of altruistic and egoistic where the tangible rewards are considerably outweighed by the intangible feelings and attitudes that they might evoke.

2.4.3 Differentiation and Value in a Loyalty Programme

Winters and Ha (2012: 381) recommend that retailers understand how involved their customers are in terms of their LPs so that they can improve the effectiveness of the LPs. The suggestion is that customers who are highly motivated and able to correctly differentiate the LP and its benefits from others will probably be able to work with the LP in a way that gives them satisfaction and hence result in loyalty intention. However, customers who exhibit low involvement, in other words are less knowledgeable or concerned with what the programme has to offer, will require marketers to make the emotional and hedonic benefits that the programme offers more evident than mere cash (economical/utilitarian) offers. This will result in this group of customers' shopping experience being enhanced and could assist with their becoming more loyal.

In conclusion, differentiation remains critical for loyalty and marketing success (Dorotic *et al.* 2012: 231). Loyalty programmes that are able to produce an offering which is well targeted stand a greater chance in the long run. Olivier and Burnstone (2014: 5) stated that programme owners should continue to ensure that they focus on the utilisation of benefits and redemption of points in such a way that their customers experience genuine value. This is facilitated through innovative partnerships and varying product offerings. Thomas (2015: 9) concurred with this, stating that differentiation was paramount with customers responding to rewards that had meaning. Demoulin and Zidda (2008: 387) added that because of the potential contribution that satisfaction makes towards store loyalty, the expectation would be that satisfied customers (in terms of LP rewards) will be more likely to exhibit loyal

customer behaviour. As a result of this, the same customers will also demonstrate diminished sensitivity to price, when compared to customers who are less satisfied.

2.5 SOUTH AFRICAN FMCG LOYALTY PROGRAMMES

In order to form some understanding of the programmes that respondents would be considering in this study, it is essential to outline some of the main aspects of the major programmes that are evident in the South African FMCG sector. Olivier and Burnstone (2014: 5) identified 101 loyalty / rewards programmes in South Africa, at that point in time. This number had increased from 57 in 2005 to 101 in 2014, with 29% of the programmes been launched during the past five years.

A number of retailers in the FMCG sector have been leaders in the field of LPs. Many programmes have been launched and operated by the retailers themselves, whilst others are owned by other operators, but widely accepted and acknowledged as part of particular retail organisations. Offerings differ from retailer to retailer. Some offer rewards that are instantaneous, whilst others are accumulated over a period of time.

The Discovery Vitality programme was initiated in 2009 by one of South Africa's major health insurance companies. Originally exclusively connected to Pick 'n Pay, one of South Africa's major supermarkets, it has since expanded to Woolworths and Clicks. Members of this scheme are rewarded with rebates ranging from 10% to 25% when purchasing products deemed to be healthy.

Research indicates that a significant change in buying behaviour is noted, as members adjust their expenditure, increasing the ratio of healthy product purchases to less-desirable products (Sturm, An, Segal and Patel 2013: 567-570). All Discovery Vitality members were able to access this benefit at no additional cost. Tangible rewards of money back are potentially accompanied by another reward that is intangible and could possibly be categorised as egoistic, as participants enjoy the feeling of conducting a healthy lifestyle (Schwartz, Mochon, Wyper, Maroba, Patel and Ariely 2014: 539; Sturm, An, Segal and Patel 2013: 44).

Table 2.6 has been constructed to effect a comparison of some of the main benefits on offer.

Table 2.6: Major South African loyalty programmes in the FMCG sector

Loyalty Programme	Accepted at	Reward for	Reward type
Discovery Health Vitality	Woolworths; Pick n Pay; Clicks, Dischem	Healthy purchases	Monthly bonus of up to 25% of healthy purchases
Woolworths W Rewards	Woolworths	Purchases Environmentally friendly choices	Instant discounts
Pick n Pay Smart Shopper	Pick n Pay	Purchases	Points and instant discounts; Donations to a selected charity; movie tickets; travel, magazine
Clicks Club Card	Clicks and a number of partners	Purchases	Points, cash back, instant discounts, magazine
My School / Planet / Village	Woolworths	Purchases	Donation to selected cause linked to customer's card
Dischem	Dischem	Purchases	Discounts, free samples, charitable donations

Source: Woolworths.co.za (2016); Pick n Pay.co.za (2017); Clicks.co.za (2017)

Recently recognised as the most popular LP in South Africa (Supermarket and Retailer 2016: 1), the Pick 'n Pay Smart Shopper programme (see Figure 2.2) makes use of a points system. Points that have been earned mount up as the customer swipes his or her card and are therefore a reflection of the amount that the customer has spent. The Woolworths W Rewards programme offers customers discounts over a large number of food and clothing items (Thomas 2015: 9). Most of the programmes now offer the customer the opportunity to donate their earnings to a charity of their choice.

**TO US,
YOU'RE ONE IN
A MILLION.**

One in 10 million, actually.

Pick n Pay Smart Shopper may be the largest loyalty programme in South Africa. Yet we're determined to keep it personal.

So we tailor-make coupons, vouchers and discounts just for you on the goodies we know you shop for regularly.

Just look at the bottom of your very own customised till slip.

It's our way of saying a unique thank you - to you.



Pick n Pay

EARN POINTS | SWITCH POINTS | EXCLUSIVE VOUCHERS | INSTANT SAVINGS | PARTNER REWARDS

FOR MORE INFORMATION, VISIT WWW.PICKNPAY.CO.ZA/SMARTSHOPPER.

Figure 2.2: Pick n Pay Smart Shopper

Source: Rewards and Loyalty SA 2016: 29

The My School card is run by Woolworths (see Figure 2.3) and allows the cardholder to link their card with a school or other similar organisations. Financial rewards are channelled directly to the cause with the customer potentially enjoying an intangible reward for their selflessness. However Shoprite, another major supermarket does not

believe that LPs are worth the cost. They run a voucher programme which is at odds with their major competitor Pick and Pay's Smart Shopper programme which has about 10 million members and accounts for about 65% of their sales.

5 GIVE BACK WHILE YOU SHOP

Every month, Woolworths gives over R5 million to schools, charities and animal welfare organisations through the **MySchool MyVillage MyPlanet** organisation.

nurture **R100M**

SUPPORT MYSCHOOL AND NURTURE YOUNG MINDS

MySchool has registered more than **8 000 schools** countrywide, many of them under-resourced. To date, Woolies has raised **R68 million** for education, well on track to meet our goal of R100 million.

Don't have a specific school to support? Choose the **Thuso Fund for Schools and Charities** and make a direct contribution to those who need it most. **R68M**

SUPPORT A VILLAGE AND HELP OUR COMMUNITIES

care

MyVillage has registered non-education-related charities and organisations that support orphans and vulnerable children, including Cotlands, Reach for a Dream, the SA Guide Dog Association and Doctors without Borders.

In 2015, Woolies raised **R400 000** for the Red Cross Children's Hospital Trust to buy equipment that will give hundreds of children the gift of hearing.

SUPPORT THE PLANET AND HELP PROTECT WILDLIFE AND OTHER ANIMALS

protect **R1M**

MyPlanet has registered conservation, environment and animal welfare organisations, including WWF, Endangered Wildlife Trust, the SPCA National Fund and National Horse Trust.

In the last 12 months, we've raised **R2.4 million** for the MyPlanet Rhino Fund to buy much-needed equipment in their anti-poaching efforts.

To give back, simply visit **myschool.co.za** and link your Woolies Card to support up to three beneficiaries of your choice. Every time you shop and swipe, **we'll give up to 1% of the value of your purchases** to your beneficiaries, at no cost to you.

MySchool MyVillage EVERY SWIPE COUNTS

Figure 2.3: The My School Programme

Source: Rewards and Loyalty SA 2016: 14

2.6 DEMOGRAPHICS AND LOYALTY PROGRAMMES

Customers' understanding of rewards and the redemption thereof differs between individuals (King and Clark 2014: 576; Kreis and Mafael 2014: 597; Meyer-Waarden 2013: 185). People have different reasons for purchasing and are therefore motivated intrinsically by different rewards that result in their perceiving value in varying ways. For this reason, they will probably allocate varying amounts of effort in order to receive a particular reward, related to the value they allocate it compared to their perception of the expenses involved. Loyalty will only be adjusted when customers have the understanding that the amount of value they are receiving from the rewards exceeds the perceived costs that are expended by them in order to obtain the rewards.

Meyer-Waarden (2015: 22) added that customer responsiveness varied according to market characteristics within different customer segments. Many of the terms used to describe target markets revolve around socio-demographic terms. For example, income, age cohorts, race and gender are all categories where differences are noted. Cromhout *et al.* (2016: 16) found that consumers who earned more than R30 000 per month were significantly more likely to use LPs, with the highest users in the R50 to R100 thousand brackets. Despite that, non-usage increases along with income on both ends of the scale.

Garcia-Gómez *et al.* (2012a: 492) investigated a number of individual characteristics including perceptions, attitudes and socio-demographics with respect to CL and adoption of LPs. Their study helped them to construct a profile of customers who join different LPs. Walsh, Evanschitzky and Wunderlich (2008: 982) distinguished between the personal characteristics of age, gender, income, consumer expertise and LP membership as moderating variables for the relationship between customer satisfaction and loyalty. Goncalves and Sampaio (2012: 1521) also studied customer satisfaction and loyalty with respect to card users and the moderating variables of gender, income and age and customer involvement. They found that both gender and age appeared to be significant with respect to repurchase intentions. Men and older customers who are satisfied show greater intention to re-use the card.

The length of the relationship with the programme also has an impact on customer spending patterns, with those who have been members for a longer time spending more. Repurchase behaviour has been found to be related to income, with those who earn higher incomes having diminished repurchase behaviour. Leenheer *et al.* (2007: 43) found that household size did not have a significant impact on perception of benefits. However, larger and / or wealthier households did stand to benefit more due to their increased expenditure. Further, they found that LP programme effects decreased when the customer held a number of LP memberships. Demoulin and Zidda (2009: 395) studied the drivers of customer adoption of an LP in the grocery retail market, with customer characteristics as control variables. The characteristics that they deemed to be important were the number of loyalty cards held, store proximity/location, economic shopping orientation (price consciousness), age and household size. Results were mixed with only price consciousness having a significant effect on LP adoption.

Amos *et al.* (2015: 352) state that a number of studies have researched the impact of demographic variables on altruistic giving. Although they highlight the fact that additional investigation is necessary, they reported their initial insights. Amos *et al.* (2015: 357) cited a number of articles that claimed that females were more likely to respond to helping others in contrast to men who were more likely to react to an appeal that emphasised egotistical rewards. The literature also indicated that women were more likely to respond to hedonistic appeals. Amos *et al.* (2015: 358) went on to state that age also has a connection with altruism, with individuals who are over 40 years old being more likely to respond to charitable appeals than younger people. This finding became even more significant as individuals became older with those over the age of 60 becoming all the more likely to respond to altruistic causes. Even though younger individuals did still respond to altruism in some cases, egoistic motives were stronger in the younger set. A number of other studies have also taken cognisance of demographic variables with respect to cause related marketing (Amos *et al.* 2015: 357; Corbishley and Mason 2011: 229).

Steyn *et al.* (2010: 356) found that the way in which LPs impact on buyer behaviour varies from country to country, citing variations in shopper behaviour, attitudes and values. Hence, it follows that it is important to analyse the effects of LPs at individual levels, and in different geographic settings.

Segmentation is therefore important, particularly an understanding of the various customer groups in terms of motivations and preferences. Steyn *et al.* (2010: 371) emphasised the importance of developing an understanding of these differences in order to design effective LPs. Loyalty programmes make it possible for retailers to establish who their customers are, find out how profitable they could be and treat them differently by offering them incentives and rewards that are differentiated depending on their requirements (Cromhout *et al.* 2016a: 6)). Liu and Yang (2009: 94) state that despite the importance of the design of an LP and the management thereof, it is primarily the reaction of consumers that ultimately leads to an LP's success or demise.

Bennett (2014: 942) who carried out research on customer experience, satisfaction and LPs, suggested that because of the heterogeneity of programmes in the marketplace, as well as the number of different segments that are available, that further investigation should take place, taking into account the different types of programmes and potential segments. Allaway, D'Souza, Berkowitz and Kim (2014: 19) report that marketers require a greater understanding of customers and their attitudes and perceptions towards customer LPs.

2.5 CONCLUSION

This chapter initially began with an explanation of some of the theoretical concepts that are envisaged as underlying this study on LPs, their benefits, RQ and CL. The theory of SET is explained, as well as that of equity and relationships.

The second half of this chapter outlined the concepts involved in this study, introducing LPs as one of the tools that are used by retailers to improve RQ and CL. LPs are designed with the objective of creating reciprocity between the LP member and the business concerned. The idea that is mooted is that any rewards that are received will

serve to generate a feeling of loyalty in the LP member encouraging them to reciprocate with further business.

This chapter has covered LPs in a number of different contexts. It began by introducing the concept of LPs, covering a number of different definitions designed to illustrate the understanding of what 'loyalty programme' means to different people. The objectives that underlie LPs, along with their advantages and disadvantages were outlined. This was followed by a description of the various forms of LP design, along with a categorisation of the different types of rewards and a discussion of how the benefits gained from rewards are perceived. A brief introduction to the South African FMCG LP scenario was outlined. In addition, demographics and how they might impact on perceptions and attitudes towards LPs and their rewards was discussed. The next chapter will focus on relationship marketing and RQ as well as the aspects that contribute towards the understanding of this important marketing concept.

CHAPTER 3 : RELATIONSHIP MARKETING AND RELATIONSHIP QUALITY

3.1 INTRODUCTION

The previous chapter began by discussing the theoretical concepts that form the basis of this study. It then continued by discussing LPs in detail. This chapter will begin by outlining the concept of RM, one of the main theories underlying this research. Loyalty programmes are believed to fall within the ambit of RM. The chapter will continue by defining the concept of 'relationship quality' and the elements that combine to form RQ as a whole. Figure 3.1 illustrates the areas that this chapter will cover.

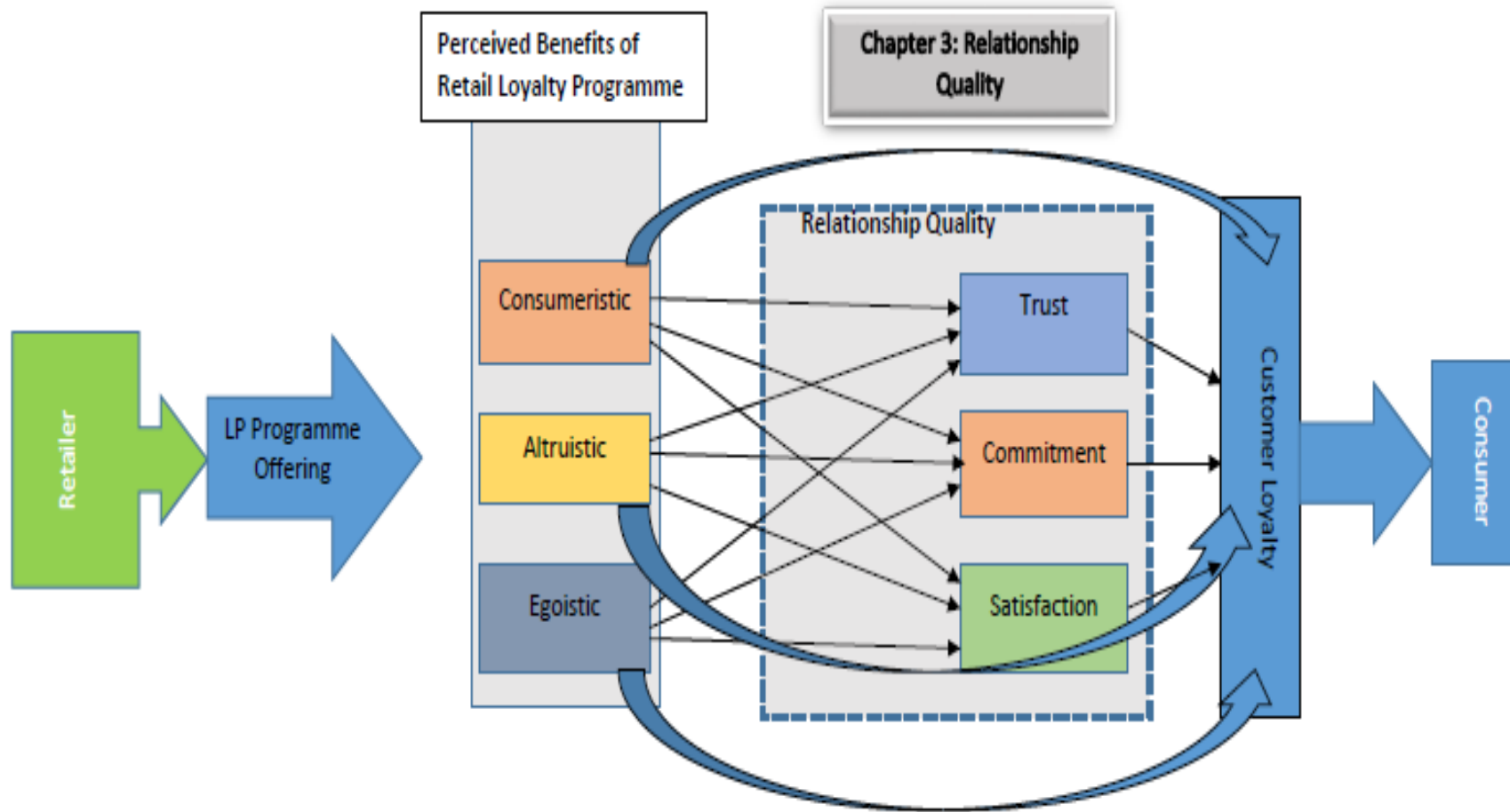


Figure 3.1: Conceptual model in relation to the material to be covered in Chapter 3

3.2 RELATIONSHIP MARKETING

One of the greatest shifts in marketing philosophies in the 1990s was towards the concept of RM (Möller and Halinen 2000: 29; Grönroos 1997: 323; Morgan and Hunt 1994: 20), impacting on both practitioners and academics (Jones, Reynolds, Arnold, Gabler, Gillison, and Landers 2015: 188). As the environment continued to rapidly change, businesses were no longer able to rely exclusively on the attraction of new customers or the development of new markets (Agariya and Singh 2011: 158).

Relationship marketing moves away from a focus on individual transactions towards a dyadic relationship that is sustainable and represents a situation where both parties can benefit (Agariya and Singh 2011: 204). According to Vesel and Zabkar (2010b: 1335) RM can be linked to SET. Originally used in the fields of channel and industrial marketing, interest in the possible value of RM in the area of consumer marketing only arose later (De Wulf and Oderkerken-Schröder 2001: 73). Relationship marketing focuses on the identification and retention of customers, rather than the attraction of new ones (Šonková and Grabowska 2015: 197). The main idea behind RM is the development and maintenance of long-term relationships with customers that will differentiate the business from its competitors (Nguyen, Leclerc and LeBlanc 2013: 96). According to Kumar, Pozza, Petersen and Shah (2009: 147), many businesses have become successful in the marketplace through the implementation of RM strategies.

Investing in relationships is becoming more common in both business and consumer marketplaces. A solid customer base is a crucial asset to any business (Alrubaiee and Al-Nazer 2010: 155). As competition increases in the business world, the necessity of building stronger relationships with customers has been highlighted (Ndubisi 2007: 98). Although RM is a way in which income and profitability can be increased, it is also seen as a way in which customers' needs can be satisfied by the business concerned (Jere and Posthumus 2014: 279). The idea behind RM is that all parties involved in the relationship should be able to achieve their needs (Zinkhan 2002: 83).

3.2.1 Definitions of Relationship Marketing

Many definitions of RM have been put forward over the years (starting in 1982), with the main theme being that of relationships between the business and its stakeholders (Agariya and Singh 2011: 203). One of the earlier and most common definitions is that coined by Berry and Parasuraman (1991: 133), where RM was described as being concerned with “attracting, developing and retaining customer relationships”.

According to key authors in the field, Morgan and Hunt (1997: 22), anything that characterises a relational exchange as productive and effective in comparison with one that is unproductive and ineffective would fit into the description of RM. The general aim is to alter consumers’ behaviour and standing through strategic marketing mechanisms, moving from brief transactional encounters to more long-standing and committed relational exchanges (Leahy 2011: 651).

Phillips (2007: 20), explained that the term ‘relationship marketing’ is often used interchangeably with that of CRM. However, Phillips (2007: 20) continues by stating that although these terms are connected, they are still separate concepts. The term ‘relationship marketing’ is used to describe the action of establishing customer relationships while the term ‘customer relationship management’ is one of the tools that assist in carrying this out. Customer relationship management covers concepts such as the use of information technology in order to gather customer information that would be useful to track past buying behaviour and preferences. It allows the business to make use of this information in such a way that communications can be more personal between the business and the customer. One of the ways in which this information is gathered is through the use of LPs which can serve to encourage customers to interact with the business and, in so doing, supply additional information.

Grönroos (1999: 328) suggested that when a relationship approach is made then marketing can be defined as:

The process of identifying and establishing, maintaining, and enhancing, and when necessary also terminating relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met; and this is done by a mutual exchange and fulfilment of promises.

Grönroos (1999: 328) also highlighted some of the main aspects of this marketing approach besides the obtaining of customers and the creation of transactions. The maintenance of continuous relationships is important, as is the improvement thereof. Furthermore, the making and keeping of promises is of critical importance. If relationships are to be profitable the business has to develop trust in itself as well as its ongoing relationships with customers and other parties in order to be an attractive option for business relations.

Blomqvist (1993 cited in Ndubisi 2007: 99) identified a number of characteristics that are key to the understanding of RM:

- Each customer is considered as an individual unit.
- Any marketing actions of the retailer are primarily addressed towards existing customers.
- Most of the activities are made up of interactions and consultation.
- By retaining customers and building relationships, profitability becomes an outcome.

According to Marshall (2010: 68) one of the basic presumptions of RM is that consumers are easily persuaded to engage in it because of their need to minimise the number of options to choose from. This can take place when they engage in a loyal relationship with a particular business. For the purposes of this study, RM will be defined as a marketing strategy that engages in a two-way relationship with customers in such a way that they will be satisfied to invest in the business concerned for the long term.

3.2.2 Significance of Relationship Marketing

The intense competition characterising the business environment these days is one of the factors that has contributed towards the need to establish stronger business-customer relationships. Through building strong relationships an organisation can benefit from better market intelligence in order to strengthen marketing strategy and hence improve on the satisfaction of customers' needs (Leenheer and Bijmolt 2008: 430).

Omar *et al.* (2013: 33) comment on the challenges of building successful relationships with consumers. One of the reasons for needing to do this is the polygamous nature of consumers in contrast to business customers. Relationship management strategies are said to be very beneficial for business as they prevent already established customers from changing to competitors, creating a buffer when shortcomings are experienced (Bojei *et al.* 2013: 171). An established RM limits the customer's sensitivity to price which results in the lowering of marketing costs and an increase in profits (Kumar *et al.* 2009: 147). It is no surprise that retailers would wish to acquire and retain customers who are more receptive to establishing relationships. Consumers who allow themselves to become involved in relationships with retailers are more likely to acquire greater levels of trust and commitment, give a larger share of business to the retailer in the relationship, and be more likely to keep to marketing expectations than those who do not (Kim, Kang and Johnson 2011: 376). In addition, opportunities for cross-selling and up-selling are provided. The main aim is that all the parties involved in the relationship should be able to achieve their needs (Zinkhan 2002: 83).

Two arguments based on economics help to justify RM. The first one is that it costs more to obtain a new customer than it does to keep an existing one (Boje, *et al.* 2013: 171i) and, secondly, the greater the length of the relationship between the customer and the business, the more profitable the relationship becomes for the business (Sharma 2007: 36). The second argument translates to what is termed 'customer lifetime value' as this relationship oriented understanding of the customer includes the profit that could be generated by that customer over the entire length of the relationship (Kristiani, Sumarwan, Yuliati and Saefuddin 2014: 84). Marshall (2010: 68) concluded

that CLV is connected to any efforts that are designed to improve the retention of customers. Customer LPs are one such effort.

Customer advocacy is also seen as an important aspect of RM as the business builds long-term relationships with its customers. Satisfied customers will respond with their “trust, repeat purchases, loyalty and... by advocating for the firm and its brands” (Kumar and Eshghi 2013: 445). Furthermore, with the burgeoning amount of social media, consumer communication can be frequent.

However, Jones *et al.* (2015: 189) noted that there are some downsides to RM, in that customers’ desires to establish a relationship might vary from one to another, and that reward programmes (one common relationship building tactic) are sometimes seen by customers as a threat to their independence. This might result in counterproductive behaviour, instead of achieving the desired objectives for the business concerned.

3.2.3 The Multi-Dimensional Nature of Relationship Marketing

Wong and Sohal (2002: 34) noted that the idea of a relationship is difficult to measure objectively and it is therefore useful to understand the different dimensions that constitute a relationship and have an overall effect on the quality of the relationship (Alrubaiee and Al-Nazer 2010: 156). The multi-dimensional nature of RM has resulted in it being studied in terms of various inter-related ideas.

A main objective of RM theory is to establish what the main elements are that have an impact on the outcomes for the business and the relationships that are inherent in this (Hennig-Thurau, Gwinner and Gremler 2002: 231). One of the approaches that is apparent in the literature is the RQ approach which is based on the idea that CL is mainly a function of a few constructs that describe the nature of the relationship.

3.3 RELATIONSHIP QUALITY

The importance of the potential in on-going relationships between the retailer and the customer is reflected in the use of RM. The idea of RQ has evolved from studies that have taken place and theory in the field of RM where the main objective is to improve relationships and to move customers from a state of indifference into loyalty (Rauyruen and Miller 2007: 23). 'Relationship quality' refers to how well the relationship is doing between the business and the customer in terms of the customers' needs being met (Ou *et al.* 2011: 195). Li, Green, Farzmand and Grodzki (2012: 1) state that RQ assists in diminishing buyers' ambivalence and builds the relationship between customers and the business.

3.3.1 Definitions of Relationship Quality

The essence of RQ has been described as the intensity of the characteristics experienced within the relationship. This refers in general to how the customer is feeling about the outcomes of the relationship and whether they are perceived to be fulfilling any expectations and objectives that they might have of the partnership (Ou *et al.* 2011: 195). In other words, the customer's total impression of the entire relationship and their experiences.

Relationship quality has been described as a metaconstruct or multi-variate approach that is made up of a number of dimensions. Wu *et al.* (2015: 2) describe RQ as a group of "intangible values" that serve to add to products and services and culminate in a predictable exchange between parties. Three components of RQ have been found to play a major role in RM and its results (Hennig-Thurau *et al.* 2002: 242). These dimensions include satisfaction, trust and commitment, as well as overall quality (Vesel and Zabkar 2010b: 1338; Hennig-Thurau *et al.* 2002: 232). Balaji (2015: 18) proposed that RQ is a "disaggregate model consisting of trust, relationship satisfaction and relationship commitment. It is argued that conceptualising RQ as distinct components will help managers better understand the role of each of these components in affecting loyalty".

According to Li *et al.* (2012: 1), RQ serves to diminish customer apprehension and builds the relationship between participating parties. According to Hennig-Thurau *et al.* (2002: 234), the main theme that underlies RQ is the customer's assessment of his/her relationship with the business which will determine whether they remain within the partnership or not. Vesel and Zabkar (2010a: 214) highlighted the importance of RQ in a retailing environment which is highly competitive and non-contractual with a high propensity for switching and comparison.

3.3.2 The dimensions of Relationship Quality

Customer-firm relationship research is fostered by the understanding that RQ concepts such as trust, commitment and satisfaction will have an impact on the customer's buying behaviour (De Cannière *et al.* 2010: 88). Liu *et al.* (2011: 72) concurred with this statement, but added overall quality to the more commonly examined constructs of satisfaction, trust and commitment. In addition, these three variables are usually viewed as elements that work together, rather than separately (Hennig-Thurau *et al.* 2002: 234). Overall, the implication is that the better the quality of the relationship the greater the levels of trust, satisfaction and commitment (Vesel and Zabkar 2010b: 1338).

Commitment and trust are often cited as elements that are critical to the study and management of RM (Fullerton 2011: 93; Vesel and Zabkar 2010b: 1336). So much so, that Morgan and Hunt (1994: 31) suggest that to exclude the effects of these two variables in a study of RM processes would compromise the results. They are recognised as key to CL behaviour, for example advocacy, which is the preparedness of the customer to recommend the supplier and his or her offerings. Hennig-Thurau *et al.* (2002: 242) concur that both satisfaction and commitment contribute directly towards both CL and positive customer advocacy. Vesel and Zabkar (2010a: 214) believed that LPs work through the elements of satisfaction and trust, as well as the "multidimensional construct of commitment". Balaji's (2015: 21) asserted that you cannot have satisfaction without trust. Balaji (2015: 32) also found that trust did not have as direct an impact on loyalty as satisfaction and commitment did. However, Omar *et al.* (2011: 344) differed in their findings, stating that satisfaction influenced

trust in a positive manner. Furthermore, they found that the pathway from satisfaction to loyalty was not a direct path, but was mediated by trust. In addition, they found that trust was an important predictor of loyalty.

3.3.2.1 Commitment

Commitment is considered to be a central factor in successful relationships. It is an important measurement of the strength of a relationship (Ou *et al.* 2011: 196), and is useful in establishing the likelihood of CL (Evanschitzky *et al.* 2011: 634). Commitment is described as an elaborate construct that has been defined in many different ways in the literature. Morgan and Hunt (1994: 23) define relationship commitment as: “an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it”. This describes a stronger desire than normal to make the relationship successful and create mutual satisfaction and benefits for both parties. Morgan and Hunt (1994: 23) summarise their findings by stating that parties in a relationship see commitment as a way in which to gain valuable outcomes, and for that reasons try to work towards building and retaining this important element in their relationship. Gundlach, Achrol and Mentzer (1995: 79) state that relationship commitment is critical to the success of relationship type exchanges, and has significance in indicating RQ. Commitment also serves to diminish transaction costs and ensure future mutual relationships as behaviour becomes more jointly loyal, with a decrease in price sensitivity (Wu *et al.* 2015: 3). However, the idea of commitment has expanded significantly since the initial definitions were made by researchers such as Morgan and Hunt in 1994. It has evolved to become a rather complex construct with a number of components that contribute towards the idea (Fullerton 2011: 93).

Rauyruen and Miller (2007: 24) described commitment as a psychological phenomenon which works towards creating an attitude which is linked to the continuation of a relationship. Gundlach *et al.* (1995: 79) identify three components of commitment, namely instrumental, attitudinal, and temporal. Instrumental relates to a situation where one party has to take action in order to signify commitment, while attitudinal relates to a partner’s intention to pursue the relationship, and temporal

means that the relationship is meaningful over a period of time. These concepts are outlined in Table 3.1.

Table 3.1: Dimensions of commitment

Commitment				
Attitudinal (affective, emotional, psychological)		Behavioural (instrumental/input)	Temporal	Aliases
Calculative (cognitive, continuance) – calculated decisions	Affective (identification, loyalty and affiliation)	Affirmative action taken in order to demonstrate something. Dedication of resources.	Commitment is only meaningful over the long term.	Affective, behavioural, obligation and normative commitment

Source: Adapted from Dowell, Morrison and Heffernan 2015: 120-121; Palmatier, Dant, Grewal and Evans 2006: 138, and Gundlach *et al.* 1995: 79

Dowell, Morrison and Heffernan (2015: 121) recognise both attitudinal and behavioural dimensions, whilst Vesel and Zabkar (2010a: 217) describe commitment as a construct which is multidimensional and is made up of elements that are “emotional and calculative”. Aurier and de Lanauze (2012: 1607) also identified two forms of commitment and called them affective and calculative. These are explained in the following paragraphs.

i) Affective (emotional, attitudinal, psychological) commitment

The attitudinal side of commitment consists of calculative (cognitive) and affective forms of commitment. The affective portion has been linked with items such as identification, loyalty and affiliation. This dimension is important in the understanding of why CL is more important than customer retention. Fullerton (2005: 101) explains that parties can become committed to each other because one of the parties has an affective or attitudinal attachment to the opposite member in the relationship. Phillips (2007: 12) describes this scenario as one where the individual has bonded emotionally with the organisation and feels connected to the business. This would translate to an inclination from the customer to remain with the business concerned.

Marshall (2010: 77) found that affective commitment is one of the main drivers of both attitudinal and behavioural loyalty, although to a greater extent, attitudinal loyalty. Affective commitment was found to have a greater impact on overall loyalty than

continuance commitment. This makes affective commitment a significant factor in the establishment of good marketing relationships, highlighting that it is probably more important to the retailer that customers are committed for affective reasons than economic reasons.

ii) *Calculative (continuance or instrumental) commitment*

Despite the fact that it has not often been considered as a stand-alone construct, continuance or calculative commitment has a background of supporting research within the marketing discipline (Fullerton 2011: 93). This form of commitment is more rational and focuses on the reasons for switching and the costs that are involved in pursuing a relationship (Vesel and Zabkar 2010a: 218). A member is more likely to commit to a relationship in this case if they perceive that there are very real switching costs and the rewards that they receive from persevering with the relationship will not easily be replicated in another scenario (Fullerton 2003: 335; Gundlach *et al.* 1995: 78). As explained by Fullerton (2005: 101): “When a marketing relationship is built on continuance commitment, customers remain loyal to their relational partner because they feel bound to that relational partner.”

Research suggests that there is a positive connection between commitment and the length of a relationship (Marshall 2010: 68; Verhoef 2003: 33). Cross-buying is also a positive spin-off of commitment. Liang and Wang (2005: 71) regard commitment, and RQ in general, as antecedents of repeat purchasing, while Ou *et al.* (2011: 203) found that relationship commitment has a significant effect on CL. It also follows that the greater the commitment, the more likely the customer is to pass on positive word-of-mouth. In conclusion, van Vuuren, Roberts-Lombard and van Tonder (2012: 86) state that commitment operates in a similar vein to trust, with certain levels of commitment being required to establish a relationship, which then develops within the relationship.

However, Rese *et al.* (2013: 305) suggests that commitment is not as common at the transactional end of the scale because of the lack of exclusivity between parties. Exit barriers can be low and psychological costs minimal. When there are many choices for the customer, along with low switching barriers, the dangers of the customer switching from one business offering to another becomes more likely as commitment

from the customer diminishes. Bridson *et al.* (2008: 365) suggest that “promiscuous customers” will display scant interest in who is offering the goods, and generally respond to the best deal. Customer satisfaction would not be a reason to commit under these terms. The only thing that would keep consumers from moving elsewhere is inertia.

Commitment can have enormous advantages as long-term relationships are established. One of the probable benefits of LPs is an improvement in commitment by creating higher switching costs for the customer. Loyalty programmes also demonstrate commitment from the business for the long-term as they invest heavily in an LP for a lengthy period (Olivier and Burnstone 2014: 4). This can serve to enrich the relationship between business and customers (Liu 2007: 20-21). Furthermore, there is the expectation of a reduction in customer turnover and the elimination of costs involved in acquiring and dealing with new customers. Economies of scale are achieved as learning costs diminish and experience effects kick in. Governance structures and monitoring systems are more streamlined and efficiencies are gained through “flexibility, adaptability and less role ambiguity” (Gundlach *et al.* 1995: 80).

Based on the literature and Objective two, it is hypothesised that:

H3 Perceived consumeristic benefits have a positive relationship with customer commitment.

H7 Perceived altruistic benefits have a positive relationship with customer commitment.

H11 Perceived egoistic benefits have a positive relationship with customer commitment.

The idea of commitment has evolved as marketing moves beyond the transactional idea of exchange, towards a relational understanding. This can be applied to both business to business and business to consumer relationships. Along with this shift in marketing understanding, comes other behavioural constructs besides commitment. One of these is trust.

3.3.2.2 Trust

The understanding of the level of trust between exchange partners contributes significantly to the perception of the level of RQ (Vesel and Zabkar 2010b: 1338). Widely covered in academic literature and often mentioned in social exchange studies (Liu *et al.* 2011: 72; Evanschitzky *et al.* 2011: 3), trust is made up of elements such as “honesty, competence and consumer orientation” (Radder *et al.* 2015: 94).

Trust is defined by Rotter (1967 cited in Dowell *et al.* 2015: 120) as “a generalised expectancy held by an individual that the word, promise or written statement of a group can be relied upon” and “confidence in an exchange partner’s reliability and integrity” (Morgan and Hunt 1994: 23). Trust is one of main elements by which customers become motivated to develop and maintain a relationship (rather than individual transactions) with a business (Chen and Quester 2015: 3; Sun and Lin 2010: 1443). Aurier and de Lanauze (2012: 1606) define trust as a belief that the other partner in the relationship (business) will fulfil the expectations of the customer and that this will continue to occur for the sustainable future. Liu *et al.* (2011: 72) explain that trust is an understanding that one party will satisfy the other party’s needs.

According to Nguyen *et al.* (2013: 96), the effect of trust on intention to purchase and CL is discussed in detail in the literature, with particular attention being paid to the critical way in which trust functions in relationships between the customer and the provider in the retail environment. Trust is identified as one of the drivers of CL (Evanschitzky *et al.* 2011: 9). When parties in a transaction relationship have developed a certain degree of trust in their relationship, this can help to create the desire for additional transactions in the future, thereby building a relationship (Wu *et al.* 2015: 3). Sirdeshmukh, Singh and Sabol (2002: 15) have added that as the awareness of the importance of RM has developed, so has the interest in trust and the role it plays in developing good relationships. The understanding of the nature of trust and the significance of the role that it plays in loyalty also has a major influence on how retailers manage their relationships (Sun and Lin 2010: 1443).

Trust reduces perceived risk and assists the customer to form positive feelings towards future relationships with the business concerned (van Vuuren *et al.* 2012: 85).

For the consumer, trust is directly connected with any promises that retailers make in terms of their offerings. Should that trust be broken, it would lead to the customer being dissatisfied and potentially looking elsewhere to conduct business (Omar *et al.* 2011: 345; Henderson *et al.* 2011: 267). Vesel and Zabkar (2010a: 219) define trust in a retail context as being understood in two ways. The first way has to do with the retailer's credibility. This is described as the degree to which the customer feels that he or she can expect the retailer to do what they anticipate, in an efficient and dependable manner. The second way has to do with the retailer's benevolence. This is described as the customer's understanding of how much the retailer is concerned with his or her well-being. The first part is seen as more applicable to the retail environment, while the second part is suggested to be more applicable to organisational and charitable situations.

Johnson and Grayson (2005: 501) describe trust as being made up of both cognitive and affective elements. Cognitive trust is described as resulting from the consumer's thoughts and understanding. It is driven by the customer's mental analysis and has an effect on the customer's preparedness to rely on something based on their accumulated knowledge that assists them in believing that their expectations will be fulfilled (Chen and Quester 2015: 3). This knowledge is built from the monitoring of participants' behaviour in the relationship as well as reputational reports. When reliability is assured, cognitive trust arises. Dowell *et al.* (2015: 121) also highlighted this form of trust by identifying cognitive trust as being made up of competency, integrity and goodwill, doing away with uncertainty. However, it needs to be mentioned that most consumer consumption involves some form of chance. Johnson and Grayson (2005: 501) use the expression "leap of faith".

Affective trust is built from feelings towards an object, as well as the customers' perception of his or her relationship with the object (Chen and Quester 2015: 3). Affective trust is more reliant on emotions, also described as relational and intuitive elements. In essence, affective trust revolves around confidence being placed in another party because of the "care and concern" that the other party appears to feel towards you (Dowell *et al.* 2015: 120). This discussion is outlined in Table 3.2.

Table 3.2: Elements of trust

Trust Trustworthiness, credibility, benevolence, and honesty	
Cognitive	Affective
Gathering of knowledge based on: Integrity trust (contractual trust); Competency trust (ability trust); Goodwill trust (benevolence trust)	Reliant on emotions. Relational (reciprocity and faith) and Intuitive (subjective) judgement. Perceived credibility and benevolence

Adapted from: Dowell *et al.* (2015: 120-121); Palmatier *et al.* 2006: 138 and Doney and Cannon (1997: 36)

Trust is a long-term concept and cannot be established overnight. It is developed within a dyadic relationship through continuous interaction and can result in CL (Chen and Quester 2015: 3). This is likened in importance to the achievement of customer satisfaction.

Based on past research and Objective one, with respect to perceived benefits of LPs and the trust dimension of RQ, it is hypothesised that:

- H1** Perceived consumeristic benefits have a positive relationship with customer trust.
- H5** Perceived altruistic benefits have a positive relationship with customer trust.
- H9** Perceived egoistic benefits have a positive relationship with customer trust.

3.3.2.3 Satisfaction

Satisfaction is identified by a number of researchers as an outcome of RM, and additionally described as an antecedent of loyalty and customer retention (Liu *et al.* 2011: 71). Fullerton (2011: 95) identifies satisfaction as one of the deliverables that are expected to be realised by customers within an exchange situation. It is related to an individual's feelings of 'pleasure or disappointment' in relation to their expectations versus the experience that was actually encountered (Zakaria *et al.* 2014: 24). Liu *et al.* (2011: 72) describe satisfaction as a reflection of contentedness with the business's offering. Customer satisfaction is said to be one of the most productive and cost-efficient marketing communication tools in that satisfied customers will become advocates for the business based on the experience they have encountered (Omar *et*

al. 2013: 38). There are a number of theoretical and empirical pieces of work that demonstrate the connection between satisfaction and customer retention and/or CL (Rauyruen and Miller 2007: 25).

Pandit and Vilches-Montero (2016: 356) describe satisfaction as the customers' experience after the exchange has taken place. It is a subjective evaluation of whether the customers' expectations have been met... It is a judgement that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfilment, including levels of under-or-over fulfilment.

Satisfaction is therefore the customer's emotional response when faced with the comparison between his or her expectations and the actual offering (van Vuuren *et al.* 2012: 84). However, Palmatier *et al.* (2006: 139) differentiated between relationship satisfaction and the customer's satisfaction with the exchange that has taken place, stating that relationship satisfaction reflects the customer satisfaction with the actual relationship. Research has shown that satisfaction is also made up of both cognitive and affective variables. Cognition is related to a number of variables, such as disconfirmation and expectations, perceived performance, equity, fairness and fulfilment, amongst others (Fraering and Minor 2013: 335). Affect is linked to emotional experiences and the feelings that are connected with them.

Based on the literature and Objective one, with respect to LP perceived benefits and the satisfaction dimension of RQ the following hypotheses were formulated:

H2 Perceived consumeristic benefits have a positive relationship with customer satisfaction.

H6 Perceived altruistic benefits have a positive relationship with customer satisfaction.

H10 Perceived egoistic benefits have a positive relationship with customer satisfaction.

3.3.2.4 The Connections between Commitment, Trust and Satisfaction

Commitment, trust and satisfaction are the three components that make up the concept of RQ. All three of the above constructs have been described as being instigators of customer advocacy. In turn, it is suggested that they are potential antecedents of CL.

Satisfaction is said to contribute towards commitment (Fullerton 2011: 94). This is established via a customer's evaluation of the retailer, which in the event of the evaluation being positive, establishes commitment to the store. Studies have also established that there is a link between customer satisfaction and loyalty with a reduction in price sensitivity, more cross-buying behaviour and an increase in profitability being spin-offs from this relationship (Bloemer and Oderkerken-Schroder 2002: 71). In addition to positive word of mouth, outcomes of satisfaction can result in attitude change, repeat purchase, purchase intention and brand loyalty (Omar *et al.* 2013: 38). In addition, literature suggests that the impact of satisfaction on loyalty is positive (Pan, Sheng and Xie 2012: 151).

At the transactional end of the spectrum where FMCG retailers are located, trust can relate to whether the promises of the retailer are fulfilled and can still result in dissatisfaction if the consumer perceives that he/she has not received the standard of products and services that were offered (Omar *et al.* 2013: 344). Trust and satisfaction are viewed by Balaji (2015: 21) as the two main elements in RM. Some suggest that trust impacts on satisfaction, which in turn results in loyalty. Retailers that have succeeded in establishing trust within relationships will be rewarded with customers who are both committed and loyal, according to Wong and Sohal (2002: 43). Previous research has indicated that there is a connection between trust and CL. Some authors indicate that in order to develop CL, trust needs to be gained first (Omar *et al.* 2013: 344). Van Vuuren *et al.* (2012: 85) propose that trust is significant in CL, as well as relationship commitment. Van Tonder (2016: 298) concurred by stating that trust and commitment cannot operate in isolation and that both were required for successful RM.

Balaji (2015: 21) found that investment in relationships had a significant effect on all three RQ constructs (namely trust, commitment and satisfaction). Furthermore, it was found that relationship investment, commitment and satisfaction were all found to impact on CL. De Wulf *et al.* (2001: 37) found that behavioural loyalty in particular is derived from RQ. The impact of relationship investment was more noticeable when the users were long-term rather than short-term. In addition, a number of researchers found both trust and affective commitment to be antecedents of customer attitudinal loyalty and purchase intention (Aurier and de Lanauze 2012: 1608; Hennig-Thurau *et al.* 2002: 242; Morgan and Hunt 1994: 24). Trust and commitment are two elements that lead towards customers' becoming less apprehensive and in so doing improving their relationships with the business which ultimately leads to CL (Morgan and Hunt 1994: 31). This discussion demonstrates that there are clear links between the three components of RQ and that they are all also antecedents of CL (Vesel and Zabkar 2010a: 227).

3.3.3 Transactional versus Relationship Marketing

Relationship marketing theory has indicated that businesses need to move their marketing practices from a short-term transactional approach to a longer-term relationship based approach (Vesel and Zabkar, 2010b: 1338). In one of the seminal articles on RM, Morgan and Hunt (1994: 21) explained that the understanding of RM requires one to differentiate between a transaction which has an obvious beginning, is brief in nature and ends abruptly, and a relational exchange that bears reference to past agreements, is longer lasting, and shows promise for future engagements.

Relationship marketing can be a difficult concept to put into practice. The establishment of relationships is costly and requires time as well as resources. Customers may also quite simply not respond to attempts by the business to establish a relationship (Zinkhan 2002: 84). Egan (2000: 379) cautioned against the thinking that is assumed by many academics and practitioners that relationships are ubiquitous and can be formed with any type of customer in any situation. Some authors suggest that RM strategies are not always appropriate. In particular, it is suggested that relationships are difficult to build in the consumer based environment. Leahy (2011:

654) questioned the likelihood of relationships being established within the FMCG sector, commenting on the dissension that exists between researchers over this aspect. One of the reasons is that at the FMCG end of the scale it becomes difficult to establish barriers to exit. This debate has been subject to the opinions of varying authors with discussions revolving around which drivers contribute to relationships in this type of environment (Kim *et al.* 2013: 96).

Grönroos (1994: 11) was one of the first to address the RM issue. A continuum was designed with transactional marketing and RM on opposite ends of the scale. This continuum is illustrated in Table 3.3. The continuum suggests that marketers of FMCG products would be more likely to fit into a transaction type strategy, whilst service related firms are more likely to benefit from a relationship type strategy.

Table 3.3: The strategy continuum

<i>The strategy continuum</i>	Transaction Marketing Relationship Marketing			
Time perspective	Short term focus		Long-term focus	
Dominating marketing function	Marketing mix		Interactive marketing (supported by marketing mix activities)	
Price elasticity	Customers tend to be more sensitive to price		Customers tend to be less sensitive to price	
Dominating quality dimensions	Quality of output (technical quality dimension) is dominating		Quality of interactions (functional quality dimension) grows in importance and may become dominating.	
Measurement of customer satisfaction	Monitoring market share (indirect approach)		Managing the customer base (direct approach)	
Customer information system	<i>Ad hoc</i> customer satisfaction surveys		Real time customer feedback system	
Interdependency between marketing, operations and personnel	Interface of no or limited strategic importance		Interface of substantial strategic importance	
The role of internal marketing	Internal marketing of no or limited importance to success		Internal marketing of substantial strategic importance to success	
The product continuum	Consumer packaged goods	Consumer durables	Industrial Goods	Services
	→	←	→	←

Source: Grönroos 1994: 11

A transactional relationship can be described as one where the interaction is more “episodic, instrumental and financially focused – and characterised by a low trust relationship” as compared to a relational contract where the interaction is more likely to “occur over a longer period of time, involve emotional as well as economic components and exhibit higher levels of trust” (Mason and Simmons 2012: 229). This is justified by explaining that consumer food manufacturers, for instance, deal in mass marketing with very little or no intimate contact with their final consumers, whereas service firms almost always have some form of personal contact with their customers (Grönroos 1997: 328-329). In transaction type marketing a customer who has made one initial purchase will not necessarily return to the same supplier in order to carry out the next purchase. Gummesson (2008: 24) claims that CL does not feature in transaction marketing. However, Aurier and de Lanauze (2012: 1605) suggest that customer RM practices are becoming more evident in the FMCG sector, with the establishment of RM requiring businesses to move from a short-term transactional approach to a longer term approach which focuses on relationships (Osman, Hemmington and Bowie. 2009: 240).

When a business has managed to transform its marketing strategy to that of RM, customers are able to perceive more value in the offering than the product alone can offer. A number of academics have contributed to the discourse by suggesting that relationships can be formed in certain types of consumer markets, when the exchange situations are more conducive than others. This would result in businesses approaching different groups of customers in different ways (Šonková and Grabowska 2015: 199). The *raison d'être* for RM is that it makes more sense to aim for sustainable profits that are ensured over a period of time after a customer has been won over. This lowers expenses and ensures a steadier stream of income (Gilbert 1996: 576). When RM takes place, the business has more chances to give the customer an ‘added value’ offering which could emanate from a number of areas such as technology, information, and knowledge in the light of increased competition (Osman *et al.* 2009: 240). Furthermore, the interaction process becomes more important and contributes towards the quality dimension. Gummesson (2008: 25) suggests that transaction marketing can be transformed towards RM by enhancing the connections between the customer and the supplier until they feel that they belong within the organisation. Gilbert (1996: 577) illustrated the differences between transaction and RM, with

emphasis on slightly different elements to the Grönroos continuum. This can be observed in Table 3.4.

Table 3.4: Transaction marketing versus relationship marketing

Transaction marketing	Relationship marketing
Short-term orientation with a sale as the end result	Long term orientation beginning with the sale
'Me' orientation	'We' orientation
Focus on achieving a specific sale	Focus on retention and repeat sales
Emphasis on persuasion to buy	Stress on creating positive relationships
Need to win - manipulation	Providing trust and service
Stress or conflict of achieving a transaction	Partnership and cooperation to minimise defection and provide longer term relationships
Anonymous customer won by conquest in a carefully planned event	Individual profile of the customer is known

Source: Gilbert 1996: 577

Terblanche (2011: 23) explained that greater competition, often in the form of direct imitation, and the struggle by retailers to differentiate their offering, has resulted in products and services becoming treated as commodities. Retailers have to find a form of differentiation or uniqueness that will intrigue potential customers both cognitively and affectively and be challenging for competitors to imitate. Fast moving consumer goods retailers often rely on LPs in order to add value for loyal customers and encourage retention for the long term. What becomes difficult is to design a programme that is not easily copied by competitors.

Egan (2000: 385) argues that the idea of a relationship, and the concomitant benefits, are more likely to exist in the mind of the retailer, with the customer being willing to partake in the rewards that are on offer, no matter what the reason. The implication is that there is a wide gap between the intention of relationship strategies, such as LPs and the reality thereof. Nevertheless, there is still potential for customers to appreciate the idea of a trusting and committed relationship which could work if the customer believes it is so, rather than the business just stating that there it is so.

In an exchange situation, the building of relationships is driven by the ease with which commitment and trust can be developed between the customer and the supplier (Bove and Mitzifiris 2007: 508). Möller and Halinen (2010: 39) explained that relationships

exhibit various levels of complexity and levels of dependency between buyers and sellers. The greatest differences would be observed between relationships that are business to consumer versus those that are business to business. Table 3.5 illustrates these differences.

Table 3.5: Levels of relationship complexity

Consumer relationships: low relationship complexity	Interorganisational relationships: high relational complexity
Focus on marketer individual customer relationships	Focus on (i) supplier buyer dyads and (ii) exchange within focal nets
Large number of customers	Small number of actors, ranging from profit/non-profit organisations to governmental organisations and key persons
Low interdependence since resources (relationships, products, information etc.) are substitutable. Switching is relatively easy	Mutual interdependence through resource ties, resources are fairly homogeneous, making switching difficult
The seller is primarily active	Any actor can be active
The focus is on few episodes, seldom on long term relationships	Transactions are episodes in long term relationships
The emphasis is on managerial, economic, and psychological views of exchange	The emphasis is on resource, social and inter-functional exchange relationships

Source: Möller and Halinen 2010: 40

One of the aspects to be noted in the consumer relationship situation is the fact that both buyers and sellers have many options to choose from, so switching becomes an obvious option for participants, unlike the mutual dependency exhibited in an organisational situation (Möller and Halinen 2010: 41).

Liu (2007: 21) states that LPs serve to establish customer commitment by showing that the business is also committed. This commitment is described by Liu (2007: 21) as a gesture of goodwill which can only serve to nurture the relationship between the business and its clientele.

3.3.4 Switching Barriers and Sunk Cost

When a buyer makes tangible or intangible investments in order to establish a transactional relationship, switching costs are incurred which makes it more difficult to change to another trading relationship (Wu *et al.* 2015: 2). Switching barriers have

been described as elements that serve to create obstacles to the customer often preventing him or her from moving from one provider to another (Egan 2011: 86). Naudé and Buttle (2000: 352) explain that strong relationships create bonds between customer and retailer which operate as switching barriers. Switching barriers serve to inhibit movement by creating a perception for customers that it would be both costly and complicated to change supplier. Another way of explaining this scenario is that the buyer has transformed his/her purchases into sunk costs which makes him or her less inclined to want to move to another seller (Wu *et al.* 2015: 2).

King and Clark (2014: 576) differentiated between two different types of switching barriers, the first type being termed positive and the second being termed negative. A positive switching barrier describes one where the customer remains within a relationship (for example, an LP) because they want to, while a negative switching barrier describes a situation where the customer remains because they feel that there is no easy way out. The pressure on retailers to strategise in order to prevent customers from switching and to develop CL is intense.

The main elements that could be described as switching barriers include established relationships, the perception of additional costs and the attractiveness of competitive offerings (Jones, Mothersbaugh and Beatty 2000: 259). Interpersonal relationships refer to how strong the bonds are that have been established between customers and their providers. The perception of switching costs refers to the customer's idea of the costs involved which might include time, money and effort. Lastly, the attractiveness of competitors' offerings would refer to the number of competitive alternatives that are available in the marketplace and whether their offerings are potentially worthwhile. The less attractive these offerings are, the more likely it is that the customer will remain with the existing offering (Jones *et al.* 2000: 262). Li *et al.* (2015: 374) extend the explanation of costs by identifying three potentially different categories: The first category is described as procedural costs, which is similar to the costs described in the previous paragraph. This cost relates to time and effort and inconvenience. The second category of costs is described as social, and is outlined as the possible loss of a social bond that has developed with the provider and the third and final category is described as a benefits cost. This category relates to the loss of benefits such as particular deals and opportunities that are possible from the provider in question.

Sometimes, customers are not entirely satisfied with their current provider, but still remain with them because of the possibility of financial or social loss which prevents them from moving. Search costs, transaction costs, learning costs, loss of loyalty discount, loss of habitual patterns, loss of established relationships and risk of the unknown are all elements that could contribute to switching barriers (Liu *et al.* 2011: 72). King and Clark (2014: 577) describe 'positive' and 'negative' switching barriers where positive switching barriers cause the customer to stay with a particular supplier because they prefer to, versus negative barriers which keep the customer with the supplier because it is difficult to change. The latter can result in enormous feelings of frustration.

Liu *et al.* (2011: 76) recommends that business should seek ways to improve customer satisfaction and grow trust; this will make it less attractive for the customer to switch to alternative offerings. Low switching costs result in a lack of allegiance towards any particular brand or retailer (Jere and Posthumus 2014: 279). Loyalty programmes are intended to assist in the creation of switching barriers. The type of switching barrier can vary. For example, an economic switching barrier could arise if the customer is collecting points and could therefore lose potential points by shopping at a competitor (Meyer-Waarden 2008: 90). Loyalty programme effects can go beyond mere economics. Psychological, sociological and relational drivers can work towards building trust and affective commitment towards the business. This can result in switching barriers which are higher and difficult to challenge (Meyer-Waarden 2008: 90).

3.4 RELATIONSHIPS IN RETAILING

The retail scenario is continually evolving throughout the world. As the economy changes, so does demand from customers. All of this exacerbates the competitive situation. Retailers have to continually strategise and alter formats in order to create offerings that satisfy consumer needs (Thomas 2013: 15).

Customer relationship management strategies are becoming more evident in the FMCG sector (Balaji 2013: 17; Aurier and de Lanauze 2012: 1605). The importance of these strategies to retailers cannot be ignored (Omar *et al.* 2013: 33). The main aim

of CRM is to foster relationships between consumers and the brand (Hennig-Thurau *et al.* 2002: 15) and to improve CL (Balaji 2013: 18; Molina, Martín-Cosuegra and Esteban 2007: 256). Psycho-sociological research indicates that relationships need the perception of good communication between partners. In order to build a relationship, promises have to be made. In order to maintain the relationship, promises have to be kept whilst new promises are made and old ones renewed (Grönroos 1999: 328). Consumers must also be kept informed of the efforts that are being made, as they would not be aware of the relationship otherwise (Aurier and de Lanauze 2012: 1606).

The suggestion is that retailers who gain from relationship strategies are probably those where at least one of the parties concerned believe that the establishment of a relationship would be advantageous (Egan 2000: 384). However, it is noted by Omar *et al.* (2013: 33) that the achievement of relationships in the retail environment is much more difficult than that in a business-to-business situation. One of reasons for this is the promiscuous behaviour of customers, particularly in the FMCG sector. Terblanche (2003: 34) adds that in the retail scenario there is hardly ever any form of commitment at the transactional end. The reason given is that the FMCG sector operates in a marketplace that is largely undifferentiated. Switching in the FMCG sector is therefore commonplace due to low exit barriers and few or no psychological costs involved in doing so. There is always an alternative retailer available to provide for the customers' needs in this marketplace. Egan (2011: 125) notes that trust can be part of the transactional end of the scale, as the consumer will still need to depend on promises that the supplier offers with respect to items such as safety, reliability and value. When trust is broken, the customer becomes dissatisfied and the risk of switching increases. Terblanche (2003: 34) challenges this idea by citing that commitment and trust are not prerequisites in this sector, thereby preventing the application of RM. The suggestion is that if the successful application of RM requires both trust and commitment and not just one or the other, retailers such as those in the FMCG sector fail to meet this criterion.

Kumar and Eshgi (2013: 443) acknowledge that while the importance of RM is emphasised, insufficient research has been carried out in order to test the relationships that might exist between RQ, CL, and advocacy. The importance of this

is highlighted due to the effect that these relationships might have on business success. One item worth considering when strategising for long-term relationships is whether a competitive advantage that is obtained by introducing relationship strategies lasts long enough to produce a return from the investment that has been made. The interesting factor that emanates from the above discussion is that the FMCG sector, which is primarily transactional, is the area within which the bulk of LPs are offered, which is primarily a RM tool.

3.5 RELATIONSHIP MARKETING AND LOYALTY PROGRAMMES

With the growth in databases and other social media technologies, the opportunities to create ties with individual members of the mass market has contributed towards the growth of RM in the FMCG sector. Customer relationship management techniques make use of technology to interact with customers. This type of system is able to put customer retention strategies in place by observing customers, rewarding them and keeping them informed about the retailers' offerings. In return, the provider should be able to hear the customer's voice and respond accordingly (Leahy 2011: 653).

Relationship marketing is specifically concerned with the explanation of how the elements of trust, commitment and satisfaction can be obtained and in so doing create positive feelings which drive customer behaviour (Evanshitzky 2011: 626). According to Palmatier *et al.* (2006: 139), customers are more likely to see value in a relationship when they acquire benefits from their exchange partner, thereby encouraging them to enter into the spirit of the relationship. As the cost of acquiring new customers escalates, retailers are increasingly turning to LPs as a way to improve customer-retailer relationships and CL (Wel, Nor and Ahmand 2011: 6429).

Commitment appears to be difficult to obtain in the FMCG sector which is mostly homogenous. Some researchers have suggested that loyalty promotions don't encourage retention and that customers are mostly promiscuous as they search for the best deal (Egan 2011: 125). Pandit and Vilches-Montero (2016: 356) suggested that it made sense to expect that if commitment creates a longer-term relationship, it should follow that if the customer becomes committed to an LP they should become

more driven to remain in the relationship with the retailer concerned. Their findings also stated that both satisfaction and trust in an LP had a positive effect on CL. This was mediated by both affective and normative commitments, rather than calculative commitment. The importance of this finding was stressed that consumers are able to develop strong relationships based on an LP (Pandit and Vilches-Montero 2016: 359).

Ou *et al.* (2011: 201), also conducted research on LPs and their impact on RQ. Results indicated that although LPs impacted positively and significantly on customer satisfaction and similarly on trust these were both only partially supported, with the defining factor being on the form of the reward that was offered. This highlighted the fact that a poorly designed programme can create the opposite effect. In addition, for trust to occur, the programme has to be viewed as transparent and fair

Evanshitzky *et al.* (2011: 635) stated that managers should not automatically assume that LPs build relationships and CL. Findings indicated that it was important for LP managers to realise that they had to include benefits that offered both affective and tangible benefits for the customer. When perceived benefits are merely consumeristic there is a danger of the relationship not becoming sustainable. The same study highlighted the importance of an LP offering a clear value proposition to be competitive and create longevity.

The general idea is that both businesses and customers can benefit in some way from an LP (Omar *et al.* 2013: 33). Meyer-Waarden (2008: 89) states that the introduction of customer LPs has come to be of paramount importance to retailers as they attempt to select, preserve and grow the turnover of the chosen customer base through a relationship that is long-term, value added and communicative. Loyalty programmes have become marketing tools that are used to manage relationships and preserve differentiation. According to Shoemaker and Lewis in Ou *et al.* (2011: 195), customer LPs strengthen the relationship between the business and customers, increase the length of customer life cycles, grow customer expenditure, and work towards strengthening CL. Wel *et al.* (2011: 6430) state that LPs have demonstrated that they can provide advantages to both the customer and the retailer and in so doing encourage them both to participate in the relationship.

3.6 HYPOTHESES DEVELOPMENT

This study was designed to analyse various perceived benefits contained within LP rewards and how they might nurture RQ and CL between various groups of consumers and retailers that are involved with an LP. The discussion that has taken place in the last two chapters underpins the first objective of this study which is to determine any links that might occur between perceived benefits obtained from various LP rewards and RQ. Chapter 2 proposed three potential groups of perceived benefits inherent in SA LPs, while Chapter 3 explained the constructs that are evident within the concept of RQ.

3.7 CONCLUSION

This chapter focused on topics that emanate from the field of relationship management, RM and RQ. It began by introducing and defining RM, and demonstrated its connection to CL. It then moved onto the concept of RQ which identifies the strength of the relationship between the business and the customer. The chapter identified and discussed the three main dimensions that combine to form an understanding of RQ, namely, satisfaction, trust, and commitment. This was followed by an explanation of the difference between transactional and relational exchanges, and the desire to move a transactional situation towards a relational one through the employment of various RM tools. Finally, it outlined the hypotheses that were arrived at in order to fulfil the first objective of the study, and which are underpinned by the theory contained in Chapters 2 and 4.

Chapter 4 outlines the concept of CL which is one of the dependent variables of the study. It will define loyalty and break it down into the components that help to describe the nature of loyalty. Customer loyalty will then be linked with RM and LPs. This chapter, the fourth and final chapter of the literature review, will link CL with the other pertinent topics by outlining past research in the field of LPs, where this connects with RQ and CL.

CHAPTER 4 : CUSTOMER LOYALTY

4.1 INTRODUCTION

Customer loyalty is a popular and often repeated theme in marketing literature (Steyn *et al.* 2010: 355). Customer loyalty is described by Bose and Rao (2011: 545) as a customer's intention to continue to carry out business with the organisation of their choice by means of repeat purchasing from the relevant business. Recognised as one of the main elements in explaining the choices that customers make, the concept of CL has continued to intrigue both academics and business practitioners (Jensen 2011: 333). Van Tonder (2016: 289) adds that due to the importance of CL in organisational prosperity, knowledge of its antecedents becomes critical to ensure that customers are maintained. The retail industry, in particular, has found that the necessity of meeting the demands of multiple groups of customers' needs has repercussions on CL. Loyal customers are implicated in the generation of competitive advantage through the practice of on-going purchasing and word-of-mouth recommendations (Thomas 2013: 15). As a result, the challenge to marketers is to establish long-term relationships with customers which bring about CL and increased profitability. This creation of sustainable relationships which are of mutual benefit to both parties has been a topic of discussion and research for many years (Athanasopoulou 2009: 583).

One of the popular methods for retailers to create stable relationships is through offering a customer LP, which is instigated to develop loyalty by providing offerings that incentivise customers to return to the same retailer (Yadav 2016: 39; Söderland and Colliander 2015: 48). Large numbers of retailers throughout the world have, and continue to, adopt LPs as part of their marketing strategy in order to appeal to their customers (Vesel and Zabkar 2010a: 218).

A discussion of CL with a description of how it is contextualised with relationship marketing and LPs follows. This chapter, the fourth and final chapter of the literature review, will describe CL, the meaning thereof and how it has evolved as a concept in

marketing. It consolidates the previous two chapters on LPs and relationship marketing and shows how these topics combine with each other and the loyalty factor. It then focuses on past and present research in the field of LPs, touching on the main issues which are of interest for this study. In order to do that, this chapter will elaborate on past research pertinent to LPs, in particular that related to programme design as well as any LP impact on RQ and CL. Finally, it will outline the hypotheses that are linked to this chapter.

4.2 Customer Loyalty and Relationship Marketing

Customer loyalty becomes an important goal for academics and marketers as the shift towards relationship marketing takes place. Academics work towards theoretical frameworks about items such as antecedents, components, behavioural consequences and the psychological dynamics of CL, whereas marketers work towards developing good relationships with customers in the hope that both sales and customer retention will improve (De Cannière *et al.* 2010: 87).

Academics have made many statements that link variables that one might find in relationship marketing to the loyalty construct (Alrubaiee and Al-Nazer 2010: 157). Naudé and Buttle (2000: 353) describe relationship strength as being in evidence through the observation of buying behaviour in the form of repeat purchases, as well as communication in the form of word-of-mouth, both positive and/or negative. Bridson *et al.* (2008: 366) highlight that a number of studies have used the component of commitment as a measurement for the attitudinal aspect of loyalty. The evidence of these elements, when positive, could also be described as CL.

Balaji (2013: 18) points out that businesses invest an enormous amount of resources in RM in the belief that this will contribute towards increased trust, satisfaction, and commitment, as well as loyalty. A number of studies have established that satisfaction is related to loyalty (Fraering and Minor 2013: 336; Bose and Rao 2011: 545). Gómez *et al.* (2006: 388) observe that literature states that along with customer attitude, the relational aspects of commitment, satisfaction, and trust are key to the development of affective loyalty.

4.3 CUSTOMER LOYALTY

Within the realms of marketing and consumer behaviour, the topics of customer satisfaction and loyalty have reigned supreme in the fields of academia, business and retailing (Cant and du Toit 2012: 1224; Jensen 2011: 333). This can be attributed to the fact that both profitability and market share value are strongly linked to satisfied customers who are prepared to continually purchase from, as well as recommend, the retailer and its offering to others (Lu and Seock 2008: 903). According to Sheth (1996) in Hennig-Thurau *et al.* (2002: 231) loyalty is the main aim of RM.

Cant and du Toit (2012: 1223) noted that the focus on CL, retention, and maintenance is still a topic of great interest in the marketplace, in particular due to the economic crises that have taken place in the world in recent years. Marketplaces that operate under circumstances that are both competitive and saturated, along with state of the art technology, are very conducive to CL. There is a growing sense of urgency by retailers to investigate what lies beneath CL so that they can establish methods to improve loyalty beyond price-cutting and discounting. Wooing customers by price alone can result in long-term damage to profitability and promiscuity from customers. One of the more popular options for improving loyalty has been through the use of LPs (Steyn *et al.* 2010: 355; Marshall 2010: 68). However, Watson, Beck, Henderson and Palmatier (2015: 1) note that the establishment of loyalty and receipt of its rewards often remains an elusive factor. Much research has been directed towards identifying ways in which loyalty can be encouraged.

4.3.1 Definitions of Customer Loyalty

Customer loyalty has become a central issue for retailers worldwide (Thomas 2013: 15). As the retail environment becomes more competitive, the challenge to management of creating greater CL has led to the need for a greater understanding of this important sector of consumer behaviour (Bloemer and de Ruyter 1998: 499). Described by Belizzi and Bristol (2004: 144) as a highly sought after marketing goal, it is difficult to come up with one universal definition of CL that is acceptable to all. However, Marshall (2010: 71) describes loyalty as “a means of maintaining or

increasing a customer's patronage over the long term, thereby increasing the value of the customer to the firm".

A loyal customer is described as one who is affectively linked to the business, purchases from that business regularly over a long period of time, and makes positive recommendations to others (Cant and du Toit 2012: 1224). One of the earlier authors on the topic of loyalty, Oliver (1999: 34), defined CL as "a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour".

This definition describes loyalty as an activity that demonstrates 'commitment, 'consistency' and 'preference' while still taking into account the ever changing nuances of the marketing environment (McMullan and Gilmore 2008: 1085). Kim *et al.* (2013: 101) stated that CL can be seen as the undertaking of certain behaviours that explain the customer's desire to retain a relationship with a retailer, service, or brand. This includes spending more money with one particular party rather than another, speaking positively about the business, and purchasing regularly from them (Nessim *et al.* 2014: 1). Cant and du Toit (2012: 1224) analysed various definitions of loyalty and concluded that CL could be described as a situation where the customer consciously chooses to patronise the same business repeatedly, even when alternative offerings from competitors are tempting. In this way they continue to contribute to the success and profitability of the business and offer positive word-of-mouth to others due to their affective attachment to the business.

In addition to the preceding definitions, the general agreement amongst researchers is that any good definition of loyalty should include factors that outline the individual's personal attitudes and feelings (attitudinal) as well as those factors that are external to the consumer and can result in various forms of behaviour (behavioural) towards the business (van Tonder 2016: 291; Pan *et al.* 2012: 152; Cant and du Toit 2012: 1224; Chen and Quester 2012: 2; Wirtz *et al.* 2010: 327). With the above in mind, Watson *et al.* (2015: 15) defined CL as "a collection of attitudes aligned with a series of purchase behaviours that systematically favour one entity over competing entities".

To summarise, loyalty can be said to be made up of the following ideas:

- A commitment to continue purchasing regularly from the business concerned.
- An emotional attachment to the business.
- A penchant to recommend the business to others.
- An avoidance of alternative offerings.

Watson *et al.* (2015: 15) noted that if researchers wish to understand the connection between antecedents and loyalty, loyalty should be measured as two separate constructs, namely attitudinal and behavioural loyalty.

4.3.2 Attitudinal and Behavioural Loyalty

Although loyalty was originally conceptualised in terms of behaviour and understood to be directly linked to repeat purchasing, the idea of loyalty developed as marketers began to recognise that a full understanding went beyond that of pure sales. In 1969, Day, one of the early researchers in loyalty, defined loyalty for the first time as consisting of two dimensions, namely attitude and behaviour (Bridson *et al.* 2008: 366). Oliver's (1999: 34) definition in the previous section also includes elements of both attitude and behaviour, whilst acknowledging the influence of situational factors as well. Chen and Quester (2012: 2) defined loyalty as a positive attitude as well as behaviour towards a business, even when competitors are offering something similar. Pan *et al.* (2012: 151) concurred that although there was no evidence of a single commonly accepted definition of CL, it was generally agreed that it contained both attitudinal and behavioural elements. They defined loyalty as "the strength of a customer's dispositional attachment to a brand (or a service provider) and his/her intention to rebuy the brand (or repatronise the service provider) consistently in the future".

Meyer-Waarden *et al.* (2013: 184) defined genuine loyalty as behaviour that is distinguished by repeat purchases, a good attitude and strong commitment, accompanied with resistance to overtures from competitive forces. The measurement of loyalty would therefore be made up of a number of measurements which combine both behavioural measurements and attitudinal measurements (Bowen and McCain

2015: 418; Kandampully, Zhang and Bilgihan 2015: 381; Demoulin and Zidda 2008: 386).

4.3.2.1 Behavioural Loyalty

Behavioural loyalty is made up of tangible elements that can be observed and measured with respect to buying behaviour (Bellini, Cardinali and Ziliani 2011: 463). It describes the 'level of exchange' between the customer and the business (García-Gómez *et al.* 2012b: 552). Intention to buy would also be considered to be a behavioural measure (Kandampuly *et al.* 2015: 381), as would positive word of mouth (Bridson *et al.* 2008). Many research studies have come up with the idea that most consumers are not 'monogamous' (100% loyal) or 'promiscuous' (no loyalty). Instead most customers are understood to be 'polygamous' i.e. loyal to a number of brands within a product grouping. Loyalty to an object is measured by repeat purchasing and as the result of on-going satisfaction. Any repeat purchasing is usually driven by the convenience of choosing a product that is already known, and not because of strong attitudes and feelings.

Behavioural loyalty can be measured by means of number of store visits, purchase volumes and share of purchases (Bellini *et al.* 2011: 463; Noordhoff, Pauwels and Oderkerken-Schröder *et al.* 2004: 352). Romaniuk and Nencyz-Thiel (2013: 68) outline two categories that could be ascribed to behavioural brand loyalty:

- Buying frequency. This expression describes the frequency with which the customer purchases within a particular time period. It is suggested that customers that partake in a particular brand more frequently than others would be more likely to have had additional reinforcement, through the advent of direct experience.
- Share of category requirements. This describes the customer's allocation of purchases to the brand in contrast to that allocated to competitors.

Kumar and Shah (2004: 320) argue that CL can only be seen as relevant when it is explained by the customers buying behaviour. This is because buying behaviour results in returns that can be measured in an obvious way. This is in contrast to

attitudinal loyalty, which has to do with the customers' beliefs about and commitments towards a retailer, which do not necessarily result in a tangible exchange.

4.3.2.2 Affective (Attitudinal) Loyalty

Attitudinal measurements assist in the understanding of how cognition contributes towards purchasing behaviour. The measurements demonstrate what attachments (both emotional and psychological) are built into the loyalty function (Vesel and Zabkar 2009: 397). Attitudes can be measured by finding out how individuals enjoy the 'attitude object' (in this case the retailer), what feelings of commitment they have towards it, whether they will tell others about it, and whether they have good beliefs and feelings towards it in comparison with that of competitors (Radder *et al.* 2015: 94). These 'feelings' cannot be described by behavioural terminology (Goncalves and Sampaio 2012: 1511). García-Gómez *et al.* (2012b: 552) described the operationalisation of the affective dimension in terms of "commitment, trust, liking and satisfaction". Many researchers concur that the main elements that contribute towards the development of affective loyalty are intangible elements such as attitude, satisfaction, trust, and commitment (Bellini *et al.* 2011: 463). This is strongly linked with the concept of RQ which was discussed in Chapter 3. Purchases and repeat visits will be predicted by how strongly these attitudes are held (Dorotic *et al.* 2011: 224). Many marketers approve of this idea as it resonates with the concept that strategies (such as LPs) can be designed to improve consumers' attitudes towards the object in question (Uncles *et al.* 2003: 296). An extension of the attitudes/loyalty idea is the supposition that it is possible for consumers to form relationships with an object such as a brand, store, or product. This would be even stronger when supported by significant others.

Emotional ties that connect businesses with their clientele are said to be a source of competitive advantage. Jacoby and Chestnut (1978 in Noordhoff *et al.* 2004: 352) described attitudinal loyalty as "the consumer's predisposition towards a store as a function of psychological processes, which includes attitudinal preference and commitment towards the store".

This description creates an understanding of the customer's emotional and cognitive connection to the retailer (Noordhoff *et al.* 2004: 352). Many authors reiterate the importance of attitude in CL, explaining that a positive attitude is necessary in order for someone to continue with a behaviour, culminating in true loyalty (Gómez *et al.* 2006: 389). This idea has encouraged many businesses to investigate the establishment of LPs. In recent years it was decided that the relationship between attitudinal and behavioural loyalty should be noted as significant, proposing that attitudinal loyalty was an antecedent to behavioural loyalty (Steyn *et al.* 2010 357). Garcia Gómez *et al.* (2012b: 553) outlines the idea that the emotions that connect clients with businesses build competitive advantage which encourages businesses to focus on the strategic development of the attitudinal side of CL.

4.3.2.3 Situational Factors

Uncles *et al.* (2003: 295) isolated three main ideas that have been used by academics in the understanding of CL. Two of these relate to the already mentioned ideas of attitudinal commitment and behavioural aspects. The final aspect relates to situational factors and the effect that they might have on loyalty.

Situational factors are described in terms of items such as the customer's traits and characteristics, personal and environmental circumstances and the actual purchase situation. This is known as the contingency approach and describes the fact that individual circumstances can impact on the choice of where the customer chooses to spend their money. Items such as budget, time and other individual characteristics such as habits, and need for conformity or variety, could all influence a buying decision.

Many researchers view loyalty as a combination of the first and second items with loyalty being made up of both attitudes and behaviour (or stated behavioural intentions), and if loyalty was to be measured, data would have to be gathered from both areas (Allaway, Gooner, Berkowitz and Davis 2006 1319). Chen (2015: 108) describes CL as the consumer's loyal attitude as well as their behaviour towards the business, in the face of competitive offerings.

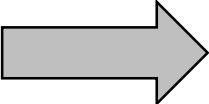


4.3.2.4 Composite Loyalty

Also referred to as composed loyalty (Goncalves and Sampaio 2012: 1511), the term 'composite loyalty' suggests that neither behavioural nor attitudinal loyalty should be used on their own to describe loyalty. According to Villacé-Molinero *et al.* (2016: 2), definitions of loyalty do sometimes focus on only one aspect of loyalty. However, much discussion has been devoted to understanding loyalty in a more complex format that makes use of both antecedents. This suggests that loyalty should be seen as the sum total of both perspectives, therefore a combination of repeat visits (behavioural) and relative attitude (attitudinal).

Loyalty can be measured by making use of behavioural, attitudinal and composite measurements (Vesel and Zabkar 2009: 397). Behavioural measurements emanate from the customer's purchasing behaviour which would include items such as recency, frequency, and monetary value (Vesel and Zabkar 2010b: 1342). The use of technology has made this type of measurement more feasible.

Another area where the behavioural component can be measured has to do with word-of-mouth which is exchanged between customers and other potential business partners (Sun and Lin 2010: 1443). Noordhoff *et al.* (2004: 353) outline that while attitudinal loyalty could merely be seen as something that underlies the marketing tools that serve to impact on behavioural loyalty, the measurement of it is still important as a precursor for understanding what will impact on the psychological and emotional processes that result in consumers becoming loyal to a store. The importance of the attitudinal element is highlighted as it is recognised as connected to future buying patterns, word-of-mouth, and, finally, profit. Table 4.1 outlines the various loyalty constructs that have been described in the preceding text, illustrating how to distinguish one from another.

Table 4.1: Conceptualisations of loyalty

Model 1		
Positive attitudes and beliefs towards the brand		Attitudinal loyalty to the brand single-brand loyalty - (monogamy)
Influences from significant others, community membership and identity		
Model 2		
Habitual revealed behaviour		Behavioural loyalty to a few brands or divided loyalty-polygamy
Satisfactory experience and weak commitment to brands		
Model 3		
Purchase situation, usage occasions and variety seeking An individual's circumstances and characteristics		Co-determinant of buying brands (mainly seen as weak loyalty or no loyalty – promiscuity)

Source: Adapted from: Uncles *et al.* 2003: 296

Marketers need to understand which form of loyalty is being measured, as the methods that are used when evaluating them can differ. It is much easier to measure behavioural dimensions, as consumer buying behaviour can be measured in a quantitative way, often by means of data gathered from loyalty cards and other point of sale material that is easily accessible. Items that can be measured would be the number of visits to the store, the amount purchased and the share of purchases for each customer. On the other hand, affective behaviour has to be measured with respect to the customer's affective situation, which requires one to relate to their psychological make-up such as feelings and emotions. Indicators of trust would also be measured here, and these could be gleaned from items such as repeat visits, how often alternative stores are sought out and the level of satisfaction towards the retailer compared with that of competitors (Bellini *et al.* 2011: 463).

4.3.3 Antecedents to Customer Loyalty

Marketers all agree that the establishment of a customer base that is loyal is one of the most critical factors for the longevity of the brand. The development of CL is both complex and dynamic and includes customer communications, assessments and a number of different psychological scenarios (Yadav 2016: 39). However, the way in which loyalty is built amongst customers still remains open for discussion (Curran and

Healy 2014: 367). Wright and Sparks (1999: 429) state that sustainable loyalty is one of the most difficult outcomes to establish with customers, despite it being vital to the prosperity of the business.

4.3.3.1 Stages of Attitude Development

Oliver (1999: 36), one of the key researchers in the field of loyalty, argues that customers can become loyal at various stages of attitude development as follows:

1. *Cognitive (logical) loyalty* – This stage is based on beliefs only, as the customer has obtained information with respect to the object in question and established a loyalty based on previous or vicarious knowledge along with more recent experience-based information (Bowen and McCain 2015: 419). However, this level of loyalty is weak and will not become more firmly established unless it is processed further.
2. *Affective loyalty (feelings towards the brand)* – Once the customer has actually experienced the object in question on a number of occasions with a successful result, an attitude can be developed that is more firmly entrenched (Fraering and Minor 2013: 336). Affective or emotional loyalty is often referred to as 'commitment'. This phase of affect is much more difficult to alter, although not impossible and customers do still defect at this stage.
3. *Conative Loyalty (intention to return)* – As the customer becomes subjected to repeated experiences of positive affect, the conative or behavioural intention phases of loyalty become activated. In this phase, the customer establishes a deeper commitment, also seen as 'true' loyalty, where he/she is more deeply motivated to repurchase. Switching costs and sunk cost can be involved in the establishment of conative loyalty (Bowen and McCain 2015: 419). However, this is not an automatic behaviour, and there are still situations where this remains unrealised.
4. *Action loyalty* – At this stage, the intentions in the previous phase move into a state of 'readiness to act' or ongoing purchase. The desire is so strong that it also removes any perceived obstacles that might stand in the way of purchase.

Steyn *et al.* (2010: 356) indicate that both the affective and cognitive components of loyalty can be captured under the common banner of 'attitude', reducing the loyalty description back to the two dimensions of attitude and behaviour as previously described.

Kumar (2011: 114) used a three-dimensional model to explain brand loyalty, as illustrated in Figure 4.1. This model makes use of three types of human responses.

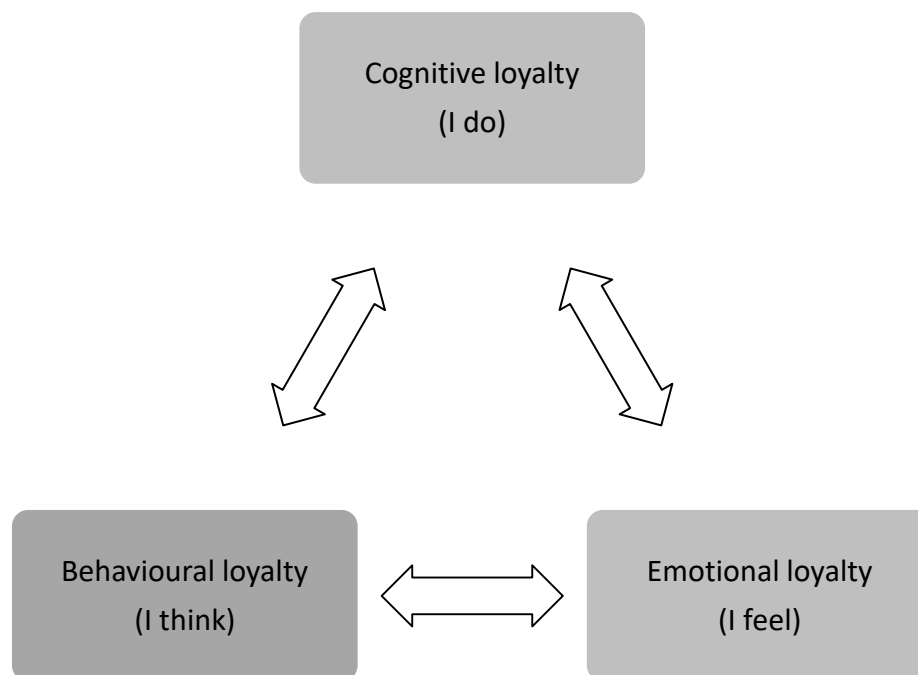


Figure 4.1: Three-dimensional model of brand loyalty

Source: Kumar 2011: 115

Cognitive loyalty is usually seen to be connected to beliefs and thoughts that are built on information about the offering. For example, price or benefits could influence these beliefs and thoughts. Emotional loyalty has to do with feelings that occur when purchasing or repurchasing a brand. Behavioural loyalty can be described as the preference of one brand over and above another with respect to expenditure over time, or in relation to total expenditure within that product.

4.3.3.2 Customer Related Factors

A number of antecedents and moderating effects of CL were recognised by Pan *et al.* (2012: 151). These antecedents can be recognised as the elements that make up RQ. According to Yadav (2016: 39), CL is established as a result of a process of customer communications, assessments and a number of psychological scenarios. Commitment, trust, satisfaction, and loyalty incentives have all been linked to CL with varying forms of effect on attitudinal and/or behavioural loyalty (Watson *et al.* 2015: 3; Evanschitzky *et al.* 2011: 634). As these are also considered to be the elements that contribute towards RQ, they were addressed in greater depth in Chapter 3.

- ***Customer satisfaction***

Regarded as a major contributor towards loyalty, customer satisfaction is connected to customer expectations and the outcomes thereof (Yadav 2016: 40).

- ***Trust***

Trust has been highlighted as one of the main contributors towards CL (Nguyen *et al.* 2013: 96). A consumer who has trust in a product or a provider is more likely to look favourably upon it and therefore speak positively to others about the provider. Trust is particularly relevant when the customer is faced with alternatives to which they could switch, and is feeling uncertain (Pan *et al.* 2012: 151). It is fortified by a good assessment of the offering provided as well as agreements that are beneficial to both parties. Trust has a positive effect on customer buying behaviour (Yadav 2016: 40).

- ***Commitment***

Commitment can be described as the customer's attachment or identification with the product or service provider. It sits at the centre of the value that the brand is understood to provide its customers. Morgan and Hunt (1994: 22) state that commitment is the "highest level of relational bonding" and is critical for success in sustainable relationships. Committed customers spend more with the seller and

perceive that there are great benefits to loyalty, as well as more risk to switching brands. The above drivers all deal with emotions that have been developed by the customer within their relationship with the provider.

However, programme loyalty is more likely to be driven by the economic value that the programme offers. Evanschitzky *et al.* (2011: 632) state that “program loyalty is largely driven by economic incentives appealing to rational customers, while company loyalty is more emotional in nature, being driven by the quality of the relationship between customer and company”.

Other studies consider items such as service quality, perceived value, price and brand image and identity as antecedents of loyalty.

4.3.4 Dick and Basu’s Framework of Customer Loyalty

Dick and Basu (1994 in Jensen 2011: 334) conceptualised a GRID model (depicted in Table 4.2) that described four categories of loyalty, culminating in true loyalty as the highest status to aim for. True loyalty is defined by Meyer-Waarden *et al.* (2013: 209) as “purchase intensity, accompanied by an underlying positive attitude and resistance to counter-persuasion from competitors”.

These customers have a positive attitude towards the brand and continue to purchase regularly from the business, in other words high levels of attitudinal and behavioural loyalty. Truly loyal customers are preferred by any business (Radder *et al.* 2015: 95). Grisaffe and Nguyen (2011: 1052) state that truly loyal customers repurchase because of their affective state or psychological commitment.

Various studies have demonstrated strong connections with this state and loyalty intentions. They are not easily influenced by situational factors, will probably not consider alternative offerings and will not be easily persuaded by competitors. They are also more likely to be advocates for the object of their loyalty (Jensen 2011: 334). The term ‘latent loyalty’ serves to describe a situation where attitude is positive and strong in contrast to a low level of repeat purchases. This is often the situation where

a potential customer is tied to a competitive offering with high switching costs. There could be various other reasons why this might occur, for example a lack of resources, or favourite retailers might not be easily available (Radder *et al.* 2015: 96).

Table 4.2: Dick and Basu's framework of customer loyalty

ATTITUDINAL LOYALTY (emotional attachment)	BEHAVIOURAL LOYALTY (patronage)		
		No or limited Purchases	Repeat Purchases
	Low Relative Attitude	Low loyalty	Spurious loyalty
	Strong attitude or preference	Latent loyalty	True loyalty

Source: Adapted from Jensen 2011: 334 and Radder *et al.* 2015: 95

Those who do purchase the product, but do not hold any particular attitude towards it are described as customers who have 'spurious loyalty'. This term is applied in a situation of high purchase levels, despite a poor or low attitude (i.e. a case of behavioural loyalty with little or no attitudinal loyalty). This often occurs because of convenience or a lack of alternative offerings. Spurious loyalty is said to not be of any benefit to the business in the long run as customers do not feel any allegiance to the business. They are often drawn to purchase when a special offer is available and not on any other occasions (Chen, Shen and Liao 2009: 268). This type of behaviour is quite common in FMCG retailing as customers switch easily from one brand to another because of sales promotions and other factors. Evanschitzky *et al.* (2011: 627) suggest that LP members that are loyal to the programme because of the benefits on offer, might still not have a favourable attitude towards the retailer, but continue to purchase from them in order to accumulate the benefits they enjoy. Lastly, customers who do not show any attitudinal commitment towards a product and do not purchase it often either could be classified as 'low or no loyalty' customers (Bowen and McCain 2015: 418). Brand switching occurs easily and is instigated by various situational factors.

Although, not all the above forms of loyalty are perceived as sustainable, it is nevertheless important to understand how different forms of marketing tactics result in various forms of loyalty. Obviously, a provider seeks out an ideal situation of true loyalty.

4.3.5 Benefits of Loyal Customers

Customer loyalty is stated as having a critical impact on organisational prosperity and therefore an understanding of its associations is relevant for long term success (van Tonder 2016: 289). Dekimpe, Steenkamp, Mellens and Vanden Abeele (1997: 405) concurred that a loyal customer should be seen as an asset to the business. Associated with lower costs because of the belief that retaining customers is a lot cheaper than the cost of acquiring new customers, it is also linked to greater profitability as loyal customers generally perceive that purchasing from the object of their loyalty is more advantageous than patronising any other retailer (Radder *et al.* 2015: 92; Li *et al.* 2012: 1).

Customer loyalty could therefore be stated to be one of a business's most sustainable assets and because of that, a highly sought after goal (Yoo and Bai 2013: 167). By building and maintaining CL, a business can establish a sustainable relationship with its customers that is of mutual benefit to both parties (Pan *et al.* 2012: 150).

In addition, loyal customers:

- Demonstrate greater intention to buy, purchase more, are prepared to spend more, contribute towards repeat business and make themselves more available to the business (Harris and Goode 2004: 139).
- Are less price sensitive, and are therefore less likely to be influenced by lower price offers from competitors (Evanschitzky *et al.* 2011: 629).
- Are less prone to switching (Radder *et al.* 2015: 92).
- Offer an on-going and accelerating stream of income for the business as well as contributing towards the marketing of the business (Radder *et al.* 2015: 92; Cant and du Toit 2012: 1224).
- Are prepared to advocate the business to his/her family and friends (du Toit and Cant 2012: 1423).
- Are more inclined to believe that the products or services from the business concerned surpass those of competitors.

- Are more forgiving and are more inclined to provide businesses with the opportunity to right any wrongs without the relationship being compromised (Radder *et al.* 2015: 92; Ganiyu, Uche and Adeoti 2012: 15).

Businesses continually interrogate the concept of CL, particularly the underlying drivers of loyal customer behaviour (Pan *et al.* 2012: 150). There is a large body of research directed at investigating the ways in which loyalty can be successfully established (Marshall 2010: 68). Marketers all agree that the establishment of a customer base that is loyal is one of the most critical factors for the longevity of the brand. However, the way in which loyalty is built amongst customers still remains open for discussion (Curran and Healy 2014: 367).

4.3.6 Loyalty and Customer Satisfaction

The ideas behind loyalty and satisfaction have been topical for the last 50 years in the subjects of both psychology and consumer-behaviour (Nessim *et al.* 2014: 1). Research demonstrates relationships between customer satisfaction, RM or management, CRM, loyalty, and quality (Nessim *et al.* 2014: 1). The most accepted view amongst academics and practitioners is that customer satisfaction has a positive link with intention to buy as well as other behaviour, although satisfaction cannot be relied upon as a foregone conclusion for CL.

Bose and Rao (2011: 544) stated that researchers have found that a customer who is satisfied almost always tends to be loyal for as long as they feel that they are receiving better services and/or products compared to that of competitive offerings. Oliver (1999: 22) noted that research in the field of customer satisfaction began to wane as researchers called for a move towards loyalty as the most obvious business goal. Mere satisfaction was no longer believed to be enough to retain customers. Businesses understood the benefits of having loyal customers with the well-known adage of increased profits and the lower cost of retaining customers, rather than the higher costs of acquiring them (Oliver 1999: 33). O'Malley (1998: 48) outlined how customer satisfaction was used as a substitute for the measurement of loyalty, because of the understanding that customer satisfaction positively affects the intention to purchase.

However, research has shown that it is too simplistic to expect dissatisfied customers to move on and satisfied customers to be loyal and remain. There are many other variables at play.

Some researchers identify two types of customers when it comes to loyalty. The former can be described as those who are intrinsically loyal and remain with the same store, whilst the latter are more receptive to switching as their loyalty is extrinsically placed and they are therefore more receptive to the overtures from the competition such as price or new offerings (Steyn *et al.* 2010: 356).

As businesses become more aware of how important CL is, strategic plans begin to adopt a customer-centric approach as compared to a product-centric approach. The customer-centric approach focuses on customers as the main assets and success is judged by the number of customers adopted and retained. Long term customers that are loyal are seen to be a sustainable competitive advantage (Jain and Singh 2002: 35).

4.3.7 The Loyalty Object

The idea of loyal customers can be a fairly ambiguous one, with the possibility of loyalty being directed towards the brand, the LP, members of the channel, the retailer or even the employees. According to Evanschitzky *et al.* (2011: 630), loyalty towards the business and/or the programme can have an effect on the customer's actual buying behaviour as well as their preference and future intentions.

4.3.7.1 Brand Loyalty

One of the obvious methods of understanding CL is to clarify the meaning of, and measurement of, brand loyalty. There are many different ways in which brand loyalty can be described and/or measured, but most agree that brand loyalty can be understood from both behavioural and attitudinal perspectives or from a combination of the two. The behavioural concept describes the amount of repeat purchases of the brand whilst the attitudinal aspect describes which brand is preferred above other

options. There has been much discussion on the concept of brand loyalty and whether or not it has been declining. There is also an argument over the use of the word 'loyalty', especially if only behavioural measures are used. This is because of potential 'loyal' customers who may be spuriously loyal. In other words, they buy the product frequently, but are still not committed to the brand and would potentially switch brands if a better alternative was found. True brand loyalty is described as a form of loyalty where consistent positive behaviour towards the brand is observed along with a good attitude. It is of vital importance that brand managers make sense of how attitude contributes towards brand loyalty so that they can improve and maintain customers repeat buying behaviour of their brands (Jensen 2011: 334).

In general, CL can be described as something that consumers might direct towards brands, service, retailer, product categories and/or activities (Uncles *et al.* 2003: 295). Uncles *et al.* (2003: 295) accentuate the fact that the term 'consumer' is used rather than the word 'brand' in order to highlight the fact that loyalty has to do with people and not something that resides within the brand. Bose and Rao (2011: 545) simplify this by stating that loyalty means that a customer chooses to purchase from a specific organisation repeatedly whenever the necessity arises. Nevertheless, all of these versions of loyalty still signify a commitment to the business that is sought after by the marketing team.

4.3.7.2 Store Loyalty

Most businesses focus their CL marketing efforts towards their products and services on offer. However, loyalty can also be described in terms of customers' store loyalty (Vesel and Zabkar 2009: 396). Omar *et al.* (2013: 38) defined store loyalty as "high positive attitudes towards a particular store and repeat purchase behaviour". Bloemer and de Ruyter (1998: 500) defined store loyalty as

the biased (i.e. non-random) behavioural reasons (i.e. revisit), expressed over time, by some decision-making unit with respect to one store out of a set of stores, which is a function of psychological (decision making and evaluative) processes resulting in brand commitment.

Kahn and Kahn (in Bose and Rao 2011: 544) defined store loyalty as the regular visitation of a customer to a specific store that is known, liked and trusted by them.

Originally, store loyalty was described in behavioural terms and measured by repetition in purchasing. However, marketers began to recognise that behaviour on its own was not enough to adequately describe loyalty. Demoulin and Zidda (2008: 386) stated that true loyalty existed when customers carried out repetitive buying behaviour, visiting the same store over and over again, as well as exhibiting a positive attitude towards the retailer concerned. Macintosh and Lockshin (1997: 489) also conceptualised store loyalty as both attitudinal and behavioural, making use of three different measures in their research, namely, attitude, purchase intentions, and the percentage of the entire category purchases that took place at the retailer in question. Some studies on the measurement of store loyalty have identified the attitudinal factor as commitment and the behavioural factor as repeat purchasing as well as advocacy or positive word-of-mouth. This is justified by explaining that when both behavioural and attitudinal aspects are measured then the overall analysis represents a more complete picture. The multi-dimensional idea that is represented is more likely to depict the motivations behind CL than by presenting each aspect on its own (Bridson *et al.* 2008: 366). Bloemer and de Ruyter (1998: 500) accentuated the importance of store commitment within the understanding of store loyalty. A loyal customer cannot help but be committed to the store. However, Demoulin and Zidda (2008: 44) explained that many researchers still use behavioural measurements when trying to establish how LPs affect store loyalty due to the user friendliness of the method.

Retailers understand that retaining clientele by establishing CL could be a useful mechanism to reduce costs. Research demonstrated that retaining customers served to both increase income as customers spent more, and at the same time shrink operating costs. Customer loyalty also resulted in the erection of switching barriers, making it more challenging for customers to take their business to competitors (Lu and Seock 2008: 905).

Bellini *et al.* (2011: 466) conducted research on a number of supermarket chains in order to understand what CL meant to them and how they would measure it. The results from the survey indicated that the retailers considered that they were

responsible for building and maintaining CL. The affective aspect of loyalty was discussed in terms of words such as trust, preference, satisfaction, and meeting needs. All of this was considered to be an obligation of the retailers. Other terms that came up from respondents were that retailers should understand behaviour, meet needs and manage and develop relationships. Lastly, indicators of loyalty were seen to be more closely connected to words such as continuous, constant, stable and systematic parts of a relationship. Loyalty is seen to be part of a long-term, lifelong relationship with the customer.

Jensen (2011: 333) stated that intense competition in the supermarket industry makes the focus on CL even more important for retailers, as they struggle to retain customers in the context of greater price awareness, increased difficulty in differentiating product offerings, and a proliferation of sales promotions at the point-of-sale. Those that wish to build CL within their market segments need to understand which antecedents lead to loyalty as well as what the ultimate consequences of loyalty might be.

4.3.7.3 Programme Loyalty

Researchers have cited a positive relationship between an LP, its perceived benefits and CL. 'Programme loyalty' is defined by Evanschitzky *et al.* (2011: 626) as being a positive attitude towards the benefits that are offered by an LP in contrast to 'brand loyalty' which is linked with a positive attitude towards the company brand. Company / brand loyalty is described as being dependent on the emotional state of the customer and is part of the initial psychological state that is a reflection of the emotions that explain the connection between the customer and the provider. Programme loyalty is seen as being more economic in nature, where programme members buy from the provider in order to gather points and benefits. Loyalty without emotions can be described as 'spurious'.

If CL to the retailer is closely tied to a particular LP, then one needs to be aware that should the programme no longer be appealing to the customer, loyalty will diminish. Xiong, King and Hu (2014: 576) explain that the design of an LP that results in true CL can be difficult to achieve. The suggestion is that customers that are loyal to the

programme need not necessarily be loyal to the company, but will prefer to purchase from them only in order to gather points or benefits. This can occur particularly when the programme is offered at a number of retailers that compete with each other, resulting in a difference between programme loyalty and store loyalty. At the same time, programme loyalty can be seen to be a good incentive for customers to buy from a provider that offers the programme, even if their attitudes towards the store are not as positive. In other words, the customer's positive attitude towards the programme can create an intention to support that retailer in order to gain the benefits that are available from the LP with which they hold membership (Evanschitzky *et al.* 2011: 631).

Omar *et al.* (2013: 38) pointed out that it is not common for researchers to distinguish between programme loyalty and company loyalty when an LP is the topic under review. The general understanding is that programme loyalty enhances company loyalty. Programme loyalty is seen to be the members' determination to carry on and retain a relationship with the programme because of the advantages of doing so. In contrast, the term 'store loyalty' describes positive attitudes towards the store as well as repetitive purchasing behaviour. Evanschitzky *et al.* (2011: 631) highlight the fact that both company loyalty and programme loyalty are seen to have a positive impact on future sales. However, they caution that when loyalty towards the programme is stronger than towards the company, the risk of competitive programmes wooing the customer away becomes more of a threat. This means that in order to prevent customers from switching to alternative offerings, retailers need to keep up with their competitors and ensure that their offerings are still providing the best value.

The various concepts of loyalty are useful when used to explain and predict behavioural aspects such as customers advocating your business, a reduction in the consideration of alternative offerings, and heightened retention of customers (East *et al.* 2005: 10).

4.3.8 Loyalty Programmes and Customer Loyalty

The justification for the offering of LPs by a retailer lies in the old CL adage which suggests that enormous cost is saved by holding on to your existing customers rather than incurring major expense by continually working on acquiring new customers (Bennett 2014: 933). Whilst there are varying ideas as to what the understanding of loyalty or loyal customers are, everyone agrees that it is beneficial to have loyal customers. Loyalty programmes are designed with this objective in mind (du Toit and Cant 2012: 1422). Mauri (2003: 13) stated that the main idea behind LPs is that the businesses' financial performance in terms of income and profitability is more closely connected to CL than it is to the number of customers. Ou *et al.* (2011: 202) stated that good LPs improve their relationship with existing customers, lengthen customer life cycles, grow the share of customer spending and, as a result, improve CL. Researchers have noted that there is a positive link between customer perceptions of the advantages of LPs and CL (Kim *et al.* 2013: 101).

4.3.8.1 The Recipient of Customer Loyalty

Loyalty programmes are meant to offer customers additional value which, in turn, should translate to greater loyalty. However, O'Malley (1998: 50) questions the wisdom of this statement, because value is interpreted in different ways by different people. Value can be described in various ways, such as the cash value, range of rewards, aspirational value of rewards, and the likelihood and ease of receiving the rewards.

Kang *et al.* (2015: 464) differentiate between two objects that loyalty can be directed towards when an LP is used. The one is the programme and the other is the business. Both forms of loyalty are said to result in positive customer behaviour (Kang *et al.* 2015: 465), albeit with different focuses. Both forms of loyalty are driven by the customers' understanding of value of the benefits provided by the programme. The movement from programme loyalty to CL is not automatic, but is created by the customers' level of involvement. Evanschitzky *et al.* (2011: 634) found that programme loyalty was more likely to be driven by economic incentives, with social benefits and

special treatment being significant but not as relevant. Programme loyalty is seen to be mainly instigated through perceived value which is connected to members' perceptions of cost vs benefit. In contrast, CL is seen to be more related to emotions and the quality of the relationship between the member and the business. However, this study focuses on loyalty towards the retailer that hosts the LP.

Garcia-Gómez *et al.* (2006: 393) suggested that those participating in LPs display a higher behavioural loyalty towards the retailer offering the LP, and a lower behavioural loyalty towards competitors in comparison with non-participants in the programme. They concluded that LPs do play a role in increasing behavioural loyalty of participants. Furthermore, the same research demonstrated that participants in LPs showed greater levels of attitude, satisfaction, trust and commitment than those who were not involved in a programme. Wirtz *et al.* (2007: 332) concurred, finding that the relative attractiveness of an LP had a positive effect on behavioural loyalty. They found that perceived switching costs and their impact on behavioural loyalty is moderated by attitudinal loyalty and the attractiveness of the LP. Kang *et al.* (2015: 465) state that:

When customers become loyal to a loyalty program, their overall identification with the company may also increase, as such loyalty programs would lead to stronger identification and prompt customers to build stronger ties (loyalty) to the company.

Loyalty to the programme and/or the business when there is an LP involved is moderated by the design of the programme.

4.3.8.2 Loyalty Programme Design and Loyalty

Evanschitzky *et al.* (2011: 11) highlight the importance of LP design. Furthermore, they add that multi-store LPs might not be as useful owing to the fact that loyalty to the programme rather than the retailer might ensue. King and Clark (2014: 576) concurred that the design of an LP that creates true CL is difficult, as customers interpret the design of programmes and benefits received differently. The importance of a clear value proposition to retain customers is emphasised by Evanschitzky *et al.* (2011: 636). According to Allaway *et al.* (2006: 1317), the idea that customers join an LP does

not automatically translate to loyalty. Customers can also be loyal to a retailer with no regard to the presence of an LP.

Dowling and Uncles (1997: 75) caution against trying to increase CL by creating a customer LP that might be easy to imitate. They add that in order for an LP to have an effect in a competitive marketplace, it needs to offer customers a value proposition where the perception of benefits outweighs the price (Omar *et al.* 2013: 43)

This particular study examines the RQ and CL between the customer and the retailer when an LP is involved in the transaction. The nature of a relationship includes the three elements of RQ (trust, commitment, and satisfaction) and CL. However, it does not examine loyalty towards the programme. This could feasibly be a topic for investigation in a future study.

4.3.9 Past LP Research Relevant to RQ and CL

Many studies have spelled out the various aspects of LPs, examining the significance of items such as RQ and its components of commitment, satisfaction, and trust, as well as CL, LP design, and forms of rewards. They have also investigated a number of moderating variables such as socio-demographic variables, the number of LPs held, location, and store type. A number of these have already been outlined in the literature reviewed thus far. This section seeks to lay out the trends in the research conducted in order to establish any need for additional research, both internationally and within the borders of South Africa.

According to Garcia-Gómez *et al.* (2012b: 548), although there is evidence of many studies that have focused on LPs in the FMCG sector, but most have only addressed behavioural loyalty. Garcia-Gómez *et al.* (2012b: 548) focused on affective loyalty, stating that true loyalty consists of both an affective and a behavioural element.

Although one of the main outcomes that retailers seek to establish through LPs is relationships with customers, there have not been many studies that are focused on the elements that have contributed towards the building of relationships through LPs

(Wel *et al.* 2011: 6429). In a recent study, Pandit and Vilches-Montero (2016: 359) demonstrated that consumers are able to develop relationships with their LP stating that the elements of trust and satisfaction, mediated by emotional and normative commitment, result in an increase in loyalty towards the retailer. However, they did not address the question of relationships with the retailer that support the LP.

Melancon, Noble and Noble (2010: 3) found that social rewards have a positive relationship with affective commitment towards the business, and are often less costly. Social rewards suggest recognition, friendship and better service. Results also indicated that economic rewards resulted in higher levels of continuance commitment. Economic rewards are more likely to be linked to extrinsic rewards to customers. Economic rewards can lead to customers being loyal to the rewards rather than the business, which could result in the customer switching to another offering should those rewards be perceived to be better. However, Bojei *et al.* (2013: 178) stated that although customers that are partial to monetary benefits are susceptible to competitive offers, this type of reward should still be considered as a crucial component of LPs, as there is a positive link between consumeristic rewards and the retention of customers.

Kreis and Mafael (2014: 597) focused on LPs and their role in value creation. They established that benefits such as 'saving money' and 'feeling superior' were useful benefits for companies to offer as part of their LP. They also noted that their results showed that there were links between customers' motives for joining LPs and their perception of value from the programme.

Table 4.3 summarises some of the major studies conducted in this field over the last five years. Eason *et al.* (2015: 79) captured the essence of much of the LP research, by stating:

While loyalty programmes may offer several types of benefits to customers – from material/financial benefits to esteem, a sense of belonging and gratitude, ultimately, managers expect their loyalty programmes to benefit their firms. Through the tangible effects of increasing share of wallet and/or share of customer, managers want to see financially meaningful results that justify the existence of a loyalty programme as the business environment becomes increasingly competitive, cultivating and maintaining customer relationships will remain an essential element of firms' strategies. Thus, a loyalty programme that can help a firm differentiate itself, increase customer spending, relay a positive corporate responsibility message and potentially pay for itself via an annual fee should be a valuable tool for retailers.

Demoulin and Zidda (2008: 396) investigated the ties between store loyalty and customer satisfaction with LP rewards. Their research showed that customers who are satisfied with the rewards that they are receiving from their LP are more inclined to be loyal towards the retailer that offers the programme. Omar *et al.* (2013: 44) also noted that LP value has an impact on both programme satisfaction and loyalty. This suggests that businesses could benefit from sustainable relationships with customers who perceive value in the associated LP.

Eason *et al.* (2015: 71) argued that while there is research that demonstrates that customer choice of retailers is affected by LPs, other research has offered conflicting results or very little evidence that supports these claims. In addition, there is still very little information on what makes an LP attractive to potential members. Evanschitzky *et al.* (2011: 631) adds to this by suggesting that LPs do not necessarily result in CL, stating that in order for a retailer to gain maximum benefit from their programme offering, both emotional and economic benefits should be available for the programme member.

Table 4.3: Past loyalty programme research, 2010-2016

Reference	Key Constructs	Major Findings
Bennett 2014	LP membership, satisfaction and store loyalty.	No significant influence of LP membership on satisfaction and/or loyalty.
Du Toit and Cant 2012	LP and commitment to the organisation.	Commitment is evident, but not loyalty.
Evanschitzky <i>et al.</i> 2011	Programme loyalty and company loyalty.	Programme loyalty does not necessarily result in company loyalty.
Eason <i>et al.</i> 2015	Fee and benefit structures – self benefit, altruistic and combination.	A LP that benefits a charity could be a noteworthy differentiator.
García-Gómez <i>et al.</i> 2012a	Determinants of the likelihood to join LPs.	Neg: desire for privacy; shopping enjoyment. Pos: Perceived advantages in LP.
García-Gómez <i>et al.</i> 2012b	Influence of different types of programme on affective loyalty.	Programmes exhibit the same type of affective loyalty towards the store.
Kang <i>et al.</i> 2015	Programme loyalty, company loyalty. Social benefits and / or financial benefits.	LPs contribute to both forms of loyalty. Social and financial benefits contribute towards company loyalty.
Kim <i>et al.</i> 2013	LP, program loyalty and CL.	Both monetary and non-monetary incentives can promote programme loyalty. Programme loyalty contributes towards CL.
Kreis and Mafael 2014	Motives and perceived values within various LP types.	Perception of value is multi-dimensional. LP design and customer motives for participating in programmes impact on perception of value.
Marshall 2010	LP; loyalty (attitudinal and behavioural); commitment (calculative and affective).	No evidence of LP impact on either form of commitment. Affective commitment drives both forms of loyalty.
Melancon <i>et al.</i> 2010	Social rewards, economic rewards, commitment	Social rewards result in higher affective commitment. Economic rewards result in higher continuance commitment.
Meyer-Waarden 2015	LP rewards, store loyalty (grocery retailer).	Store loyalty intentions are higher for immediate rewards and rewards that are compatible with store image and tangible rewards.
Omar <i>et al.</i> 2013	Testing the relationships between LP service quality, perceived value, programme satisfaction, programme loyalty and store loyalty.	All quality dimensions related to the LPs perceived value. This improved store loyalty via programme loyalty.
Pandit and Vilches-Montero 2016	Relationship between card satisfaction; trust; commitment and Store Loyalty.	Relationship based card satisfaction and trust mediated by emotional and normative commitment improves store loyalty
Radder <i>et al.</i> 2015	Customer perceptions of LP benefits relative to loyalty w.r.t. grocery retailers in South Africa.	Perceptions of benefits differed relative to programme members' levels of loyalty.
Vesel and Zabkar 2010b	LP quality; personal interaction quality; CL; RQ.	LP quality influence is weaker than personal interaction quality. RQ strongly influences CL.
Zakaria <i>et al.</i> 2014	LP, satisfaction and CL in retail.	LP affects customer satisfaction and CL.

A cautionary statement is that a retailer offering an LP needs to remain at the forefront of research and innovation in order to avoid customers being wooed by a better programme offering from a competing retailer. For example, in order to achieve success with customer LPs, these need to be differentiated from competitive offerings. Because of the costly investment required when launching and running an LP, firms need to be aware of the influences that could impact on their decisions (Smith and Sparks 2009b: 204). Ou *et al.* 2011: 203 concluded that in order to establish high levels of CL, service quality, RQ and good CRM are important.

Previous research has noted that outcomes from LPs operating in similar market scenarios are conflicting (Liu and Yang 2009: 91). Although LPs are ubiquitous in the retail world, their effectiveness still remains debatable (Dorotic *et al.* 2012: 217). A number of academics questioned the ability of LPs to encourage retention and loyalty (;Meyer-Waarden 2015: 22; Lee *et al.* 2014: 2141; Bennett 2014: 941; Cedrola and Memmo 2010: 207). Questions still remain around perceived benefits and whether they can result in loyalty towards the programme and/or the brand or firm concerned.

Bennett (2014: 933) indicated that LPs are ineffectual, or barely effective, with businesses facing the risk that they are literally “giving the product away”. So *et al.* (2015: 197) added that there are still unresolved questions regarding the value that is gained from membership in an LP in contrast to what is given up. Gómez *et al.* (2006: 388) contribute to the debate by questioning whether LPs serve to increase CL, rather than retaining customers who are already loyal. This opinion is shared by du Toit and Cant (2012: 1424) who propose that with LPs businesses are investing in customers who are probably already loyal, rather than those who are easily swayed by competitive offerings. Rowley (2005: 197) notes that loyalty to the programme might not be the same thing as loyalty to the store and as such questions arise as to the nature of loyalty.

However, despite arguments to the contrary, the general consensus in the literature is that LPs have a positive effect. Kang *et al.* (2015: 468) established that LPs do contribute towards both company loyalty and programme loyalty. This is explained though customer perceptions of value and benefits that can be obtained through an LP, resulting in loyalty towards the programme.

Bridson *et al.* (2008: 364) questioned the contribution of LPs to CL as well as what one's definition of loyalty would be in this context. The question is whether one is talking of repeat behaviour or something deeper, namely, a commitment. This comment was extended to question what LPs are indeed capable of engendering. Are they merely tools in a business's arsenal of sales promotion equipment or are they capable of achieving 'something more'? Some argue that the proliferation of LPs is merely a matter of imitation and a fear of being left behind by competitors. These ideas are discussed in detail earlier in this chapter with a comparison of behavioural vs. attitudinal loyalty.

4.3.9.1 Loyalty Programmes, Rewards and Competitive Advantage

Some researchers suggest that LPs are being used selectively by customers in a promiscuous manner, switching from one programme to another as and when there is a deal or reward that suits them. From a RM point of view, this counteracts the objectives of securing loyal customers with rewards, causing the main objective of LPs to be ineffectual (Steinhoff and Palmatier 2014: 1). The reality is that LPs do not operate in isolation, but rather in a marketplace where various factors are involved. These factors include the nature of the programme itself, the target market or consumers, and the impact of competitive offerings. Other researchers contend that LPs have entered a stage of maturity where differentiation becomes difficult. For this reason, it is also important to focus on market segments and their needs in order to define what type of offering would have the right mix of differential advantages (McCall 2015: 7). Poorly conceptualised programmes become liabilities due to their costliness with a lack of corresponding revenue for the long-term, as customers might already be committed (Liu and Yang 2009: 90; Shugan 2005: 186). Customer relations consultant Aki Kalliatakis (Thomas 2013: 2) suggested that in order for an LP to develop CL, it needs to be distinct and offer benefits that outshine competitive offerings.

4.3.9.2 The Need for Additional Research

Rese *et al.* (2013: 306) stated that most research on LPs has not considered different programme designs, and that there is very little information available with regards to the different forms and their impact on programme objectives. They found this intriguing considering the obvious differences between programmes and outcomes. Smith and Sparks (2009b: 206) commented that LP design may play a role in redemption. Their research suggests that customers who do not redeem their rewards paid less visits to the retailer and spent less when they did.

Szczepańska and Gawron (2011: 101) cautioned that when LPs are poorly designed they create loyalty towards the programme rather than the business concerned. It is therefore important for businesses to carefully consider their approach towards LP development, by taking into account other offerings that are being run as well as consumers' needs and desires. Some suggest that although LPs are a popular marketing technique, many of them do not achieve the intended objectives, with many reasons for failure. The marketing cynic believes that LPs only function by rewarding customers for their cooperation in the supply of information on their buying behaviour (Bridson *et al.* 2008: 364).

What arises from this debate is not a need to put a stop to LPs, but rather a need to continue to interrogate LPs in order to understand them better, and understand how they work in customers' minds. Loyalty programmes are expensive to launch and run and are also long term projects, hence they should not be taken lightly, but rather launched after much consideration. Thus, there is great potential for further research; although many studies have been carried out, there are still questions that arise regarding the effectiveness of LPs, programme design and their suitability with respect to particular consumer characteristics (Winters and Ha 2012: 379).

4.4 HYPOTHESES DEVELOPMENT

This study was designed to analyse various perceived benefits contained within LP rewards and how they might nurture RQ and CL between various groups of consumers and retailers that are involved with an LP. The discussion that has taken place in this chapter underpins the second objective of the study which is to determine any links that might occur between perceived benefits obtained from various LP rewards (consumeristic, altruistic, egoistic), and loyalty towards the retailer. Therefore, based on the preceding literature, the following hypotheses were developed in order to fulfil the second objective of the study:

Objective 2: To determine which perceived benefits, gained from different types of loyalty programmes, are preferable for retailers in building loyalty.

H4 Perceived consumeristic benefits from loyalty programmes have a positive relationship with customer loyalty.

H8 Perceived altruistic benefits from loyalty programmes have a positive relationship with customer loyalty.

H12 Perceived egoistic benefits from loyalty programmes have a positive relationship with customer loyalty.

4.5 CONCLUSION

This chapter began by focusing on CL which is one of the dependent variables of this research study. It initially outlined the meaning of loyalty, as well as various definitions which have a bearing on this topic. The two main aspects of CL, namely behavioural and attitudinal loyalty, are explained, as well as the reasons for the division along with suggestions for the measurement of these variables. The benefits of loyal customers are described, along with the identification of various areas to which loyalty can be directed.

Past research that is relevant to this study has been outlined, along with a summary of the on-going debate on LPs and their contribution to CL and RQ. This literature review identifies that there is still room for research on LPs as well as the inherent benefits in the rewards and how they are perceived. Finally, the hypotheses that are connected with the second objective and underpinned by this chapter are outlined.

Chapter 5 will describe the methodology that will be employed in this research, and will discuss the research methods that were employed to collect the qualitative and quantitative data necessary to resolve the research objectives and hypotheses. The development of the research tools will be explained, including sampling and data analysis methods. Any issues and methods that were used in order to address reliability and validity will be outlined.

CHAPTER 5 : RESEARCH METHODOLOGY AND DESIGN

5.1 INTRODUCTION

Previous chapters identified the variables in this study and discussed the theoretical framework that underpinned it. This chapter describes the research design that enabled the required data to be collected and analysed in a way that enabled the researcher to obtain answers to the problem. The research methods used to collect the qualitative and quantitative data and the statistical and analytical techniques are presented. Issues of reliability and validity are addressed.

The methodology used was appropriate for the purpose of addressing the following objectives and sub-objectives:

Objective 1

To determine how the perception of benefits gained from different types of loyalty programmes contributes towards relationship quality.

Sub-objectives related to Objective 1

- To determine the extent to which perceived consumeristic benefits from loyalty programmes build trust, satisfaction and commitment.
- To determine the extent to which perceived altruistic benefits from loyalty programmes build trust, satisfaction and commitment.
- To determine the extent to which perceived egoistic benefits from loyalty programmes build trust, satisfaction and commitment.

Objective 2

To determine which perceived benefits, gained from different types of loyalty programmes, are preferable for retailers in building loyalty.

Sub-objectives related to Objective 2

- To determine the extent to which perceived consumeristic benefits from loyalty programmes build loyalty.
- To determine the extent to which perceived altruistic benefits from loyalty programmes build loyalty.
- To determine the extent to which perceived egoistic benefits from loyalty programmes build loyalty.

Objective 3

To establish whether any of the above differ when various socio-demographic variables are applied.

Objective 4

To propose a framework that describes the relationship that develops between consumers and FMCG retailers when an LP is included.

The objectives resulted in a number of hypotheses being proposed for Objectives 1 and 2. No hypotheses were proposed for Objectives 3 and 4. Table 5.1 illustrates how the hypotheses were derived from the objectives and sub-objectives.

Table 5.1: Objectives and hypotheses

Objectives	Sub-objectives	Hypotheses
Objective 1: To determine how the perception of benefits gained from different types of loyalty programmes contributes towards relationship quality.	To determine the extent to which perceived consumeristic benefits from loyalty programmes build trust, satisfaction and commitment.	H1 Perceived consumeristic benefits from loyalty programmes have a positive relationship with customer trust.
		H2 Perceived consumeristic benefits from loyalty programmes have a positive relationship with customer satisfaction.
		H3 Perceived consumeristic benefits from loyalty programmes have a positive relationship with customer commitment.
	To determine the extent to which perceived altruistic benefits from loyalty programmes build trust, satisfaction and commitment.	H5 Perceived altruistic benefits from loyalty programmes have a positive relationship with customer trust.
		H6 Perceived altruistic benefits from loyalty programmes have a positive relationship with customer satisfaction.
		H7 Perceived altruistic benefits from loyalty programmes have a positive relationship with customer commitment.
	To determine the extent to which perceived egoistic benefits from loyalty programmes build trust, satisfaction and commitment.	H9 Perceived egoistic benefits from loyalty programmes have a positive relationship with customer trust.
		H10 Perceived egoistic benefits from loyalty programmes have a positive relationship with customer satisfaction.
		H11 Perceived egoistic benefits from loyalty programmes have a positive relationship with customer commitment.
Objective 2: To determine which perceived benefits, gained from different types of loyalty programmes, are preferable for retailers in building loyalty.	To determine the extent to which perceived consumeristic benefits from loyalty programmes build loyalty.	H4 Perceived consumeristic benefits from loyalty programmes have a positive relationship with customer loyalty.
	To determine the extent to which perceived altruistic benefits from loyalty programmes build loyalty.	H8 Perceived altruistic benefits from loyalty programmes have a positive relationship with customer loyalty.
	To determine the extent to which perceived egoistic benefits from loyalty programmes build loyalty.	H12 Perceived egoistic benefits from loyalty programmes have a positive relationship with customer loyalty.

5.2 RESEARCH PARADIGM AND DESIGN

The epistemology and ontology for the study are outlined as well as the reasons for choosing them. The research design, which outlines the methods for respondent selection, along with the techniques that were used to obtain information from them, will follow. The selected approaches prescribed the way in which conclusions were reached about the research problem.

5.2.1 Research Paradigm

Epistemology is an inquiry about knowledge and the way in which its validity can be tested (Davies 2007: 236). The epistemological viewpoint for this study was a positivist one with a deductive approach. Positivism is mainly focused on objective methods involving the collection of quantitative information. This paradigm was decided upon given that the main objective of this study was to explain the causal relationships between the independent and dependent variables within the model and to understand how they could have contributed towards respondents' attitudes and behaviour.

A deductive approach involves the researcher arriving at (deducing) a number of hypotheses based on their knowledge of a particular theoretical domain and then subjecting them to empirical scrutiny. The hypotheses drive the process of data collection clearly and logically (Bryman and Bell 2011: 11).

The ontology can be described as pragmatic. A mixed-method study bases its knowledge on pragmatic grounds. Pragmatism involves understanding a real-world situation rather than an artificial or experimental scenario or even the seeking of a universal truth. Pragmatism arises from the need to focus on the research problem rather than a specific approach; a number of approaches can be used in order to make sense of the problem (Cresswell 2014: 10). For example, a hypothetical-deductive quantitative approach based on logic and previous reasoning is appropriate with constructs that have already been defined. Objectives and hypotheses are developed before beginning data collection. A number of important points on pragmatism that apply to this particular study are listed by Cresswell (2014: 11):

- Pragmatism does not rely on one particular system, but rather draws from quantitative and qualitative methods to solve a research problem.
- Researchers can select whichever methods, techniques and procedures that will serve the purpose.
- The important thing is to understand the research problem in the best possible way.
- Intended consequences are important. There needs to be a reason for the mixing of methods.
- Finally, “pragmatism opens the door to multiple methods, different worldviews and different assumptions, as well as different forms of data collection and analysis” (Cresswell 2014: 11).

5.2.2 Research Design

This study was conducted by means of an exploratory sequential mixed methods approach which begins with qualitative data collection and analysis and proceeds to quantitative data collection and analysis as depicted in Figure 5.1. A mixed methods design is most useful when each separate method on its own is insufficient to do justice to the research problem (Cresswell 2014: 20). A combination of qualitative and quantitative methods, on the other hand, are more able to provide a more complete understanding. In the current study, the qualitative aspect was conducted in order to explore the phenomena first before deciding on what variables to use and then studying them with respect to a specific sample. The qualitative section of the study acted as a support mechanism for the quantitative section. According to Kvale and Brinkmann (2009: 117), different methods can be used to answer different questions with qualitative method answering the question of “what”, while the quantitative method answers the question of “how much”.

5.3 RESEARCH PHASES

Primary information was gathered in two phases. The first phase was a qualitative phase consisting of two steps. This phase was used to inform the structured questionnaire, along with information gathered from the literature review. The second

phase was a quantitative phase where data was gathered by means of an on-line survey implemented via a consumer database. Data was analysed making use of appropriate descriptive and inferential statistical techniques.

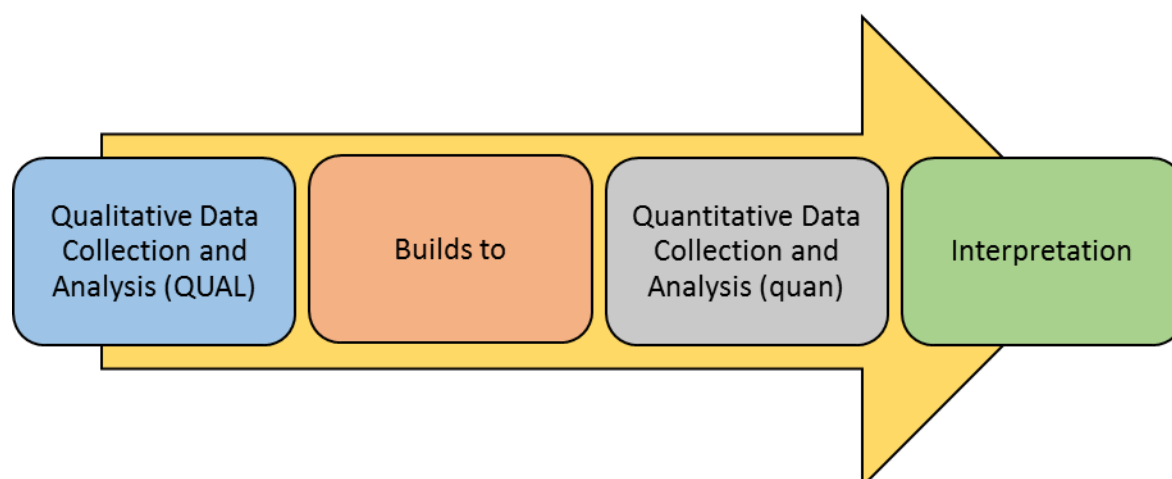


Figure 5.1: Exploratory sequential mixed methods design

Source: Cresswell 2014: 220

5.3.1 Qualitative / Exploratory Phase

Qualitative research was undertaken in order to understand the information that lay beneath the problem. According to Birn (2000: xxi) a researcher should not necessarily view quantitative research as a standalone technique, but rather make use of qualitative techniques first in order to get a sense of people's attitudes and opinions, before a final decision is made of what is to be measured.

The qualitative phase was made up of two sections. Section 2 gathered qualitative information by means of two focus groups made up of card-holding consumers. The focus groups sought to establish attitudes and opinions regarding various forms of LPs, their reward systems, and the retailers that are connected with the programmes. Section 2 of the qualitative phase consisted of personal interviews conducted with two senior representatives from well-known retailers who offer LPs in the FMCG sector. These interviews sought to establish additional details on the types of programmes they offer, as well as their attitudes and opinions on the objectives and results of their offerings.

5.3.1.1 Section 1 – Focus Groups

A focus group is a discussion group with an objective moderator that introduces the topic to the group and leads discussion in a manner that is both non-structured and normal. The idea of a focus group is that the emphasis is on the ensuing discussion within the group, rather than contribution from the interviewer (Wiid and Diggines 2013: 90). They are helpful to generate insight and to decide how best to carry out additional research.

In this study, focus groups were used to discover issues that might be important to include in the questionnaire, uncovering how potential respondents thought, felt and talked about the subject, and also to get an understanding of how people might react towards the survey (Blair, Czaja and Blair 2014: 4). According to Barbour (2014: 137), focus groups are useful to address topics that individual respondents might not have given much attention to under normal circumstances. Group discussions provided by focus groups take the pressure off an individual who is now not expected to answer every question themselves. The moderator can fade into the background while the exchange of information takes place, drawing participants back to the topic under discussion when necessary. Focus groups are not costly and can usually provide good, dependable data within a short period of time (Sekaran and Bougie 2010: 181).

The information gained from the focus group assisted in the facilitation of the design of the questionnaire which was used in the quantitative phase of the research (Stewart and Shamdasani 2015: 46). This section of the study directed at LP members assisted in generating insight into members' understanding of how they perceived the benefits that they receive when belonging to an LP.

- ***Sampling and recruitment for the focus groups***

The population from which the focus group participants were drawn is defined as all members of FMCG LPs in eThekweni, which is the term for the region within which the city of Durban is situated in South Africa. The population was delineated to this area for convenience purposes as sampling for this stage was a non-probability method where members of the population did not have a known probability of being

selected. The nonprobability method used was convenience sampling where candidates were selected that were willing and available to participate (Sekaran and Bougie 2010: 276). According to Stewart and Shamdasani (2015: 60), convenience sampling is the most frequently used method to obtain members for a focus group. It saves time and money, but still incorporates the necessity of considering the characteristics of the group.

Members were recruited by email from a mixture of staff members at the university, acquaintances and business associates. The only requirement was that participants had to be a member of an LP. Each focus group was made up of 6-10 members. Two groups were held. As focus group results do not necessarily need to apply to the greater population, this method is considered satisfactory (Zikmund and Babin 2010: 153).

- ***The focus group process***

Two focus groups were held in Durban at a local coffee shop that had a separate meeting room that ensured there were no disturbances. Participants were asked to arrive half an hour before the scheduled time, to ensure that the session would begin on time. Participants were invited to partake in refreshments. Stewart and Shamdasani (2015: 62) recommend the provision of eats as both an incentive and a way to settle down participants.

Each participant was required to complete a demographic form. This included their membership details of any FMCG LPs. Before the group begun, the moderator went through a list of basic 'rules' in order to ensure the smooth running of the group. A moderator ran the session and was assisted by an observer who made notes as the discussion took place.

Each session was audio recorded. The audio recording was transcribed word for word into text. Each individual was asked to state their name before they spoke (this was included in the transcription in the form of initials to maintain confidentiality) to assist with any additional requests for information that might arise. Each member of the focus group was emailed a transcribed copy of the session and invited to comment on any

statement attributed to themselves, in order to establish validity and avoid any ethical issues that could arise.

Discussions explored customer's perceptions of loyalty cards and the relationship between themselves and the retailer that accepted the card. The focus group discussions were conducted according to a pre-designed guide (Appendix A2.1) which was structured in such a way that the moderator was able to interrogate the main issues under study, while still allowing respondents to raise their opinions without any interruption from the moderator (Wel, *et al.* 2011: 6430). The moderator was also responsible for ensuring that everyone had an equal chance of participating in the conversation, so preventing any particular individual from dominating the discussion (Berndt and Petzer 2011: 92). The expectation was that the focus group sessions would result in responses that were both unstructured and spontaneous in order for respondents' genuine feelings and opinions on the topic to be elicited. Each group lasted about 75 minutes.

5.3.1.2 Section 2 – Retailer Interviews

This section consisted of interviewing two senior staff members from the LP division of prominent retailers in order to establish further details on the programmes they are offering within the South African FMCG sector.

An interview is a conversation that has a structure and a purpose. It goes beyond the spontaneous exchange of views in everyday conversations, and becomes a careful questioning and listening approach with the purpose of obtaining thoroughly tested knowledge. The research interview is not a conversation between equal partners, because the researcher defines and controls the situation. (Kvale and Brinkmann 2009: 3)

The interviewer expected to gain qualitative knowledge in everyday language, rather than numerical measurements.

- ***Sampling and recruitment for interviews***

The population from which the interview sample was drawn was defined as all managers within LP departments in major FMCG retailers in South Africa. Sampling for this group was also a non-probability method, but based on judgement which is a purposive sampling method (Zikmund and Babin 2010: 424). This method describes the selection of candidates who are most well placed to provide the information that is required (Sekaran and Bougie 2010: 277).

Participants were recruited by means of a personal request via e-mail, once the correct individuals who were also willing participants were identified. Two respondents were approached that held high positions in the LP divisions of two of the largest and most popular LPs in the South African FMCG sector. Retailers were requested to supply the researcher with any details such as brochures, links and notes that they might be prepared to share prior to the interview. This pre-emptive step assisted the interviewer to be better informed, so that the retailer's time was not wasted through arbitrary questions that could have been answered in other ways. Interviews were therefore used to explore in-depth topics, including attitudes and other intangible topics that cannot be spelt out in a brochure or web-site.

- ***The interview process***

The interviews could be classified as semi-structured as they were not based on a regular conversation or a closed questionnaire. The interviews involved the use of an interview guide that identified certain themes, along with suggested questions (Appendix A2.2). According to Wiid and Diggins (2013: 95), in-depth interviews are fairly unstructured interviews where the interviewer uses the opportunity to ask probing questions that elicit detailed answers. Questions are not necessarily predetermined and are allowed to develop as the conversation ensues. However, it is important for the interviewer to be as structured and efficient as is possible, guiding the respondent back to the theme wherever necessary.

The interviews were audio recorded and transcribed to a text format for analysis. Transcribed notes were returned to each candidate for final comment before being incorporated into the study.

5.3.2 Validity of the Qualitative Phase

Validity in qualitative research is used to establish whether the findings are authentic with respect to the researcher, the participant and/or the reader (Cresswell 2014: 201). Guba (1981: 79) discusses ‘trustworthiness’ and the various concerns that should be addressed in order to establish this, namely truth value, applicability, consistency, and neutrality. Cresswell (2014: 201) and Guba (1981: 79-81) identified a number of methods by which the above concerns can be addressed. These are listed in Table 5.2, along with the naturalistic term that is used to describe each aspect.

Table 5.2: Criteria and methods to ensure trustworthiness

ASPECT	NATURALISTIC TERM	METHOD
TRUTH VALUE	Credibility	Member checks. Taking the final report back to participants to establish their agreement on the accuracy of the findings. Triangulation. Check evidence from different sources and verify. This will include the quantitative data. Peer debriefing. Approach other academics who are willing to question and discuss. Discussion of any negative or contrary information improves credibility.
APPLICABILITY	Transferability	Use description that is rich and thick and will take readers to the scene.
CONSISTENCY	Dependability	Code-recode procedure. Coding and then repeating the procedure two weeks later.
NEUTRALITY	Confirmability	Ensure objectivity. Reflect on any possible bias and remove it if evident.

Source: Adapted from: Cresswell 2003: 201-203; Guba 1981: 80

Methods that were used in this study included member checks and peer debriefing. Member checks were used for both the focus groups and the interviews. Transcribed focus group reports and interviews were returned to participants to check and pass comment as appropriate on text attributed to themselves. Most participants indicated satisfaction, bar a few minor grammatical alterations. In addition, one of the interviewees added a few notes, where the recording had been inaudible to the

transcriber. Peer debriefing was held with the moderator after each focus group as well as fellow academics, once the material was written up. This helped to ensure credibility.

Objectivity was ensured by including both a moderator and an interviewer in the focus groups. An external individual was also used to transcribe the audio material, for both focus groups and interviews to remove any possible bias. Material was examined and written up more than once, and tables were used to summarise and categorise statements. All of this was carried out in order to ensure the validity of the qualitative material.

5.4 QUANTITATIVE / DESCRIPTIVE PHASE

Quantitative methods make use of hypotheses which are proposed and then tested (Leedy 1993: 143). The quantitative measurements obtained from the tests were used to make generalisations based on the representativeness of the sample and how valid the design is (Cooper and Schindler 2001: 137). A survey questionnaire was used to collect data for the last phase of the study. Questions were designed to collect quantitative data only.

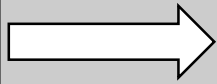
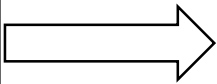
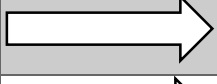
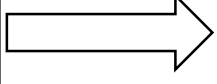
5.4.1 The Quantitative Sample

The procedure in which the correct individuals are selected for a study is known as sampling (Sekaran and Bougie 2010: 262). The reasons for making use of a sample include saving costs, obtaining accurate results and faster collection of data (Cooper and Schindler 2001: 163). The description for the sample for this study is outlined in Table 5.3.

The structured questionnaire was administered on the internet to a sample comprising members of a consumer database. This database is made up of economically active upmarket consumers in South Africa which covers the demographic description of most members of LPs. Participants were randomly selected from the sample frame, which means that each member of the database had an equal chance of being

selected. This type of sampling can be described as probability sampling (Gillham 2005: 18). The advantage of making use of a database is that it is more economical in terms of time and budget. Furthermore, it is a solution to the problem of accessing a large and widely dispersed subject population (Locke, Spirduso and Silverman 2007: 298).

Table 5.3: Target population, sample units, sample elements and actual sample size of the study

CONSUMERS WHO HOLD MEMBERSHIP IN FMCG LOYALTY PROGRAMMES		
Target population		All members of FMCG loyalty programmes in South Africa
Sample Units		Consumer database of economically active consumers in South Africa
Sampling elements		Members of the consumer database who hold membership in FMCG loyalty programmes
Actual sample size		559 completed relies were received

Sekaran and Bougie (2010: 296) stated that too large (over 500) a sample size can be problematic, suggesting a sufficient sample size for a population of 75 000 to 1 000 000 to be 384. This accords with the generalised scientific guidelines that ensure a good decision model as prescribed by Kejcie and Morgan (1970) in Sekaran and Bougie (2010: 295/6). Welman and Kruger (2000: 64) also advised that it is not necessary to work with a sample that is larger than 500, no matter how high the population numbers are. A sample size of at least 500 participants was the objective of this research, in order to accommodate those who answered the questionnaire, but did not belong to an LP. In the end 559 replies were received, which was very satisfactory. As data was being collected on a large number of variables and multivariate techniques were being employed, it was considered wise to tend towards the upper end of the recommended sample size (Malhotra and Birks 2007: 338).

5.4.2 The Quantitative Instrument

The questionnaire was made up of groups of questions designed to collect responses for both independent and dependent variables. Items were based on results from the qualitative research as well as from the literature review. There was also a set of questions designed to collect information on consumer characteristics according to their LP membership as well as their demographic details.

5.4.2.1 Derivation of the Instrument

Initially, the questionnaire was designed as part of the proposal process. However, this proved to be only the starting point for the design of the questionnaire, as the final questionnaire had evolved considerably by the time it was made available to respondents. The qualitative part of the study assisted in providing information as to customers' attitudes and opinions on perceived benefits obtained from LP's. However, most questions were eventually obtained from previously tested and validated questions from the literature. These were selected through a rigorous process, and adapted where necessary to suit the current questionnaire.

Adjustments were also made in order to accommodate SEM. The initial questionnaire did not allow for this in every category. In order to achieve the necessary requirements, independent variables were presented in the form of groups of statements designed to measure respondents' perceptions of the benefits that they receive from their LP in the form of a Likert scale. Similar groups of statements were used to measure the dependent variables that make up RQ and CL. Because most of the statements were obtained from past research, they had already been found to be reliable.

A table was created where questions from previous studies were divided into categories based on the critical areas to be included in this study (see Appendix A3.4). These were as follows:

1. Statements pertaining to perceived benefits obtained by customers when participating in an LP (consumeristic, altruistic and egoistic).

2. Statements pertaining to relationship quality – satisfaction, trust and commitment (all towards the retailer).
3. Statements pertaining to CL towards the retailer – attitudinal and behavioural.

An elimination process took place as statements were evaluated for duplication and similarities. Colour coding was used to identify relevant statements and categories. Questions that were regularly used were also noted, in particular those used by well cited authors. Consideration was then given to making use of one particular researcher's questions for a specific category.

The researcher noted that statements for loyalty and commitment were very similar. As the literature clearly indicated that commitment is very closely related to attitudinal loyalty, the researcher decided to confine commitment statements to those that applied to commitment and attitudinal loyalty, and so focus on behavioural loyalty for the loyalty section. The measurement of an attitude can require a number of statements that are similar to each other. Internal consistency of these items was later established by running an exploratory factor analysis to establish reliability and identify the best and most useful statements.

The final questionnaire (Appendix A3.1) was a result of at least five versions of the initial proposed questionnaire. By this stage it had been substantially altered, and had been subjected to a rigorous process in order to get to the final stage.

5.4.2.2 The Likert Scale

A Likert scale is one of the most common response formats used in marketing research. Respondents are offered a number of carefully considered attitudinal statements and asked to indicate how strongly they agree or disagree. The scores are then computed in order to obtain a total score in order to measure the various attitudes of the respondent towards the objects being researched (Wiid and Diggins 2013: 159).

In this study, statements used to measure the independent variables of perceived benefits, as well as those used to measure trust, satisfaction, commitment, and loyalty, were rated on a seven point Likert scale, ranging from (1) strongly disagree, through to (7) for strongly agree. Seven points gives the respondent sufficient points to choose from, giving them the option to select their ideal alternative (Joshi, Kale, Chandel and Pal 2015: 398).

5.4.2.3 Structure of Questionnaire

It was important to get questions into an order that was both logical and maintained respondents' interest, without intimidating them. The structure of the questionnaire and how it was arrived at follows.

Section A began with an initial question designed to exclude those respondents that did not belong to an LP connected to a FMCG retailer, preventing them from attempting a questionnaire that was not relevant to them. A short list of questions was designed in order to establish why they had not joined an LP. These questions were derived from the literature, the focus groups and the interviews with the retailers. They were then directed to the demographic set of questions (section C) and after that, thanked for their participation and asked to submit the questionnaire.

Those that stated that they did indeed belong to an LP were directed to section B. Section B gathered information on the respondents' LP details, as well as their beliefs and attitudes with respect to one of their LPs. The questions in section B were structured as follows:

- Question 2 was designed to capture details of the LPs that respondents belonged to (this was a prompted question).
- Question 3 was designed to gather more focused information on a specific LP. Each respondent was invited to choose a particular LP attached to a FMCG retailer in South Africa that they belonged to. Once that was decided, all questions answered were focused on that particular LP.
- Question 4 was designed to establish respondents' perceptions of the benefits that they received from their LP of choice. A number of statements were selected from the literature to measure these perceptions, as described in this

chapter. Statements were listed pertaining to altruistic, egoistic and consumeristic perceptions as discussed in the literature review. These are listed in Table 5.2.

- Questions 5, 6 and 7 collected data relating to the RQ between the respondent and the retailer. Relationship quality is divided into the three main constructs that make up the concept, namely, satisfaction, trust, and commitment. Items were made up of reliable statements adopted from previous studies related to RQ. These are listed in Table 5.3.
- Question 8 collected data that related to the customers' loyalty towards the retailer concerned. Items were made up of reliable statements adopted from previous studies related to behavioural loyalty.

When participants were finished with section B they were directed to section C which deals with demographic data. In order to gain more insight into the respondents, a number of demographic questions were asked. Section C gathered the details on each individual's demographic profile. These details were also necessary for Objective 3. Demographic questions were placed at the end of the questionnaire (Section C). After completing section C respondents were thanked for their participation and asked to submit the questionnaire.

5.4.2.4 The Pilot Study

A pilot study is a smaller version of the final research project in order to see if the questionnaire will work as intended. Pilot studies are critical for research in order to reduce the risk of sending out a questionnaire that is flawed (Zikmund and Babin 2010: 61).

The final items for this study were arrived at by considering a large number of statements (as previously described), checking for reliability and finally subjecting the selected items to a pilot study. This took place by sending a pilot study to approximately 30 individuals. Some were laypersons whilst others were deemed to be specialists through their credentials and experience within the field of research. The objective of the pilot was to test how appropriate the questions were as well as to

establish if there were any ambiguities or grammatical errors. Conducting a pilot study helps to prevent bias when the final questionnaire is sent out (Sekaran and Bougie 2010: 210).

Respondents evaluated the items for content and face validity. Fifteen responses were received and a number of suggestions and comments were made. All items were discussed with supervisors, the statistician and research support team. Any items that were found to be ambiguous or superfluous were removed. Appendix A3.5 contains a copy of the comments that were made during this process. Respondents marked with asterisks were deemed to be experts in their respective fields of research. Comments in response to statements are delineated in red italics.

The questionnaire was also discussed at length with the predetermined statistician, as well as the director of the research company that was facilitating the use of the database. Once the comments from the pilot study were viewed, the questionnaire was checked once more and a final list of adjustments was made. Statements that were finally used to measure perceptions and attitudes can be viewed in Tables 5.3 (perceptions of benefits) and 5.4 (RQ). These are listed, along with the sources and reliability measures. Reliable statistics for the altruistic section were not easily available and as such, statements from the literature were used, along with evidence that was gained from the focus groups.

Table 5.4: Statements for perceptions of benefits – sources and reliability measure

Perceived Benefit	Statement	Source	α
Consumeristic	4.1 I am able to save money	Mimouni-Chaabane & Volle 2010: 33	0.87
		Omar <i>et al.</i> 2015: 151	0.92
	4.2 I spend less	Mimouni-Chaabane & Volle 2010: 33	0.87
		Omar <i>et al.</i> 2015: 151	0.92
	4.3 I can accumulate reward points	Kreis & Mafael 2014: 599	0.81
	4.4 I can redeem rewards	Kreis & Mafael 2014: 599	0.81
	4.5 I can get better prices than some customers	Kreis & Mafael 2014: 599	0.79
	4.6 I feel that I am getting good deals.	Kreis & Mafael 2014: 599	0.79
	4.7 I feel that I am getting good value	Winters & Ha 2012: 378	0.94
	4.8 I get cash back	Focus Group	
	4.9 I get prizes and gifts	Focus Group	
	4.10 I get discounts or special deals that non-members don't get	Kreis & Mafael 2014: 599	0.79
Altruistic	4.11 I can help others	Focus Group	
	4.12 I can contribute to social good	Feiler <i>et al.</i> 2012	
	4.13 I can give back to the community	Amos <i>et al.</i> 2015: 361.	0.87
	4.14 I can help a good cause	Amos <i>et al.</i> 2015: 361	0.87
	4.15 I can be socially responsible	Focus Group	
	4.16 I can help those less fortunate	White & Peloza 2009: 113	0.70
	4.17 I can help to make the community a better place for everyone	White & Peloza 2009: 113	0.70
Egoistic	4.18 I can improve my own well-being	Mimouni-Chaabane & Volle 2010: 33.	0.88
	4.19 I'm treated with more respect	Mimouni-Chaabane & Volle 2010: 33	0.88
	4.20 It makes me feel good	Kreis & Mafael 2014: 599	0.81
	4.21 I get recognition for my purchase decision	Kreis & Mafael 2014: 599	0.71
	4.22 I get rewarded for my investment in this relationship	Mimouni-Chaabane & Volle 2010: 33	0.96
	4.23. The retailer takes better care of me	Mimouni-Chaabane & Volle 2010: 33.	0.88
	4.24 I feel more distinguished than other customers	Mimouni-Chaabane & Volle 2010: 33.	0.88
	4.25 I belong to a community of people who share the same values	Mimouni-Chaabane & Volle 2010: 33.	0.88
	4.26 This LP makes me feel special	Kreis and Mafael 2014: 599	0.81
	4.27 Doing the right thing makes me feel self-satisfied	Focus Group	

Table 5.5: Statements for relationship quality – sources and reliability measure

RQ	Statement	Source	α
Trust	5.1 I trust this retailer	Mimouni-Chaabane & Volle 2010: 37	0.95
	5.2 I think that this retailer acts in my best interests	Garcia-Gomez 2012: 555	0.78
	5.3 This retailer is honest	Garcia-Gomez 2012: 555	0.78
	5.4 This retailer usually keeps its promises	Vesel & Zabkar 2010	0.82
	5.5 This retailer is just as concerned with my welfare as it is in making a profit	Garcia-Gomez 2012: 555	0.78
	5.6 Whenever the retailer advises me of any issue, I know that they are making use of their best judgement	Vesel & Zabkar 2010: 235	0.82
	5.7 I have confidence in this retailer	Liu 2011: 74	0.90
Satisfaction	6.1 As a regular customer, I have a high quality relationship with this retailer	Mimouni-Chaabane & Volle 2010: 37	0.95
	6.2 I am happy with the efforts that this retailer is making with customers like myself	Mimouni-Chaabane & Volle 2010: 37	0.95
	6.3 I am satisfied with the relationship I have with this retailer	Mimouni-Chaabane & Volle 2010: 37	0.95
	6.4 I am satisfied with my decision to purchase from this retailer	Vesel & Zabkar 2010: 235	0.82
	6.5 I get exactly what I need from this retailer.		0.82
	6.6 This retailer meets my expectations	Mägi 2003: 105 (adapted)	0.84
	6.7 This retailer is close to my ideal	Mägi 2003: 105 (adapted)	0.84
	6.8 Buying from this retailer has been one of my best decisions	Vesel & Zabkar 2009: 401	0.90
	6.9 I have enjoyed purchasing from this retailer		0.90
Commitment	7.1 I am interested in the success of this retailer	Mimouni-Chaabane & Volle 2010	0.95
	7.2 I keep buying from this retailer because I appreciate it		0.95
	7.3 I feel committed to this retailer	Evanschitzky <i>et al.</i> 2011: 7	0.867
	7.4 I am willing to put in extra effort to buy from this retailer	Evanschitzky <i>et al.</i> 2011: 7	0.867
	7.5 I feel emotionally attached to this retailer.	Melancon <i>et al.</i> 2010	0.90
	7.6 I have a strong sense of identification with this retailer	Melancon <i>et al.</i> 2010	0.90
	7.7 Regardless of competitors' offers, I will always shop at this retailer	Bridson <i>et al.</i> 2008	0.82
	7.8 I would never consider switching to another retailer	Bridson <i>et al.</i> 2008	0.82
	7.9 I always choose this retailer over others	Bridson <i>et al.</i> 2008: 372	0.82
	7.10 It would be very difficult for me to stop buying from this retailer right now, even if I wanted to	Vesel & Zabkar 2010: 223	0.80
	7.11 I feel like part of the family with this retailer	Melancon <i>et al.</i> 2010	0.90
Loyalty	8.1 I consider myself a regular customer of this retailer	Bridson <i>et al.</i> 2008: 372	0.89
	8.2 I consider myself loyal towards this retailer	Bridson <i>et al.</i> 2008: 372	0.89

	8.3 This retailer is my first choice when it comes to purchasing in the category of goods it represents	Bridson <i>et al.</i> 2008: 372	0.89
	8.4 I will continue to do business with this retailer in the future	Bridson <i>et al.</i> 2008: 372	0.89
	8.5 I find myself consistently buying from this retailer	Bridson <i>et al.</i> 2008: 372	0.89
	8.6 I make most of my FMCG purchases from this retailer	Bridson <i>et al.</i> 2008: 372	0.89
	8.7 I often recommend this retailer to those who seek advice	Bridson <i>et al.</i> 2008: 372	0.90
	8.8 I often find myself telling people about the positive experiences I have had with this retailer	Bridson <i>et al.</i> 2008: 372	0.90
	8.9 Because of my experiences I try to convince friends, family and colleagues to switch to this retailer	Bridson <i>et al.</i> 2008: 372	0.90

5.4.3 The Data Collection Process

Data was collected by means of a web survey with the support of a marketing research firm that had access to a consumer database. This method has a number of benefits that are not available with other methods. Those that were relevant to this particular study included being able to reach a geographic and demographically diverse number of respondents in a short period of time at lower cost (Sekaran and Bougie 2010: 213). With this method, respondents can be more honest, a bigger audience can be reached, messages can be personalised and administration costs of stationary, postage and the facilitation of data collection are all eliminated (Zikmund and Babin 2010: 231). In addition, the South African mailing system is not as reliable as it should be, and due to the escalation in crime, shopping centres are more apprehensive of allowing data collection to take place within their properties.

Furthermore, interviewer and social desirability bias is prevented, where the respondent attempts to please the interviewer, as there is no communication between the interviewer and the respondent. There is also no chance of interviewer error due to poor audibility and/or transcription errors.

Technically, the computer-to-computer nature of a survey on the internet allows answers to be directly captured with each submission. This eliminates the chance of errors. The software also allows for reminders to be sent. The software arranged for certain questions to be randomised in order to prevent answers from being biased due

to the order of questions. Another advantage is that instructions to 'skip' certain sections when a certain answer is given can be programmed into the questionnaire, preventing confusion for respondents (Sekaran and Bougie 2010: 196).

The email requested their voluntary participation in the research. Invitations contained a link to a web address where the questionnaire was available for completion. In addition, a link to the charity was displayed that would receive a R5 donation for every completed form received. This charity was a child and youth care centre in Kwa Zulu-Natal. A sample of the email letter can be found in Appendix A3.3. The researchers' contact details were included in the email so that authenticity could be checked if so desired. A number of potential respondents did phone or email to check as to the genuine nature of the survey. Most of them were satisfied with the explanation that they received and indicated that they would participate after that.

The opening paragraphs of the questionnaire outlined the research topic, and the terms 'loyalty programme' and 'fast moving consumer goods' were defined. The questionnaire then proceeded as previously explained.

Email letters were sent to 5000 people per day in the database for eleven days. Total responses amounted to 1944. However, only 559 responses were completed, leaving an amount of 1385 incomplete responses with these people opting out prior to completion. It is possible that a large portion of these were intimidated by the demographic questions, in particular race and income, which appear to be of a sensitive nature for many.

5.5 VALIDITY AND RELIABILITY OF THE QUANTITATIVE PHASE

Reliability refers to how consistent a set of measurements within an instrument are, whilst validity describes how well a test measures what it is planned to measure (Wiid and Diggines 2013: 238; 241).

5.5.1 Validity

Before the questionnaire was made available to the sample, face validity was ensured by selecting scale items that had previously satisfied the requirements of measuring the construct that they were intended to measure. Once the fieldwork was complete, exploratory factor analysis was carried out in order to decide if each individual question contributed towards the main constructs in the questionnaire in a valid and reliable manner, to ensure construct validity.

The content validity of a measuring instrument describes whether it adequately represents all the relevant items that are being studied (Sekaran and Bougie 2010: 158). Face validity checks whether the questions are clear and understandable. In order to test for these items, a pilot study was conducted. A number of research experts were consulted along the way to check the accuracy of the questionnaire. The pilot study was used to evaluate potential questions for both content and face validity after which any items that were seen to be unclear, unrepresentative or ambiguous were removed or altered, if deemed necessary. The questionnaire was also subjected to peer review, resulting in further changes.

5.5.2 Reliability

A measure is said to be reliable when various attempts at measuring it create a similar result (Zikmund and Babin 2010: 334). Reliable statements are assumed to be stable and consistent. The most popular test for reliability is Cronbach's coefficient alpha (α). This is used for multi-point scaled items (Sekaran and Bougie 2010: 157). A value of more than 0.8 is usually considered good, whilst 0.6 to 0.8 would be acceptable (Wiid and Diggines 2013: 238). Most of the questions that were used had already been tested for reliability and very few were finally included that exhibited a Cronbach's alpha measurement of less than 0.7. Statements that were to be used in the questionnaire, were examined in order to establish which ones were the most reliable. The table in Appendix A3.4 illustrates Cronbach's alpha scores for each statement that was taken into consideration for the questionnaire. Additional scores can be viewed in Tables 5.2 and 5.3 earlier in this chapter.

Although Cronbach's alpha was used to ensure reliability of questions, some of the questions and reliability measures belonged to a larger group of questions. Judgement calls were made and some questions were eliminated to avoid duplication. In addition, the pilot study also resulted in a number of questions being removed. As a result of this process, some of the groups were represented by less than the full quota of questions. Internal consistency of these items was later established by running an exploratory factor analysis to establish reliability and identify the best and most useful statements.

Cronbach's alpha was run on the measures for all the constructs used in the study. A value of > 0.7 was used as the guideline for reliability. All the constructs were found to be reliable, as can be viewed in Table 5.5.

Table 5.6: Reliability tests for relationship quality and loyalty constructs

CONSTRUCTS	CRONBACH'S ALPHA	N OF ITEMS
Consumeristic	0.897	6
Altruistic	0.973	7
Egoistic	0.887	4
Trust	0.949	7
Satisfaction	0.969	8
Commitment	0.959	10
Loyalty	0.939	5

5.5.3 Validity and Reliability for Structural Equation Model

Finally, validity and reliability tests were carried out on the constructs of the modified measurement model, which is used in the process of measuring relationships in the SEM. These tested the robustness and reliability of the scales, the factor loadings of the constructs, and how well the model fitted (Omar *et al.* 2015: 151). The figures for the final measurement model are reproduced in Table 5.5. It can be observed that all the Cronbach's alpha values exceed 0.7, as they range from 0.897 to 0.975.

Construct validity measured the extent to which construct indicators measure what they are intended to. Two methods were used for this process, namely, convergent and discriminant validity. Convergent validity shows that measures that are related to

the same construct are highly correlated. Discriminant validity should identify low correlations with measures of other factors, showing that they are indeed different. A sequence of modifications took place with the application of the SEM until reliability and validity were achieved. Table 5.6 demonstrates that convergent validity is established with $CR > AVE$ and $AVE > 0.5$, while discriminant validity is also apparent with AVE exceeding SV in each instance.

Table 5.7: Validity and reliability for the measurement model

CONSTRUCT	Cronbach's alpha (A)	Composite reliability (CR)	Average variance extracted (AVE)	CBEN	ABEN	TRST/SAT	COM	LOY
CBEN	.897	.892	.583	1				
ABEN	.973	.980	.839	.140	1			
TRST/SAT	.975	.974	.713	.563	.213	1		
COM	.955	.955	.701	.387	.213	.638	1	
LOY	.939	.937	.748	.364	.087	.638	.575	1

Note: CBEN (Consumeristic Benefits); ABEN (Altruistic Benefits); TRST/SAT (Trust / Satisfaction); LOY (Loyalty)

5.6 ETHICAL ISSUES RELATED TO THE RESEARCH

Ethical clearance was granted for this study from the Durban University of Technology's (DUT) ethics committee. Various ethical practices were particular for each phase. These will be outlined accordingly.

5.6.1 Ethical Issues Connected with the Qualitative Research

Ethical clearance was granted for this study by the DUT ethics committee. A number of ethical issues were taken into consideration for the qualitative phases. According to Harding (2013: 24) a researcher is morally responsible towards their respondents and future researchers to ensure that their study is conducted according to strict ethical standards. The methods that were used to address this responsibility are outlined below.

5.6.1.1 Focus Groups and Ethics

All members of the focus group were provided with a letter of information (Appendix A1.1) and informed consent at the beginning of the session (Appendix A1.2). The nature of the study was also clearly spelt out to them – both in the initial invite and again before the discussion began. This is important in order to ensure that no one felt that they have been coerced into participating (Harding 2013: 25). The candidates were informed that although the subject matter was not sensitive, anonymity would be guaranteed to the extent that no names would be attached to any statements that were given during discussion sessions. Each session was recorded. The reasons for recording was both explained to the candidates, and specified in the informed consent.

5.6.1.2 Interviews and Ethics

A signed permission letter was sought from the company providing the database prior to interviews taking place (Appendix A1.4). Participants in the interviews were provided with a letter of information and an informed consent form which was signed and returned to the researcher (Appendix A1.3). These documents provided the participants with information that detailed the main purpose of the interview as well as any details related to confidentiality and procedure. The informed consent document obtained the agreement of the participant, and also informed them of their right to terminate the interview at any stage. Both sets of participants were also told that they would be given access to a copy of the transcribed interview as well as the completed research should they so require. The interview was recorded, with the permission of the interviewee.

5.6.2 Ethical Issues Connected with the Quantitative Research

Permission was obtained from the research company to make use of the database. The letter to this effect also stating that the data is the property of the researcher and DUT (Appendix A3.6).

An email was sent to all potential respondents in the database, requesting their participation (Appendix A3.3). The email provided information on the nature of the research. Those receiving emails were clearly informed that they were not obliged to participate and were also allowed to withdraw from the study at any stage, with no fear of reprisal. Respondents had to click on a box in order to begin the survey, stating that they agreed to participate in the research (Appendix A3.2).

Respondents were reassured as to the anonymity of their responses. In addition, every effort was made to demonstrate the professionalism of the research to them by being transparent and honest about the purpose of the research and those connected with it. The research company's details were made available, along with the researcher's phone number and email address so that candidates were able to make contact for any reason connected with the research. A number of individuals did follow through, in order to query the authenticity of the research. Each request was answered assuring them that this was indeed authentic, thanking them for their interest and repeating that participation was entirely voluntary. Most of them agreed to participate once authenticity was established.

As there was an incentive of a donation to a charity that the researcher had chosen, the charity was also named and a hyperlink was attached to the charity's website, in order to establish authenticity (Appendix A3.3). The charity had been approached prior to the study taking place, and permission had been granted for them to be used in this way.

5.7 ANALYSIS OF THE RESEARCH

In the exploratory sequential mixed methods design two phases of analysis will have to take place. The findings from the initial qualitative exploratory database need to be analysed first and then used to build the instrument for the quantitative phase. Qualitative findings will be reported in Chapter 6, along with a discussion of how they were used in the development of the quantitative instrument. Data from the quantitative phase will be analysed making use of the appropriate descriptive and inferential statistic techniques in Chapter 7.

5.7.1 Analysis of the Qualitative Data

Transcripts were analysed by summarising and categorising statements according to themes. Categories were coded and placed in categories with the assistance of ATLAS.ti software. This information contributed towards the design of the structured questionnaire that was used in the quantitative phase.

5.7.2 Analysis of the Quantitative Data

The following tests were used in the analysis of the data:

- Descriptive statistics including means and standard deviations, where applicable. Frequencies are represented in tables or graphs.
- Chi-square goodness-of-fit-test. This is a univariate test used on a categorical variable to test whether any of the response options are selected significantly more/less often than others. Under the null hypothesis, it is assumed that all responses are equally selected.
- Regression analysis. Linear regression estimates the coefficients of the linear equation, involving one or more independent variables that best predict the value of the dependent variable.
- Binomial test. This tests whether a significant proportion of respondents select one of a possible two responses. This can be extended when data with more than 2 response options is split into two distinct groups.
- One sample t-test. This tests whether a mean score is significantly different from a scalar value.
- Kaiser-Meyer-Olkin (KMO) and Bartlett's test of sphericity are both tests of sampling adequacy. The KMO should be $>.5$ and Bartlett's test should be significant.
- Cronbach's alpha. Cronbach's coefficient alpha is a reliability measure that estimates how consistent responses are to a number of varying items on a scale. (Tredoux and Durrheim 2002: 213).
- Exploratory factor analysis. Factor analysis is used to tell whether elements gather together in distinct groups known as factors. The idea of this exercise is to reduce the number of variables for the researcher to work with into structures

that can be identified (Bryman and Bell 2011: 170). Factor analysis tries to identify how many fundamental influences underpin a group of variables and to understand how the variables contribute towards the behaviour of the factors (Cudeck 2000: 265). Factor analysis is used to identify patterns within the data, in order to obtain groupings and to reduce variables to a more practical number. Factor analysis was applied to groups of statements in order to confirm groupings. This can be observed in Chapter 7, with respect to perceived benefits, RQ and loyalty.

- Structural equation modelling. These are “statistical procedures for testing measurement, functional, predictive, and causal hypotheses” (Bagozzi and Yi 2012: 8). They belong to the family of multivariate statistical techniques (Bagozzi and Yi 2012: 10). Structural equation modelling is made up of two models used in sequential order. Firstly, a measurement model and secondly, a structural path model. The former examines the variables and their relations with the constructs and is basically a confirmatory factor analysis (CFA), while the latter examines the constructs and their relationships with other constructs. The CFA part conducts testing for significance of the factor loadings as well as model fit (Iacobucci 2009: 674-676).

5.8 CONCLUSION

This chapter outlined the research methodology and design that was used to collect data for this study. The study was based on a positivist epistemology with a pragmatic ontology.

The methodology employed in this study was an exploratory sequential mixed methods approach which began with qualitative data collection and analysis and proceeded to quantitative data collection and analysis. Focus groups and interviews were the tools that were used in the qualitative stage of the study. Chapter 6 describes the qualitative phase of the study. Both focus groups and interviews are detailed, including the activities that took place before the actual events. Results are summarised, analysed and discussed.

The quantitative stage involved the design and use of a questionnaire which was sent out via email to a consumer database in order to collect the data, with 559 being returned. These were statistically analysed, using a number of tests outlined in this chapter and again in Chapter 7.

CHAPTER 6 : ANALYSIS OF QUALITATIVE RESULTS

6.1 INTRODUCTION

Having discussed the literature that underlies the research problem in Chapters 2, 3 and 4 and explained the methodology used in this study in Chapter 5, this chapter outlines the results of the first phase of the research which is described as the qualitative phase.

This phase of the study was carried out in two sections, as described in Chapter 5. The first section was made up of two focus groups, used to gauge initial attitudes and opinions of individuals that held membership of a number of different LPs linked to FMCG retailers in South Africa. The second section consisted of in-depth interviews conducted with two senior executives in the LP divisions of two different major FMCG retailers in South Africa. These were conducted in order to establish the objectives of LP sponsors as well as their attitudes and opinions on CL and RQ in a transactional type of industry such as theirs.

The results of these two phases are presented in this chapter. The outcomes will also be analysed and discussed. The main objective of this phase was to gain a better perspective of the South African FMCG LP sector, in order to contribute towards the development of the questionnaire which was employed in phase three (as explained in Chapter 5).

6.2 RESEARCH OBJECTIVES

It is important to reiterate the research objectives related to this sector of the study in order to identify which pieces of information or opinions are relevant to each objective. Objectives 1 and 2, as outlined in Chapter 1 are relevant to the qualitative research section.

Objective 1

To determine how the perception of benefits gained from different types of loyalty programmes contributes towards relationship quality.

Sub-objectives related to Objective 1

- To determine the extent to which perceived consumeristic benefits from loyalty programmes build trust, satisfaction and commitment.
- To determine the extent to which perceived altruistic benefits from loyalty programmes build trust, satisfaction and commitment.
- To determine the extent to which perceived egoistic benefits from loyalty programmes build builds trust, satisfaction and commitment.

Objective 2

To determine which perceived benefits, gained from different types of loyalty programmes, are preferable for retailers in building loyalty.

Sub-objectives related to Objective 2

- To determine the extent to which perceived consumeristic benefits from loyalty programmes build loyalty.
- To determine the extent to which perceived altruistic benefits from loyalty programmes build loyalty.
- To determine the extent to which perceived egoistic benefits from loyalty programmes build loyalty.

6.3 THE FOCUS GROUPS

Qualitative research amongst members of LPs in the FMCG sector took place in order to gain further understanding into member's perceptions of the benefits that they receive when engaging with their LP. Qualitative research was undertaken in order to

establish what underlies the problem. The aim was to obtain a better idea of participants' feelings and opinions, and thereby contribute towards the quantitative questionnaire. The first step was to conduct focus groups. Two groups were arranged, consisting of card-holding consumers. The focus groups sought to investigate participants' ideas and emotional connections with different types of LPs in the FMCG sector, as well as their perceptions of benefits received and their connections with the retailers that offer or accept programmes.

6.3.1 Sampling and Recruitment of Focus Group Participants

Sampling for the focus groups was based on a non-probability method where members of the population had no probability of being selected. A convenience sampling method was used where candidates were selected that were both prepared and available to take part in the process. Participants for the focus groups were obtained by means of emails to university staff, business contacts, associates and other willing individuals.

6.3.2 Focus Group Procedure

Participants were emailed detailed descriptions of the reasons for the focus groups, as well as an explanation of the procedure that they should expect. They were made aware that they could choose to withdraw at any stage. They were also informed that everything that was discussed would remain confidential. However, due to the nature of the topic, they were assured that the chance of any information being of a sensitive nature was highly unlikely.

Each focus group was run by a moderator and a facilitator. The facilitator acted as a note taker and an observer. A set of open ended questions derived from the objectives as well as the literature was used to initiate discussion in both groups (Appendix A, Table A2.1). These questions were used in order to ensure that all topics were covered during the course of the discussion. The rules and procedures of the group were explained to everyone at the beginning of each session. Before the discussion started, participants were requested to complete a short questionnaire which gathered

information on a few demographic items as well as characteristics related to their membership of LPs. They were also required to sign a consent form. All documents that were used are attached as appendices. Each focus group lasted for approximately 90 minutes. Refreshments were provided, as an ice-breaker and incentive.

Each session was audio recorded and then transcribed by an independent and objective transcriber. Transcripts were read by the researcher and common themes were highlighted. ATLAS.ti software was used for coding of the interviews. In Chapter 8 this data will be linked to the quantitative data.

6.4 PERSONAL INTERVIEWS

The second step consisted of two personal interviews which were conducted with major retailers who are involved with well-known LPs in order to gain more knowledge about LPs in the FMCG sector, as well as the aims and objectives of the retailers, along with their opinions on programme outcomes, successes and the future.

6.4.1 Sampling and Recruitment of Participants for Interviews

Purposive sampling was used to select candidates for the interviews, based on a judgement call by the researcher to select potential participants who were believed to have the required knowledge of the topic in question – in this case, LPs.

The retailers were recruited by means of email, once details had been established as to who the main role player was at the particular retailer concerned. The retailers that were approached were selected through common knowledge as to the major ‘players’ in the FMCG sector, along with a fair amount of reading of South African retail literature on LPs, as well as past research. Three retailers were approached and two agreed to be interviewed.

Once they had agreed to the interview, they were each sent a copy of the semi-structured interview guide a week before the interview took place. They were informed that the interview would take about an hour.

6.4.2 The Interview Process

The researcher was able to interview the chief officer of the LP operation at both retailers. Both operations were major supermarkets that offered LPs that are household names and are also connected with programmes owned by other companies, but ostensibly accepted by the public as part of the retailer concerned's offering. A copy of the semi-structured questionnaire can be viewed in Appendix A2.2.

6.5 RESULTS: QUALITATIVE RESEARCH

Both focus groups and interviews were conducted to supplement the literature with a view towards preparing a quantitative questionnaire for the main study. Thus, the idea was not to reach data saturation, but rather to assist in the development of themes and useful interpretations to add to the rigour of the forthcoming research. The results of the qualitative exploratory research are detailed in the following sections.

6.5.1 Focus Group Results

The results of the two focus groups are described in the following sections.

6.5.1.1 Demographics of the Focus Groups

The focus groups were made up of LP members. Fifteen individuals participated in the two focus groups, nine in the first and six in the second. Ages ranged between 20 and 70. Three males and 12 females participated, from various ethnicities. Card membership varied between one programme to five and more. The demographic make-up of the two groups is outlined in Table 6.1.

Table 6.1: Demographic description of focus groups

Category	Sub Categories	Group 1	Group 2	Total
Age	< 25	0	1	1
	26-40	2	1	3
	41-55	5	3	8
	56-70	2	1	3
Gender	Male	2	1	3
	Female	7	5	12
Race	Black	2	1	3
	White	5	3	8
	Indian	2	2	4
No of Cards	1-2	1	1	2
	3-4	2	5	7
	5 and more	6	0	6

6.5.1.2 Analysis of the Discussions

A summary of the two focus groups is displayed in Table 6.2. The table is followed by a more detailed discussion of the summarised data.

Table 6.2: Summary of focus groups

Theme	Discussion
General opinions - positive	<p>LPs are useful if they are user friendly.</p> <p>Communication is important – need to know.</p> <p>Getting something in return for your expenditure.</p> <p>Immediate benefit is preferable – for example cash back.</p> <p>When you are going to buy from that store anyway, getting something in return is rewarding.</p> <p>'My School' is good.</p>
General opinions - negative	<p>Some are complicated or confusing.</p> <p>It can be difficult to get your money back.</p> <p>Perception that prices are affected / increased.</p> <p>The retailer is trying to obtain information on the customer.</p> <p>Too many different programmes – end up with a pile of cards.</p>
Satisfaction	<p>There is a good feeling when you get something back.</p> <p>Satisfaction with the retailer can be affected by the LP.</p> <p>Satisfaction increases when money is saved, the LP is simple to operate and rewards are immediate.</p> <p>Not all participants believed that the LP influences satisfaction with the retailer concerned.</p>
Trust	<p>Trust is still limited for some:</p> <ul style="list-style-type: none"> - Are earned points received? - When points expire. - Does the charity actually receive the donations? - Who incurs LP costs? <p>Immediate rewards on the till slip increases trust.</p>
Commitment	<p>Some participants are promiscuous – price is the driving element.</p> <p>Difficult LPs reduce commitment.</p> <p>The stores attitude towards social responsibility can affect commitment.</p>
Consumeristic benefits	<p>Preferred – immediate and tangible.</p> <p>There is a satisfaction attached to 'getting something back'.</p> <p>Trust is strongly connected with tangible rewards.</p>
Altruistic benefits	<p>Mixed reviews.</p> <p>Positive part is understood.</p> <p>A lack of trust – some felt that the store should be the one to donate.</p> <p>There is a good feeling attached, particularly when tangible rewards are also linked.</p>

6.5.1.3 General Opinions

Participants were initially asked to comment in general on their LPs. In particular, those attached to FMCG retailers.

- **Positive opinions**

Most participants stated that LPs were only useful when they were user-friendly. In particular, those programmes that offered an immediate reward or benefit at the point of sale were preferred (for example Clicks Club Card). When this occurs, participants were able to associate the purchase with the benefit, feeling as if they were receiving something in return for their expenditure.

“As long as the loyalty cards are easy to use, I will use them. I don’t like to use loyalty programmes that have more complicated stuff.”

In addition, the matter of communication was mentioned, with participants stating that it was important to be advised of any amounts of money that might be due to them. This served to feed the perception of a connection between their behaviour and the benefits received, which was motivational.

“I would like to see a statement at the end of the month showing how I did and what’s due to me.”

Some candidates stated that they would not specially shop at a retailer because they held membership to an LP. However, it was a positive experience when they received a reward at a retailer that they would have shopped at anyway. Some participants preferred to receive money back, although there were others that were content to receive a reward, no matter what it was.

“A general opinion is that with loyalty programmes you are getting something back that you did not get back before. You’re still doing the same shopping as always, but now you’re getting something in return.”

“I enjoy it when we get money back, so I prefer the ones that actually give you cash back.”

“I enjoy the benefits, whether it’s cash, or some other benefit. I think because I’m looking at it in a marketing point of view.”

A participant that was comparing a healthy eating (egoistic) programme with one that offered a simple monetary reward stated:

“I have to be honest, I forget to take that card out, because I’m more interested in the money rewards.”

Others made mention of a preference for LPs that donated rewards to the card holders charity of choice.

- **Negative opinions**

One of the main negative responses was that many programmes were too complicated. This included a lack of understanding of the inner workings of the programme, difficulties when it came to redeeming rewards and a general lack of knowledge about what was available to them as programme members.

“I generally don’t like loyalty cards (additional things in my wallet) unless I can see an immediate benefit. I’m a reluctant shopper.”

“I agree. I feel it’s more about the retailer trying to gain information about me, rather than trying to make it simple for me to identify offers and take advantage.”

“I have the same feelings. I think they want to get more information from us, and somehow I get lost in how I can reap the benefits. It’s not all clear to me.”

Participants conveyed the perception that in order to offer the rewards that retailers do, prices are increased. Participants were also overwhelmed with the number of programmes on offer, often ending up with a pile of cards in their wallets, and not knowing which one to use. Some programmes added to the confusion, by changing specials on a regular basis, making it necessary for members to continually check.

- **Attitudes towards charitable donations**

Attitudes towards retailers that offered a reward in the form of a charitable donation were mixed. There were some participants who felt that given the prices they paid already, it should be the retailers’ responsibility to donate to charities, and that they should be personally rewarded for their patronage.

“Their stuff is so expensive. If they want charity money, they must do it themselves.”

Others see the good that can come from a charitable programme, but did not feel that it influenced their loyalty in a significant way. Finally, there were participants that were positive about an altruistic programme and enjoyed the way it made them feel.

“It’s good to give back. I like it that I can get some rewards at the same time as providing charities with something every time I shop.”

- **Rewards for good behaviour**

A number of South African retailers accept loyalty cards that are linked with a major medical aid scheme. These programmes offer their members rewards in return for purchasing healthy products, in particular food, although other items have recently been added. Other retailers reward customers for purchasing environmentally friendly products.

Some participants stated that they compartmentalised their shopping, patronising the store that offered rewards for healthy purchasing and then moving across to a retailer that they perceived to be more value based for the remainder of their shop. They felt that they experienced a feeling of satisfaction when they were able to purchase healthy products and be recognised for it. They summed it up by stating that there was a double benefit when they received both a financial reward as well as a sense of self-satisfaction.

“I like to see the tick showing it’s a healthy good. It’s a good feeling. There’s a double benefit – the financial reward and feeling good about yourself.”

The downside of this particular programme was that the rewards were restricted to those that were a member of the medical aid scheme that offered the programme and therefore there was a possibility that some would feel neglected when shopping at the associated retailer. Other downsides that were mentioned were that this programme had a membership cost associated with it, and is also complicated.

- **Participants' satisfaction with the programme they are associated with**

There were a number of programmes that were discussed under this heading.

- i. ***A major retailer aimed at the upper end of the market with a complex loyalty programme that offers a number of different reward opportunities, including charitable donations.***

More than one participant stated overall satisfaction with the retailer, with the LP creating additional value.

"Retailer x is great because receive an SMS at the end of the month telling me that money has been paid into my bank account. This encourages me to keep going back because I know that I am getting something back every time I spend money there."

"I'm particularly satisfied with retailer x. I'm satisfied with their products and their service. The programme adds to my satisfaction with the store."

- ii. ***A retailer that has recently launched a programme that is promotional, with discounts being offered on presentation of the card, linked to items that change on a regular basis.***

Some participants found this annoying, as not all items have rewards attached. This means that rewards are intermittent. In addition, card holders appeared to understand that you had to spend a certain amount in order to benefit, which was also problematic. Despite this, this retailer was still well-liked by a number of participants who remained loyal to it.

"I have this card, and it irritates me because I don't buy the food items that give you rewards. But I still prefer this store to shop at, and the programme hasn't brought about this preference."

- iii. ***A retailer that offered a straightforward programme with point's accumulation and redemption of points when required.***

Participants enjoyed the feeling of obtaining rewards and "getting something back". A number of participants were loyal to this retailer and the programme linked to it. However, some participants stated that members were required

to go to a machine in order to check their points or to obtain vouchers and this was seen to be an inconvenience.

“I have an x card, and it’s easy to swipe and use, but to get your money out there’s a bit of a commotion. They eventually send you a message saying you have to use the money before a specific date, to prevent the money from just piling up.”

However, the same participant stated:

“I prefer this retailer and I couldn’t be bothered to compare their prices with the others. It saves the trouble of running between stores. When it comes to the loyalty programme, I think that anybody feels good about getting something back.”

iv. *A retailer that offers a simple loyalty programme, which awarded cash back at the till.*

Members were informed at the till what was available to them and asked whether they would like to use their rewards when paying. A number of participants stated that this programme gave them great satisfaction. The idea of getting cash back attracted them to the retailer. Furthermore, the simplicity of the programme required very little effort and no time was wasted. In conclusion, the message that came through in this section was that money saved is the overriding factor.

- **The connection with the programme, trust and the retailer**

Communication played an important role when it came to participants exhibiting trust in the retailer that offered the programme. Participants commented on programmes where they believed that they had received very little or no communication about rewards that had accumulated.

“I would like to have more communication e.g. an email saying you spent R2000 on groceries and you received 25% back in rewards. There is an element of trust that the money I get back is in fact correct. Proof can confirm your trust.”

“My trust in retailer x is declining, because I don’t think they have been updating my points. Is it worth my trouble to go find out if they have updated my points? When trust is broken it results in a change in my shopping behaviour.”

Communication was also seen to be essential for programmes where rewards were donated to a charity.

“I do trust programme x because I get an email telling me how much I have received and how much was donated to a charity (regular communication helps a lot).”

In contrast another participant stated that

“Part of the rewards are said to go to the SPCA, but we don’t know for sure if this happens, and so proof to verify this would be nice.”

Mention was also made of programmes that had an expiry date attached to their points.

“A downside is when points have an expiry date – I lose trust when you receive points to save money and then later they are taken away.”

Some participants also felt that they had been affected by deceptive advertising where advertised discounts were not available when they got to the till.

- **The loyalty programme and customer commitment to the retailer concerned**

This section had interesting answers from participants with many claiming that although the LP played a role in customer commitment to the retailer, there were other factors (in particular, price) that were just as important.

“I will be committed, provided it is value for money.”

“I will buy from this retailer because I get something back. However, if there is a special somewhere else, I would not be committed.”

“This retailer is socially conscious / responsible (sweets removed from aisles) – this helps with commitment.”

“Negative issues and publicity has an impact. If there is a problem or there are products I don’t like, then I won’t go there. I will go where I feel comfortable.”

Some participants still had suspicions about whether an LP and value for money could be offered by the same retailer.

“When you get something back the price is still higher for the same item. For me it must come down to value for money at the end of the day.”

“I think it is all a con, but I still do it. The price of a basket of the same goods is steadily going up. With the loyalty programme side of it, I only see a benefit that gives me an amount off your next shop, but the actual basket of foods that I’m buying is increasing exponentially.”

Other participants filled the description of promiscuity, stating that they jumped from one retailer to another depending on what was on offer. Interestingly, these participants were the ones that held the greatest number of loyalty cards.

- **Loyalty to the programme – or the retailer?**

Loyalty to the retailer was defined as “purchasing from that business regularly over a long period of time, and making positive recommendations to others”. Once again there were mixed responses. Some participants were loyal to a retailer and they belonged to the LP. In a similar result to the commitment question above, participants noted that their loyalty could not be exclusively ascribed to the LP, but that there were several additional factors that resulted in their choice of the retailer that they were loyal to.

“I buy from this retailer partly because it is linked to my card, but I think that it has to do with the particular store itself. If it was not appealing then I would go somewhere else.”

“I’m loyal to stores that are keeping up with trends (are current). Stores changing their look to become lifestyle stores. The card helps but it doesn’t determine which store I shop at; the attractiveness determines this.”

Others stated that they were loyal to a particular retailer, but felt that the programme had no effect on their loyalty. Price paid a large role in their choices, amongst other factors such as service, parking, queues, product mix and convenience.

“I am loyal to myself and my wallet. I’m less retailer loyal than I am personally loyal and brand loyal. I buy at a regular shop and so I know quality and value, and I make decisions based on my lifestyle, not on my loyal cards.”

“I think I am driven by price. If the prices are great, then I forget about my loyalty card.”

6.5.2 Results of Retailer Interviews

Senior representatives (hereafter referred to as Retailer A and Retailer B) from two of the major FMCG retailers in South Africa were interviewed. Each interview was conducted with a view to providing background to the LP business in South Africa. The candidates were selected because of their detailed knowledge of the current situation regarding LPs in South Africa. Both candidates were general managers of the LP departments of their respective retailers. Both retailers boast extensive LP offerings. In addition, they both have partners that have been included in order to extend the LP offering to their customers. They both have a number of alternatives that customers can select from with respect to altruistic, consumeristic, egoistic and hedonistic rewards as well as the option of a combination of some of these. A copy of the semi-structured guide for the interviews can be found in Appendix A2.2.

The retailers were questioned with respect to the LPs that they offered in order for the researcher to gain a rich understanding of how their programmes operate. The researcher also enquired of them regarding their understanding of the terms ‘altruistic’, ‘consumeristic’, and ‘egoistic’ so as to establish the justification of using these categories of perceived benefits received from the programmes offered in the FMCG sector. In addition, terms such as trust, satisfaction and commitment, as elements that make up RQ and the concept of CL, and how LPs might play a role in achieving these concepts, were interrogated.

6.5.2.1 Altruistic

Individuals, communities, animals and the environment are all potential beneficiaries of altruism. Retailer A referred to altruism as meaning that the customer “would like something back, but making a bigger difference is more important to them”. Retailer A runs an LP that is directly connected with charities chosen by cardholders. The programme has become very successful, with the retailer concerned donating about R1.12 million to the charities concerned on a weekly basis. Retailer A strongly believes in the return from a programme such as this stating:

“That’s not small. It’s a massive get-back. The combination of the emotional drivers and value drivers together is what changes behavior.....doing good is good business”.

As a business, Retailer B felt that they had put an enormous amount back into the community. However, when it came to LPs, cardholders were given the option to donate their points back to charity. Although there are many charities to choose from (30-40) Retailer B have found that this has not been a popular choice for customers.

In contrast Retailer A members that have the requisite programme membership, have money donated to the chosen charity at the same time as instant savings occur. This occurs automatically.

Retailer B stated that “doing good is good business”. They allow customers to donate their points to a charity of their choice. In the beginning, they identified three or four charities, but they allowed customers to also identify their own. Right now they have between 30 to 40 charities, which has resulted in the donations being spread out rather thinly. In general, they have found that given the choice, customers choose not to donate and would rather keep the points for themselves. This particular retailer also donates money outside of their LP, but on their own admission, they probably don’t publicise it enough.

6.5.2.2 Egoistic

Retailer A raised the question of how individuals perceive egoistic benefits that might be connected with LPs.

“The really top end of our customers love animals and are very emotionally connected to the environment, being into conservation. Now you can argue, ‘is it altruistic or egoistic’? I think it’s probably a combination of both.”

“I think it depends on how the customer wants to see it. For example, travelling first class and/or being allowed to use the lounge is really a flashy thing or wanting to fly in comfort because it’s practical with the frequent travelling you do. Either way it works. Being able to stand in a shorter queue can also be practical or egoistic. What I have seen is that customers are very happy to share that they are a VIP rewards cardholder, and that is an egoistic approach.”

6.5.2.3 Satisfaction

The retailers acknowledged customer satisfaction to be a critical aspect in retailing. However, they noted that even if you have a wonderful LP, but have poor products or give the customers a bad experience, you are going to score badly. Hence it is important for retailers to note that in order to have satisfied customers you need to be rated as superior in terms of experience, product and product value, as well as have an LP that really works. According to the retailers interviewed, this is what will result in success and growth in market share.

6.5.2.4 Customer Loyalty

The concept of CL was discussed with the retailers. With respect to LPs, retailers had mixed feelings about loyalty. Retailer A indicated that it is difficult to conceptualise loyalty when an individual has a wallet full of cards. Additional questions could be asked. For example – “where is that card situated in your wallet, how often do you take it out, and do you choose between retailer A or B”? This retailer stated that studies have indicated that customers buy firstly to brand, and then after that to LP.

Retailer B concurred that LPs do not determine the choice of retailer. Retailer B indicated that on a scale of 1-10 of what drives loyalty, research indicates that quality and service sit at the top of the list. In addition, price and promotion also feature. However, recently there has been a change, with instant saving and points earned from the LP beginning to appear on the list. Retailer B stated that the cornerstone of loyalty is that retailers should reward the behaviour they seek. Different LP offerings may seek different outcomes. For example, Smart Shopper might seek increased sales, whereas Vitality might seek fitness and health, and MySchool seeks increased contributions to the not-for-profit sector.

“When you say to the customer, ‘does the loyalty card make you go to that retailer?’ they’ll say no. But when you break it down and ask what ‘makes you go’, they’ll say ‘points’, and ‘instant savings’. So it’s a mixed message that we get from them.”

In addition, the retailers confirmed the notion of promiscuity as discussed in the literature. Retailer B stated:

“The real skill is getting them to consolidate the shop, especially in South African market. The number of retailers that consumers go into... Customers are promiscuous here. I think it’s a known fact that 90% of Retailer A’s customers are in Retailer B. So we haven’t got a whole basket. It’s naïve to think you’ll get a whole basket. It is relatively easier to say simply: Shop with us, and we’ll reward you for it. We are seeing people starting to consolidate more of the shop from our competitors to be able to get the rewards.”

Retailer A highlighted the need to connect with the customer in order to build loyalty. There was an acceptance of the need to appeal to the customer’s emotions, rather than just a transactional type relationship. Rewards or benefits need to move beyond the simple/tangible money back or points based programmes in order to achieve an emotional connection.

“What we wanted was to achieve a simple programme, but with an emotional engagement, an emotional connection, as well as the consolidation. So I am talking through different models that are around. The most simplistic model today is the traditional points based programme. So our key intention is to build stronger and more profitable relationships, without consequence.

“Interesting the word relationship...

“Because when I explain this, I always say can you have a relationship with a person without a name? Or a face or limited contact details. It’s impossible. So when you have an LP, you need to move beyond transactional loyalty, which is just purely giving money back and earning points. So the goal is trying to get this component to work on a more ongoing relationship to build loyalty to the brand over time, rather than just saying, ‘yes, you’ve just saved R10’, where they can spend that somewhere else. In essence you feel good, you’ve has just saved, but does it provide loyalty? Potentially, no. But does it build loyalty over time? Yes, potentially. So that is about how we have applied our thinking. In essence, that, as a retailer, is the bottom-line: Getting more of our customers to shop with us more often. This is why the world of loyalty keeps on changing.”

6.6 ANALYSIS OF QUALITATIVE RESULTS

Information gathered from both forms of qualitative methods has been combined and is summarised in Table 6.3. The information has been divided into the two forms of participants as well as according to the topics discussed with respect to various types of LPs.

Table 6.3: Summary of focus groups and interviews

Topic	Customer (focus groups)	Retailer (interviews)
Ease of use	Should be easy to use. Customers liked to associate reward with purchase. Immediate reward or benefit preferred.	Retailer acknowledged that customers were put off programmes that appeared to be complicated.
Communication	Customers preferred to be able to link the reward with the purchase. Needed to be advised when reward had been earned.	Retailer acknowledged that there is a need for better communication, with customers often not aware of what is available to them.
Rewards	Many preferred a financial reward. Others did not mind what the reward was. Some enjoyed charitable rewards whilst others were suspicious of them.	Retailers believe rewards should go beyond money and points. One retailer favours charitable programmes while the other finds that customers are not very enthusiastic.
Altruistic	Mixed feelings. It is the retailer's responsibility. Does not influence loyalty. Preferred when rewards accrue to the customer and the charity at the same time.	Combination of emotional and value drivers. Retailers believe that this is not selected by customers when there is an option.
Egoistic	Shopping is divided over purchases with healthy food purchased from the store where reward card is accepted. Double benefit – feeling good and getting a reward.	Some rewards can fit into altruistic or egoistic category or a combination of both.
Satisfaction	Some programmes increased satisfaction, while others played no role. Recognition for good behaviour increased satisfaction. Communication assisted in creating satisfaction. However – “Anybody feels good about getting something back”.	A great programme linked with other elements that are poor, does not create satisfaction.
Trust	Good communication increased trust. Proof increased trust. Expired points decreased trust.	.
Commitment	Committed if value for money is evident. Rewards increase commitment, as long as returns remain competitive. Factors outside of LP contribute to commitment. (e.g. product, price etc.). Too many loyalty cards leads to promiscuity.	
Loyalty	Mixed results. Not only LP can be ascribed to loyalty.	Mixed feelings - especially when customer has many cards. LPs do not determine retailer choice. Recently LP rewards have begun to be connected to choice of retailer. An emotional connection is necessary.

As far as rewards were concerned, participants appeared to genuinely enjoy financial rewards, particularly when the cardholder was well-informed, had easy access to the reward, could understand the process, and link it with his or her buying behaviour. Rewards that were donated to charity, however, resulted in mixed feelings, with some cardholders expecting the retailer to be responsible for donations. However, it was acknowledged by some that it still appealed to their emotional side which could be identified as either altruistic or egoistic. Retailers added to this argument by stating that when customers were given a choice of donating to a charity, most of them chose self-benefit rather than the other-benefit rewards. There were mixed feelings from a number of participants as to whether LPs create CL. One of the retailers stressed the importance of connecting with the customers emotionally, suggesting that rewards that are only monetary or points based cannot achieve that. Of interest is that both retailers and customers stated that LPs alone could not create CL and that there were a number of other factors that contributed towards this aspect, for example price and product. This attitude was extended to satisfaction and commitment as well.

The final analysis of the information justifies additional research into LPs, the benefits offered, and the impact on RQ elements and CL. In addition, retailers stated that it is a lot easier for them to get 'hard' measures from customer data. For example, the number of visits to the store, basket value and share of wallet. But measuring customer attitudes in relation to everything else is not easy to do. Most of the information that can be gathered does not tell the retailers what customers are *feeling* about them. One of the retailers highlighted the importance of a study designed to capture emotions and attitudes by stating:

"It's interesting that you raised that because I think that's a measure that we don't do. We are working on it this year. We can do hard measures which gives us positive feedback from the customers about their behaviour, from a 'value' perspective. For example, number of visits to the store, do they shop more frequently with us, the value of the basket, all those sorts of things....And that is exactly what you're talking about: What's their attitude towards us? Would they recommend us over another retailer? Recommendation falls into customer advocacy: that's one way of measuring it. And we haven't got the answer to this one."

This statement confirms the importance of the current study which focuses on several intangible feelings associated with LPs that are difficult to measure with traditional methods.

6.7 CONCLUSION

This chapter presented information gathered during the collection of qualitative data by means of focus groups and in-depth interviews of retailer representatives connected with the offering of LPs. Each form of research was described along with the procedures that were carried out. The results from each section have been detailed and summarised. A comparison of the focus groups and interviews was detailed and followed by a brief justification of why additional research is required. This chapter confirms a number of ideas and opinions about customer attitudes towards LP benefits. The strong message that comes through from both customers and retailers is that although consumeristic (monetary/tangible) benefits are appreciated, there is also a need for benefits that strike an emotional chord in order to create CL. The data provided additional information on LPs from the retailers' knowledge bases and point of view and confirms that there is indeed a need for additional research. Chapter 7 presents the results of the quantitative study, which followed the qualitative phase.

CHAPTER 7 : ANALYSIS AND PRESENTATION OF QUANTITATIVE RESULTS

7.1 INTRODUCTION

The analysis of results is divided into sections according to the structure of the questionnaire. Section 7.3 is based on an overview of the sample and contains descriptive material. It begins with an outline of the demographic structure of the sample, and continues with information related to their usage of LPs. This is based on information gathered from sections A, B and C in the questionnaire. Section 7.4 is based on Section B of the questionnaire. It unpacks the perceived benefits that could be obtained from LPs, and makes use of factor analysis to examine the authenticity of the potential groupings. Section 7.5 is also based on Section B of the questionnaire and covers the elements that make up the concept of RQ, namely trust, commitment, and satisfaction. Factor analysis is also used to examine the structure of the statements that were used to describe the constructs. Reliability for each construct is established. Sections 7.6 and 7.7 run similar tests to those used in Section 7.5, except that these are carried out on the loyalty construct and a combination of RQ and CL constructs respectively. Each individual hypothesis is tested by means of regression analysis. Corrections are also included for each demographic variable in order to compare the results and establish if the demographics have any effect on the result.

Section 7.8 begins the second half of the quantitative analysis where SEM is employed. This is made up of two complementary models, which are carried out in a sequential manner. Firstly, the measurement model which employs CFA, as detailed in Section 7.8.1. The second model is the structural model which measures the relationships between variables and tests the hypotheses, as detailed in Section 7.8.2.

Finally, a summary of the exploratory and CFA, and the SEM, and how these impacted on the statements in the questionnaire, is presented.

7.2 OBJECTIVES FOR THIS STUDY

The objectives for this study are revisited in order to clarify the purpose of this chapter. Hypotheses related to the sub objectives are outlined in Table 7.1. Objectives are as follows:

Objective 1

To determine how the perception of benefits gained from different types of loyalty programmes contributes towards relationship quality.

Sub-objectives related to Objective 1

- To determine the extent to which perceived consumeristic benefits from loyalty programmes build trust, satisfaction and commitment.
- To determine the extent to which perceived altruistic benefits from loyalty programmes builds trust, satisfaction and commitment.
- To determine the extent to which perceived egoistic benefits from loyalty programmes builds trust, satisfaction and commitment.

Objective 2

To determine which perceived benefits, gained from different types of loyalty programmes, are preferable for retailers in building loyalty.

Sub-objectives related to Objective 2

- To determine the extent to which perceived consumeristic benefits from loyalty programmes build loyalty.
- To determine the extent to which perceived altruistic benefits from loyalty programmes build loyalty.
- To determine the extent to which perceived egoistic benefits from loyalty programmes build loyalty.

Objective 3

To establish whether any of the above differ when various socio-demographic variables are applied.

Table 7.1: Objectives and hypotheses

Objectives	Sub-objectives	Hypotheses
Objective 1: To determine how the perception of benefits gained from different types of loyalty programmes contributes towards relationship quality.	To determine the extent to which perceived consumeristic benefits from loyalty programmes build trust, satisfaction and commitment.	H1 Perceived consumeristic benefits from loyalty programmes have a positive relationship with customer trust.
		H2 Perceived consumeristic benefits from loyalty programmes have a positive relationship with customer satisfaction.
		H3 Perceived consumeristic benefits from loyalty programmes have a positive relationship with customer commitment.
	To determine the extent to which perceived altruistic benefits from loyalty programmes build trust, satisfaction and commitment.	H5 Perceived altruistic benefits from loyalty programmes have a positive relationship with customer trust.
		H6 Perceived altruistic benefits from loyalty programmes have a positive relationship with customer satisfaction.
		H7 Perceived altruistic benefits from loyalty programmes have a positive relationship with customer commitment.
	To determine the extent to which perceived egoistic benefits from loyalty programmes build trust, satisfaction and commitment	H9 Perceived egoistic benefits from loyalty programmes have a positive relationship with customer trust.
		H10 Perceived egoistic benefits from loyalty programmes have a positive relationship with customer satisfaction.
		H11 Perceived egoistic benefits from loyalty programmes have a positive relationship with customer commitment.
Objective 2: To determine which perceived benefits, gained from different types of loyalty programmes, are preferable for retailers in building loyalty.	To determine the extent to which perceived consumeristic benefits from loyalty programmes build loyalty.	H4 Perceived consumeristic benefits from loyalty programmes have a positive relationship with customer loyalty.
	To determine the extent to which perceived altruistic benefits from loyalty programmes build loyalty.	H8 Perceived altruistic benefits from loyalty programmes have a positive relationship with customer loyalty.
	To determine the extent to which perceived egoistic benefits build loyalty.	H12 Perceived egoistic benefits have a positive relationship with customer loyalty.

Objective 4

To propose a framework that describes the relationship that develops between consumers and FMCG retailers when an LP is included.

7.3 OVERVIEW OF THE SAMPLE

An initial overview of the research results is detailed next. This descriptive section of the results identifies, in both analytical and graphical format, demographic details of the sample as well as their membership in LPs. Section C of the questionnaire gathered information on the demographic profile of respondents.

7.3.1 Demographic Profile of Respondents

The demographic breakdown of the sample is outlined in Table 7.2.

Table 7.2: Demographic breakdown of the sample

Demographic Variable	Details	Frequency	Percentage
		559	100.0
Age	18-29	34	6.1
	30-39	112	20.0
	40-49	181	32.4
	50-59	151	27.0
	60-69	67	12.0
	70+	14	2.5
Gender	Male	305	54.6
	Female	254	45.4
Race	White	345	61.7
	African	111	20.1
	Indian/Asian	53	9.6
	Coloured	29	5.3
	Other	13	2.4
Household income	Less than R42000	49	9.0
	R42001-R72000	46	8.5
	R72001-R132000	36	6.6
	R132001-R360000	83	15.3
	R360001-R1200000	248	45.6
	More than R1200000	82	15.1

Note: Eight respondents omitted race details and 15 omitted income. Percentages are valid for total numbers that answered

7.3.2 Membership of Loyalty Programmes

Section A of the questionnaire gathered information on respondents' membership of an LP. This enabled the researcher to isolate members from non-members for more detailed questioning. Table 7.3 outlines the results in response to the question "do you participate in a loyalty/reward programme at a retailer where you purchase FMCG goods – i.e. groceries, toiletries etc.?" Eighty respondents indicated that they did not belong to an LP. This amounted to a figure of 14% of total respondents. In contrast, 479 respondents did belong to at least one LP, amounting to 86%. These figures have been broken down into demographic groups (Table 7.3).

Table 7.3: Breakdown of LP membership according to demographic factors

Demographic Variable	Details	Frequency No	Percentage	Frequency Yes	Percentage
Age	18-29	4	15.6	30	6.3
	30-39	13	6.5	99	20.7
	40-49	24	11.7	157	32.8
	50-59	27	9.1	124	25.9
	60-69	9	40.3	58	12.1
	70+	3	16.9	11	2.3
Gender	Male	65	81.3	240	50.1
	Female	15	18.8	239	49.9
Race	White	53	67.1	292	61.9
	African	16	16.20	95	20.1
	Indian/Asian	7	3	46	9.7
	Coloured	0	8.9	29	6.1
	Other	3	3.8	10	2.1
Household inc	<R42000	12	15.6	37	7.9
	R42001-R72000	5	6.5	41	8.8
	R72001-R132000	9	11.7	27	5.8
	R132001-R360000	7	9.1	76	16.3
	R360001-R1200000	31	40.3	217	46.5
	> R1200000	13	16.9	69	14.8
TOTAL	559	80	14.3	479	85.7

It was interesting to observe that there were more members than non-members in the younger (< 49), female and higher income groups (besides the very highest income group of > R1200000). A binomial test was applied in order to establish if a significant proportion responded yes or no. This was in response to the question, “do you participate in an LP at a retailer where you purchase FMCG products”. Eight six percent of the primary respondents indicated that they do participate in an LP at a retailer. This is a significant amount ($p < .0005$) (see Appendix B1.1).

7.3.2.1 Loyalty Programme Members

In Section B of the questionnaire, those that answered affirmatively that they held membership of at least one LP (479 respondents) were then asked additional questions to establish the types of programmes to which they belonged. A number of

the main programmes associated with FMCG retailers were listed for respondents to agree with (Table 7.4).

Table 7.4: Details of LP membership

Name of Programme	Yes	Percentage	No
My School/Planet/Village Card	219	45.7	260
Pick n Pay Smart Shopper	405	84.6	74
Woolworths W Rewards	265	55.3	214
Vitality Woolworths	114	23.8	365
Vitality Pick n Pay	104	21.7	375
Vitality Clicks	83	17.3	396
Clicks Club Card	333	69.5	146
Dischem Loyalty Card	267	55.7	212

A binomial test (Appendix B1.2) ($p < 0.05$) was applied to test if a significant proportion of respondents selected any of these given cards. The results showed that cards used significantly more frequently were the Pick n Pay Smart Shopper (.000), Woolworths Rewards (.022), Clicks Club Card (.000) and the Dischem Loyalty Programme (.14). Cards that were used significantly less frequently were Vitality Clicks (.000), Vitality Pick n Pay (.000) and Vitality Woolworths (.000). However, if the three Vitality programmes had been combined, this reading would probably have been different.

7.3.2.2 Number of Loyalty Programmes

In response to the question “How many LPs do you belong to with respect to FMCG retailers?”, a total of 56 (11.7%) respondents indicated that they only held membership of one LP, in comparison with 245 (51.1%) who belonged to two or three, 132 (27.6%) who belonged to four or five and 46 (9.6%) who held membership in more than five LPs. Results of a chi-square goodness of fit test found that a significant majority (245, 51%) belong to between two and three LPs ($\chi^2 (3) = 211.614$, $p < .0005$).

7.3.2.3 Selection of a Single Loyalty Programme for Purpose of Questionnaire

Respondents were asked to select one LP which would serve as the basis of all further answers. Table 7.5 outlines the choices that were made.

Table 7.5: Choice of LP

	Frequency	Percent
Clicks Club Card	61	12.7
Dischem Loyalty Programme	30	6.3
MySchool/Planet/Village Card	31	6.5
Other	12	2.5
Pick n Pay Smart Shopper	238	49.7
Vitality Clicks	4	.8
Vitality Pick n Pay	13	2.7
Vitality Woolworths	22	4.6
Woolworths W Rewards	68	14.2
Total	479	100.0

Note: A total of 39 respondents selected a Vitality programme (see shaded area).

7.3.2.4 Membership Term

Respondents were then asked “with respect to the programme chosen (above), how long have you been a member of the LP....” The length of time that respondents indicated is depicted in the bar graph in the Appendix B1.3. A chi-square goodness of fit test was carried out on these figures to test whether any of the options were selected more significantly than others. Results of this test indicate that both three to four years (43%) and over five years of membership (35%) in the selected LP were significant at .000 ($p < 0.0005$). In other words, it is significantly more common that respondents had held membership for three or more years. It can thus be concluded that these respondents are knowledgeable about LPs, which increased the researcher’s confidence regarding the validity of the opinions provided.

7.4 PERCEIVED BENEFITS OF LOYALTY PROGRAMMES

Perceived benefit statements were initially divided into three categories based on past literature. Respondents were asked to rate their perceptions of the benefits received from their chosen LP on a Likert scale that ranged from Strongly Disagree to Strongly Agree. These statements were scored from a 1 (strongly disagree) through to a 7

(strongly agree). When all the statements are illustrated in a graphical format a visual picture can be observed of how the statements are perceived by respondents. These can be viewed in Figures 7.1 – 7.3. They are grouped according to the original categories they were placed in.

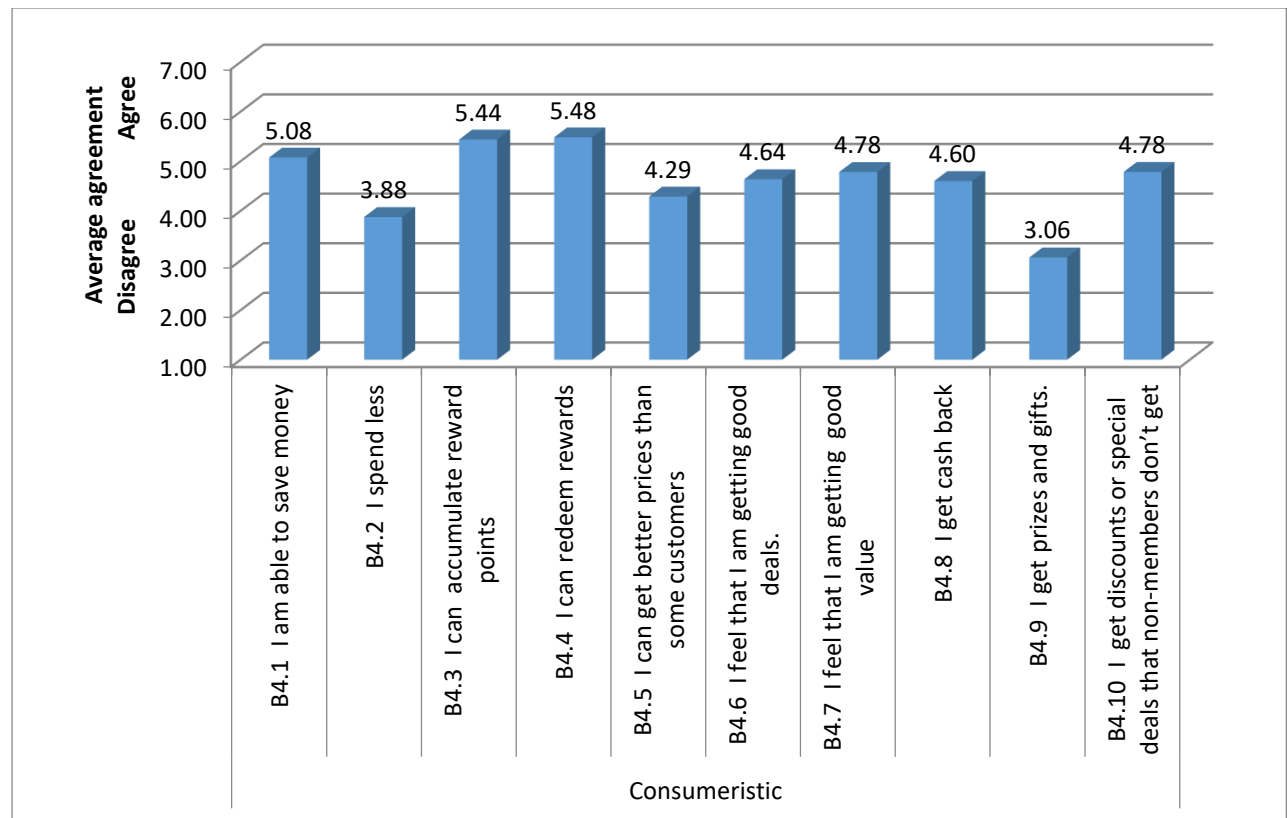


Figure 7.1: Consumeristic statements

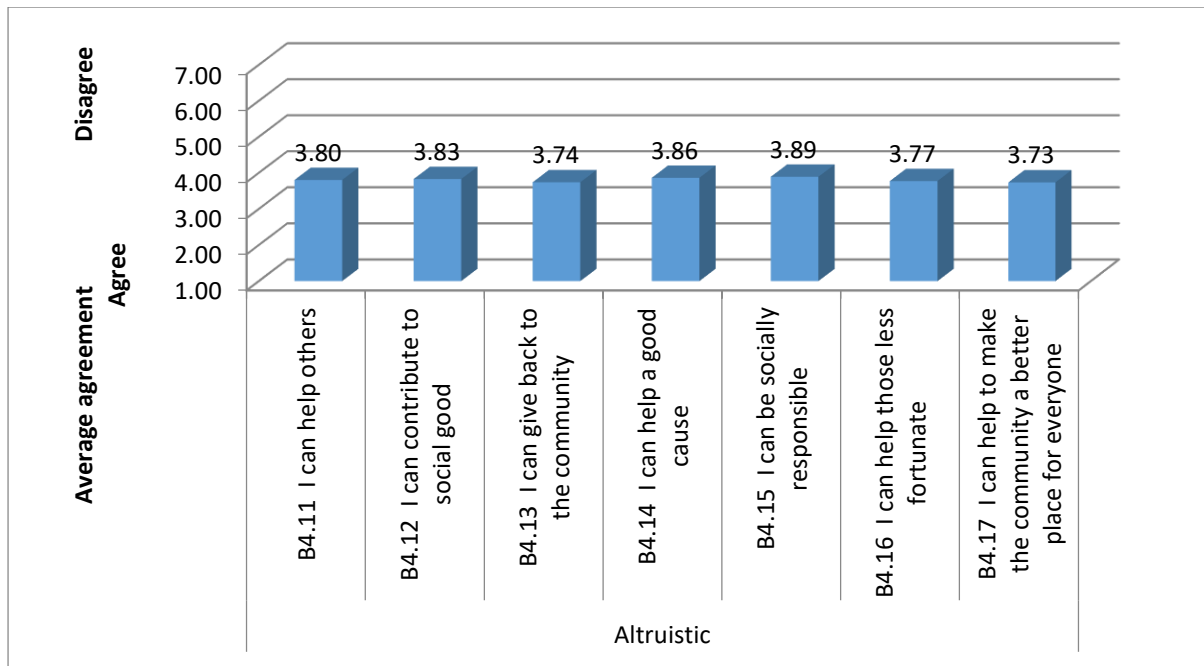


Figure 7.2: Altruistic statements

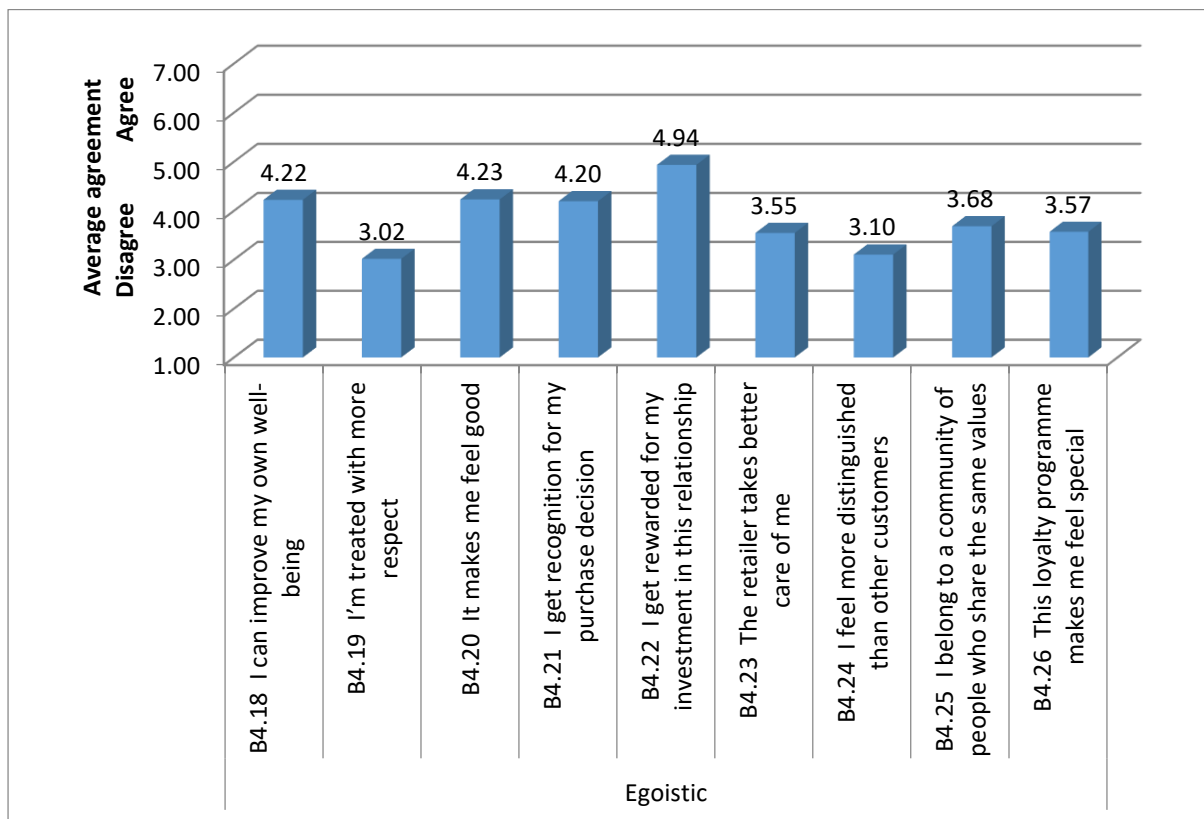


Figure 7.3: Egoistic statements

7.4.1 Significance of Perceived Benefit Statements

Each statement was separately analysed. Mean scores were tested against a neutral/central score of '4' using a one-sample t-test. This indicated if there was any significant agreement (mean > 4) or disagreement (mean < 4) with the statement. The results of this exercise are indicated in Tables 7.6 and 7.7. Overall it appears as if respondents find 'perceived consumeristic benefits' to be most appealing while 'perceived altruistic benefits' are least appealing, with 'perceived egoistic benefits' in the middle. It could then be concluded that LPs are perceived more from a 'self-benefit', than an 'other-benefit' point of view. Statements that are not significant are not shown below, but can be viewed in Appendix B2.1. These all exhibited disagreement.

Table 7.6: Agreement: significant perceived benefit statements

Statement	N	Mean	Std. Deviation	t	df	Sig (2-tailed)
B4.1 I am able to save money	479	5.08	1.807	13.020	478	.000
B4.3 I can accumulate reward points	479	5.44	1.889	16.664	478	.000
B4.4 I can redeem rewards	479	5.48	1.835	17.679	478	.000
B4.5 I can get better prices than some customers	479	4.29	2.001	3.151	478	.002
B4.6 I feel that I am getting good deals	479	4.64	1.825	7.634	478	.000
B4.7 I feel that I am getting good value	479	4.78	1.773	9.661	478	.000
B4.8 I get cash back	479	4.60	2.310	5.696	478	.000
B4.10 I get discounts or special deals that non-members don't get	479	4.78	2.018	8.513	478	.000
B4.18 I can improve my own well-being	479	4.22	1.913	2.556	478	.011
B4.20 It makes me feel good	479	4.23	1.936	2.620	478	.009
B4.21 I get recognition for my purchase decision	479	4.20	2.012	2.134	478	.033
B4.22 I get rewarded for my investment in this relationship	479	4.94	1.871	10.942	478	.000

Table 7.7: Disagreement: significant perceived benefit statements

Statement	N	Mean	Std. Deviation	t	df	Sig (2- tailed)
B4.9 I get prizes and gifts.	479	3.06	1.985	-10.359	478	.000
B4.11 I can help others	479	3.80	2.011	-2.159	478	.031
B4.13 I can give back to the community	479	3.74	2.054	-2.781	478	.006
B4.16 I can help those less fortunate	479	3.77	2.069	-2.407	478	.016
B4.17 I can help to make the community a better place for everyone	479	3.73	1.995	-2.908	478	.004
B4.19 I'm treated with more respect	479	3.02	1.800	-11.959	478	.000
B4.23 The retailer takes better care of me	479	3.55	1.914	-5.181	478	.000
B4.24 I feel more distinguished than other customers	479	3.10	1.883	-10.410	478	.000
B4.25 I belong to a community of people who share the same values	479	3.68	1.927	-3.580	478	.000
B4.26 This loyalty programme makes me feel special	479	3.57	1.904	-4.943	478	.000

7.4.2 Exploratory Factor Analysis – Perceived Benefits

Exploratory factor analysis (EFA) detects the factors that lie beneath the data, based on the correlations between the questionnaire items (statements). Factors that represent the various constructs are those that explain the highest amount of variance between the variables. Factor analysis is considered to be a highly reliable method of questionnaire evaluation and testing for construct validity (Hof 2012: 3).

Exploratory factor analysis was applied to the perceived benefit statements using Promax rotation. Promax rotation is an oblique rotation method. Some statements loaded onto multiple factors (crossload) and were therefore excluded. Similarly, statements that loaded 'weakly' onto a factor ($< .4$) and others with low communalities were also excluded from the analysis. When this method was left to decide on the number of factors, according to the size of the eigenvalue (> 1), consumeristic and egoistic questions loaded onto the same factor. However, when the number of factors were specified, they split perfectly.

7.4.2.1 Four Factors

When left alone, statements 3 and 4 were seen to load strongly onto their own factor and so could be separated from the others within the defined construct of 'consumeristic benefits'. If statements 3 and 4 are included in the analysis they will be termed as 'rewards' as they differ from the remainder of the statements in that group which all refer to saving money. This is illustrated in Table 7.8.

The table in Appendix B2.2 illustrates the loading of the four factors which account for 77% of the variance. This is regarded as a good result. One should note that the first factor accounts for the most variance (47.137%) and that contributions diminish substantially after that. In this scenario, the first four factors are retained. Loadings ranged from .562 to .958 representing strong contributions to the factors they represent (Table 7.8).

Table 7.8: Factor analysis of perceived benefits (rewards included)

	Factor			
	1	2	3	4
B4.1 I am able to save money		.687		
B4.2 I spend less		.608		
B4.3 I can accumulate reward points				.926
B4.4 I can redeem rewards				.763
B4.5 I can get better prices than some customers		.878		
B4.6 I feel that I am getting good deals		.851		
B4.7 I feel that I am getting good value		.753		
B4.10 I get discounts or special deals that non-members don't get		.856		
B4.11 I can help others	.946			
B4.12 I can contribute to social good	.934			
B4.13 I can give back to the community	.949			
B4.14 I can help a good cause	.882			
B4.15 I can be socially responsible	.835			
B4.16 I can help those less fortunate	.958			
B4.17 I can help to make the community a better place for everyone	.891			
B4.19 I'm treated with more respect			.835	
B4.23 The retailer takes better care of me			.562	
B4.24 I feel more distinguished than other customers			.829	
B4.26 This loyalty programme makes me feel special			.698	

Extraction Method: Alpha Factoring.

Rotation Method: Promax with Kaiser Normalization. a. Rotation converged in 6 iterations.

7.4.2.2 Three Factors

However, it should be noted that there is an alternative version of the above factor analysis, which was a 'forced' three factor version. When three factors were specified, the split was exactly as expected. The table in Appendix B2.3 illustrates the loading of the three factors which account for 77% of the variance which is regarded as a good result. The first factor accounts for the most variance (51.994%) and contributions diminish substantially after that. For the purposes of this research, the first three factors are retained. Kaiser-Meyer-Okin (KMO) and Bartlett's test were run to check for sample adequacy (see the table in Appendix B2.4). The KMO value of .949 is seen

as a 'superb' value and shows that the sample size is adequate for reliable extract factors. Bartlett's test indicates that the items do not correlate too 'lowly'. The factors can be viewed in Table 7.9. Loadings ranged from .581 to .952, representing strong contributions to the factors they represent.

Table 7.9: Factor analysis of perceived benefits

	Factor 1	Factor 2	Factor 3
B4.1 I am able to save money		.800	
B4.2 I spend less		.596	
B4.5 I can get better prices than some customers		.717	
B4.6 I feel that I am getting good deals		.913	
B4.7 I feel that I am getting good value		.811	
B4.10 I get discounts or special deals that others don't get		.775	
B4.11 I can help others	.940		
B4.12 I can contribute to social good	.932		
B4.13 I can give back to the community	.946		
B4.14 I can help a good cause	.881		
B4.15 I can be socially responsible	.836		
B4.16 I can help those less fortunate	.952		
B4.17 I can help make the community a better place for everyone	.888		
B4.19 I'm treated with more respect			.841
B4.23 The retailer takes better care of me			.581
B4.24 I feel more distinguished than other customers			.821
B4.26 This loyalty programme makes me feel special			.664

The table in Appendix B2.5 demonstrates how the factors correlate with each other. A correlation range is evident from .358 to .677. This confirms that the use of an oblique rotation is correct. A high correlation between factors 2 and 3 is evident which confirms why they loaded onto the same factor when left alone.

7.5 RELATIONSHIP QUALITY

Statements for the three RQ constructs of trust, satisfaction, and commitment were analysed. Frequency tables were generated, statements were tested against a neutral value of '4', and factor analysis was applied. Table 7.11 illustrates significant statements. It was interesting to observe that more commitment statements had 'significant disagreement' scores, leading the researcher to believe that less

consumers were inclined to be completely committed to a retailer under any circumstances.

Exploratory factor analysis was applied to the RQ concepts of trust, satisfaction, and commitment, using Promax rotation. SAT1 and SAT2 fell away as they had factor loadings $< .5$. Loadings ranged from .613 to .900 representing strong contributions to the factors they represent (Table 7.10).

Table 7.10: Factor analysis of relationship quality constructs

	1	2	3
TR1 I trust this retailer			.770
TR2 I think that this retailer acts in my best interests			.781
TR3 This retailer is honest			.855
TR4 This retailer usually keeps its promises			.719
TR5 This retailer is just as concerned with my welfare as it is in making a profit			.649
TR6 Whenever the retailer advises me of any issue, I know that they are making use of their best judgement			.613
TR7 I have confidence in this retailer			.697
SAT3 I am satisfied with the relationship I have with this retailer		.682	
SAT4 I am satisfied with my decision to purchase from this retailer		.845	
SAT5 I get exactly what I need from this retailer		.821	
SAT6 This retailer meets my expectations		.829	
SAT7 This retailer is close to my ideal		.616	
SAT8 Buying from this retailer has been one of the best decisions I have made		.592	
SAT9 I have truly enjoyed purchasing from this retailer		.770	
SAT10 I enjoy my shopping experience at/with this retailer		.844	
COM1 I am interested in the success of this retailer	.620		
COM2 I feel committed to this retailer	.807		
COM3 I am willing to put in extra effort to buy from this retailer	.821		
COM4 I feel emotionally attached to this retailer	.900		
COM5 I have a strong sense of identification with this retailer	.773		
COM6 Regardless of competitors' offers, I will always shop at this retailer	.888		
COM7 I would never consider switching to another retailer	.795		
COM8 I always choose this retailer over others	.686		
COM9 It would be very difficult for me to stop buying from this retailer right now, even if I wanted to	.798		
COM10 I feel like part of the family with this retailer	.782		

Extraction Method: Principal Axis Factoring. Rotation Method: Promax with Kaiser Normalization.

a. Rotation converged in 7 iterations.

Once again KMO and Bartlett's tests were conducted. The KMO value of .978 is seen as a 'superb' value which shows that the sample size of 479 is adequate for reliable extract factors. Bartlett's test ($p < .0005$) indicates that the items do not correlate too 'lowly' (see the table in Appendix B3.1).

Table 7.11: Significance of relationship quality constructs

Statements	Significance				
	Mean	Std Dev	t	df	Sig.
TR1 I trust this retailer	4.98	1.493	478	14.388	.000
TR2 I think that this retailer acts in my best interests	4.27	1.707	478	3.480	.001
TR3 This retailer is honest	4.82	1.510	478	11.956	.000
TR4 This retailer usually keeps its promises	5.03	1.524	478	14.724	.000
TR5 This retailer is just as concerned with my welfare as it is in making a profit	3.83	1.847	478	2.053	.041
TR6 Whenever the retailer advises me of any issue, I know that they are making use of their best judgement	4.48	1.579	478	6.656	.000
TR7 I have confidence in this retailer	5.05	1.503	478	15.260	.000
SAT1 As a regular customer, I have a high quality relationship with this retailer	4.28	1.761	478	3.451	.001
SAT2 I am happy with the efforts that this retailer is making with customers like myself	4.70	1.630	478	9.388	.000
SAT3 I am satisfied with the relationship I have with this retailer	4.89	1.495	478	13.050	.000
SAT4 I am satisfied with my decision to purchase from this retailer	5.18	1.455	478	17.686	.000
SAT5 I get exactly what I need from this retailer	4.81	1.575	478	11.311	.000
SAT6 This retailer meets my expectations	4.95	1.498	478	13.877	.000
SAT7 This retailer is close to my ideal	4.61	1.617	478	8.308	.000
SAT8 Buying from this retailer has been one of the best decisions I have made	4.51	1.649	478	6.733	.000
SAT9 I have truly enjoyed purchasing from this retailer	4.93	1.582	478	12.823	.000
SAT10 I enjoy my shopping experience at/with this retailer	5.02	1.561	478	13.343	.000
COM2 I feel committed to this retailer	3.67	1.924	478	3.775	.000
COM3 I am willing to put in extra effort to buy from this retailer	3.80	1.899	478	2.334	.020
COM4 I feel emotionally attached to this retailer	3.06	1.860	478	11.007	.000
COM5 I have a strong sense of identification with this retailer	3.76	1.899	478	2.815	.005
COM6 Regardless of competitors' offers, I will always shop at this retailer	3.37	1.902	478	7.254	.000
COM7 I would never consider switching to another retailer	3.17	1.833	478	9.869	.000
COM9 It would be very difficult for me to stop buying from this retailer right now, even if I wanted to	3.65,	2.027	478	3.741	.000
COM10 I feel like part of the family with this retailer	3.35	1.827	478	7.779	.000

Note: Statements that exhibit significant disagreement are highlighted in red, while significant agreement is in black.

It is interesting to note that if only two factors are extracted, trust and satisfaction load onto one factor. The table in Appendix B3.2 demonstrates how the factors correlate with each other. Correlations range from .673 to .784. This confirms that the use of an oblique rotation is correct. The highest correlation is between factors 2 and 3 which confirms why they loaded onto the same factor when left alone. This is not unexpected and is explained by Balaji (2015: 21), who views trust and satisfaction as the two main elements of relationship marketing. Others suggest that trust impacts on satisfaction, which in turn results in loyalty. Furthermore, there are claims that relationship satisfaction has a positive influence on commitment to the relationship (Hennig-Thurau *et al.* 2002: 237 and Fullerton 2011: 94), in other words the suggestion is that satisfaction is enhanced when the customer exhibits trusting beliefs.

7.6 CUSTOMER LOYALTY

Statements for loyalty were analysed. Frequency tables were generated, statements were tested against a neutral value of '4' and factor analysis was applied. Table 7.12 illustrates significance statements. It is interesting to note that there was significant disagreement with the statements that involved 'word of mouth' activities. It therefore appears that respondents are not eager to recommend their LPs and retailers that are involved to their friends and associates.

Table 7.12: Significance of loyalty statements

Statements for Loyalty	Mean	Std Dev	t	df	Sig
LOY1 I consider myself a regular customer of this retailer	5.26	1.586	478	17.375	p<.005
LOY2 I consider myself loyal towards this retailer	4.4	1.829	478	4.821	p<.005
LOY3 This retailer is my first choice when it comes to purchasing in the category of goods it represents	4.74	1.792	478	9.076	p<.005
LOY4 I will continue to do business with this retailer in the future	5.19	1.495	478	17.451	p<.005
LOY5 I find myself consistently buying from this retailer	4.95	1.684	478	12.371	p<.005
LOY6 I make most of my FMCG purchases from this retailer	4.58	1.779	478	7.140	p<.005
LOY7 I would recommend this retailer to someone who seeks my advice	4.72	1.667	478	9.455	p<.005
LOY8 I often find myself telling people about the positive experiences I have had with this retailer	3.75	1.888	478	-2.928	p<.005
LOY9 Because of my experiences with this retailer, I try to convince friends, family and colleagues to switch to this retailer	3.58	1.920	478	-4.759	p<.005

Note: Statements that exhibit significant disagreement are highlighted in red, while significant agreement is in black.

7.7 COMBINATION OF RELATIONSHIP QUALITY CONSTRUCTS AND CUSTOMER LOYALTY

When all of the elements associated with RQ and CL are combined, and factor analysis is applied with a four factor structure being forced to separate trust and satisfaction, four loyalty statements (2, 7, 8 and 9) are dropped because of cross loading onto the commitment factor. This is hardly surprising, considering the close association that commitment has with loyalty. The final result of the four factor structure is illustrated in Table 7.13.

Kaiser-Meyer-Olkin and Bartlett's Tests were run. A KMO value of 0.979 is a 'superb' value which indicates adequate sample size for reliable extract factors. Bartlett's test ($p < .0005$) indicates that the items do not correlate too 'lowly' (see the table in Appendix B3.3). Cronbach's alpha was run for the five loyalty items. The loyalty constructs were found to be reliable at 0.939. A one sample t-test was run on each of the combined measures to test for any significant disagreement or agreement.

Frequency tables were generated, statements were tested against a neutral value of '4', and factor analysis was applied.

Table 7.13: Factor analysis of combined relationship quality concepts and loyalty

	Factors			
	1	2	3	4
TR1 I trust this retailer		.832		
TR2 I think that this retailer acts in my best interests		.777		
TR3 This retailer is honest		.915		
TR4 This retailer usually keeps its promises		.811		
TR5 This retailer is just as concerned with my welfare as it is in making a profit		.640		
TR6 Whenever the retailer advises me of any issue, I know that they are making use of their best judgement		.625		
TR7 I have confidence in this retailer		.767		
SAT3 I am satisfied with the relationship I have with this retailer				.599
SAT4 I am satisfied with my decision to purchase from this retailer				.730
SAT5 I get exactly what I need from this retailer				.786
SAT6 This retailer meets my expectations				.767
SAT7 This retailer is close to my ideal				.648
SAT8 Buying from this retailer has been one of the best decisions I have made				.619
SAT9 I have truly enjoyed purchasing from this retailer				.796
SAT10 I enjoy my shopping experience at/with this retailer				.854
COM1 I am interested in the success of this retailer	.613			
COM2 I feel committed to this retailer	.806			
COM3 I am willing to put in extra effort to buy from this retailer	.773			
COM4 I feel emotionally attached to this retailer	.921			
COM5 I have a strong sense of identification with this retailer	.755			
COM6 Regardless of competitors' offers, I will always shop at this retailer	.824			
COM7 I would never consider switching to another retailer	.814			
COM8 I always choose this retailer over others	.582			
COM9 It would be very difficult for me to stop buying from this retailer right now, even if I wanted to	.737			
COM10 I feel like part of the family with this retailer	.820			
LOY1 I consider myself a regular customer of this retailer			.928	
LOY3 This retailer is my first choice when it comes to purchasing in the category of goods it represents			.688	
LOY4 I will continue to do business with this retailer in the future			.680	
LOY5 I find myself consistently buying from this retailer			.886	
LOY6 I make most of my FMCG purchases from this retailer			.740	

Extraction Method: Principal Axis Factoring. Rotation Method: Promax with Kaiser Normalization. a. Rotation converged in 7 iterations.

Table 7.14 illustrates significant statements. The significance agreements and disagreements reflect the attitudes and behaviours of the sample under study. However, these attitudes and behaviours can be generalised to the population.

Table 7.14: Significant statements for combined relationship quality and loyalty

Statements	Significance	Mean	Std Dev	t	df	p
TRUST	Agreement	4.367	1.39978	478	9.956	p<.005
SATISFACTION	Agreement	4.8627	1.41153	478	13.377	p<.005
COMMITMENT	Disagreement	3.5910	1.62378	478	-5.512	p<.005
CONSUMERISTIC	Agreement	4.5741	1.54940	478	8.110	p<.005
ALTRUISTIC	Disagreement	3.8041	1.87339	478	-2.289	p<.005
EGOISTIC	Disagreement	3.3095	1.62183	478	-9.318	p<.005
LOYALTY	Agreement	4.9453	1.49720	478	13.818	p<.005
REWARDS	Agreement	5.4603	1.72585	478	18.519	p<.005

Note: Statements that exhibit significant disagreement are highlighted in red, while significant agreement is in black.

7.8 TESTING THE HYPOTHESES

Having established a basis from which to test the hypotheses and solve the objectives stated at the beginning of the study, regression analysis was applied to test the hypotheses related to the objectives independently of each other. This also includes correlations for each demographic variable and so be able to compare the results and establish if demographic variables have any effect on the result.

7.8.1 Objective 1

Objective 1 required the research to determine how the perception of benefits gained from different types of LPs contributed towards relationship quality. In addition a number of sub-objectives were explicitly related to Objective 1. These are outlined at the beginning of this chapter. The hypotheses related to Objective 1 were hypotheses 1, 2, 3, 5, 6, 7, 9, 10 and 11, and are stated below, along with any significant results relevant to each hypothesis.

7.8.1.1 Perceived Benefits and Trust

Regression analysis was applied to test each hypothesis independently of each other. Independent variables are the perceived consumeristic, altruistic or egoistic rewards, while dependant variables are the constructs related to RQ, namely trust, commitment, and satisfaction, as well as CL. The results of the tests are as follows:

Hypothesis 1 – Perceived consumeristic benefits from loyalty programmes have a positive relationship with customer trust.

Perceived consumeristic benefits account for 42% ($R^2 = .420$) of the variability in TRUST, $F(1,477) = 345.566$, $p < .0005$. The independent variable (consumeristic benefits) is a significant predictor of trust ($\beta = .586$, $p < .0005$).

Hypothesis 5 – Perceived altruistic benefits from loyalty programmes have a positive relationship with customer trust.

Regression analysis tests establish that perceived altruistic benefits account for 19% ($R^2 = .186$) of the variability in TRUST, $F(1,477) = 108.703$, $p < .0005$. The independent variable (altruistic benefits) is therefore a significant predictor of Trust ($\beta = .322$, $p < .0005$).

Hypothesis 9 – Perceived egoistic benefits from loyalty programmes have a positive relationship with customer trust.

The results of regression analysis state that perceived egoistic benefits account for 37.3% ($R^2 = .373$) of the variability in TRUST, $F(1,477) = 283.956$, $p < .0005$. The independent variable (altruistic benefits) is a significant predictor of trust ($\beta = .527$, $p < .0005$).

Regression analysis was then applied to all three groups of perceived benefits (consumeristic, altruistic and egoistic) together. Together they accounted for 49% ($R^2 = .490$) of the variance in TRUST, $F(3,475) = 152.375$. They are all significant predictors of trust with perceived consumeristic benefits stronger than the other two and altruistic as the weakest (see the table in Appendix Table B2.6).

7.8.1.2 Perception of Benefits and Satisfaction

Regression analysis was applied to test the Independent variables of perceived consumeristic, altruistic or egoistic benefits, with the dependant variable of satisfaction. Results of the tests are as follows:

Hypothesis 2 – Perceived consumeristic benefits from loyalty programmes have a positive relationship with customer satisfaction.

The application of regression analysis establishes that perceived consumeristic benefits account for 19% ($R^2 = .186$) of the variability in SATISFACTION, $F(1,477) = 362.197$, $p < .0005$. The independent variable (consumeristic benefits) is a significant predictor of satisfaction ($\beta = .599$, $p < .0005$).

Hypothesis 6 – Perceived altruistic benefits from loyalty programmes have a positive relationship with customer satisfaction.

Regression analysis establishes that perceived altruistic benefits account for 20% ($R^2 = .203$) of the variability in SATISFACTION, $F(1,477) = 121.670$, $p < .0005$. The independent variable (consumeristic benefits) is a significant predictor of satisfaction ($\beta = .340$, $p < .0005$).

Hypothesis 10 – Perceived egoistic benefits from loyalty programmes have a positive relationship with customer satisfaction.

Regression analysis establishes that perceived egoistic benefits account for 35% ($R^2 = .350$) of the variability in SATISFACTION, $F(1,477) = 257.152$, $p < .0005$. The independent variable (consumeristic benefits) is a significant predictor of satisfaction ($\beta = .515$, $p < .0005$).

Regression analysis was then applied to all three groups of benefits (consumeristic, altruistic and egoistic) together. Together they accounted for 50% ($R^2 = .498$) of the variance in SATISFACTION, $F(3,475) = 157.281$. They are all significant predictors of satisfaction with consumeristic benefits stronger than the other two and egoistic the weakest (see the table in Appendix B2.7).

7.8.1.3 Perceived Benefits and Commitment

Regression analysis was applied to test perceived consumeristic, altruistic or egoistic benefits, with commitment. Results of the tests are as follows:

Hypothesis 3 – Perceived consumeristic benefits from loyalty programmes have a positive relationship with commitment.

Regression analysis establishes that consumeristic benefits account for 33% ($R^2 = .326$) of the variability in COMMITMENT, $F(1,477) = 230.694$, $p < .0005$. The independent variable (consumeristic benefits) is a significant predictor of commitment ($\beta = .598$, $p < .0005$).

Hypothesis 7 – Perceived altruistic benefits from loyalty programmes have a positive relationship with commitment.

Perceived altruistic benefits account for 20% ($R^2 = .205$) of the variability in COMMITMENT, $F(1,477) = 123.174$, $p < .0005$. The independent variable (consumeristic benefits) is a significant predictor of commitment ($\beta = .393$, $p < .0005$).

Hypothesis 11 – Perceived egoistic benefits from loyalty programmes have a positive relationship with commitment.

It was found that perceived egoistic benefits account for 41% ($R^2 = .410$) of the variability in COMMITMENT, $F(1,477) = 331.851$, $p < .0005$. The independent variable (consumeristic benefits) is a significant predictor of commitment ($\beta = .641$, $p < .0005$).

Regression analysis was applied to all three groups of benefits (consumeristic, altruistic and egoistic) together. Together they accounted for 46% ($R^2 = .460$) of the variance in COMMITMENT, $F(3,475) = 134.987$. They are all significant predictors of commitment with egoistic benefits stronger than the other two and altruistic the weakest (see the table in Appendix B2.8).

7.8.2 Objective 2

Objective 2 required the research to determine which perceived programme benefits are preferable for retailers in building loyalty. In addition, a number of sub-objectives were explicitly related to Objective 2. These can be found at the beginning of this chapter. The hypotheses related to Objective 2 were hypotheses 4, 8 and 12 and are stated below, along with any significant results relevant to each hypothesis.

Hypothesis 4 – Perceived consumeristic benefits from loyalty programmes have a positive relationship with customer loyalty.

Regression analysis established that perceived consumeristic benefits account for 27% ($R^2 = .272$) of the variability in LOYALTY, $F(1,477) = 178.139$, $p < .0005$. The independent variable (consumeristic benefits) is a significant predictor of CL ($\beta = .504$, $p < .0005$).

Hypothesis 8 – Perceived altruistic benefits from loyalty programmes have a positive relationship with customer loyalty.

Regression analysis showed that the perception of altruistic benefits account for 8% ($R^2 = .078$) of the variability in LOYALTY, $F(1,477) = 40.213$, $p < .0005$. The independent variable (consumeristic benefits) is a significant predictor of CL ($\beta = .223$, $p < .0005$).

Hypothesis 12 – Perceived egoistic benefits from loyalty programmes have a positive relationship with customer loyalty.

It was established that perceived egoistic benefits account for 17% ($R^2 = .166$) of the variability in LOYALTY, $F(1,477) = 95.189$, $p < .0005$. The independent variable (egoistic benefits) is a significant predictor of CL ($\beta = .377$, $p < .0005$).

Regression analysis was then applied to all three groups of benefits (consumeristic, altruistic and egoistic) together. Together they accounted for 28% ($R^2 = .284$) of the variance in LOYALTY, $F(3, 475) = 62.763$. Only consumeristic and altruistic benefits are significant predictors of commitment with consumeristic benefits stronger than the others (see the table in Appendix B2.9).

7.8.3 Objective 3

Objective 3 required the research to establish whether the results of objective one and two differ when various socio-demographic variables are applied. When the demographic variables of gender, age, race and income are introduced, the relationship between ages, perceived altruistic benefits and trust are found to be significant. In addition, when 'rewards' is included as an additional perceived benefit, a number of interesting observations can be made.

7.8.3.1 Demographic Variables and Perceived Altruistic Benefits

When regression analysis was applied, it was found that there was a significant interaction ($p = 0.033$) between the demographic variable of **age** and perceived **altruistic** benefits. When the beta values for altruistic benefits are examined for each age group, a few observations can be made. Firstly, all the beta values are positive which indicates that there is a positive relationship between altruism and trust for all ages. All are significant with $p < .05$.

However, if one examines each age group, one finds that some relationships are more positive than others. It is interesting to observe that this situation does not follow strict age order, as it is noted that perceived altruistic benefits has the largest impact on trust in the > 70 age group. This is followed by the completely opposite end of the scale, the 18-29 year age group. The least impact is in the 30-39 year age group. A possible explanation could be that older groups are under less pressure to deal with the pressures of day to day living than those in the middle of the age spread. Corbishley (2007: 145) found that more people than expected that were older than 60 were prepared to support a retailer who was involved with a cause. Also, the younger age group might not have the responsibility of children or home ownership yet, which could make them more altruistic than consumeristic. Alternatively, the younger age group could also be more concerned about the world at large. Figure 7.4 illustrates this discussion.

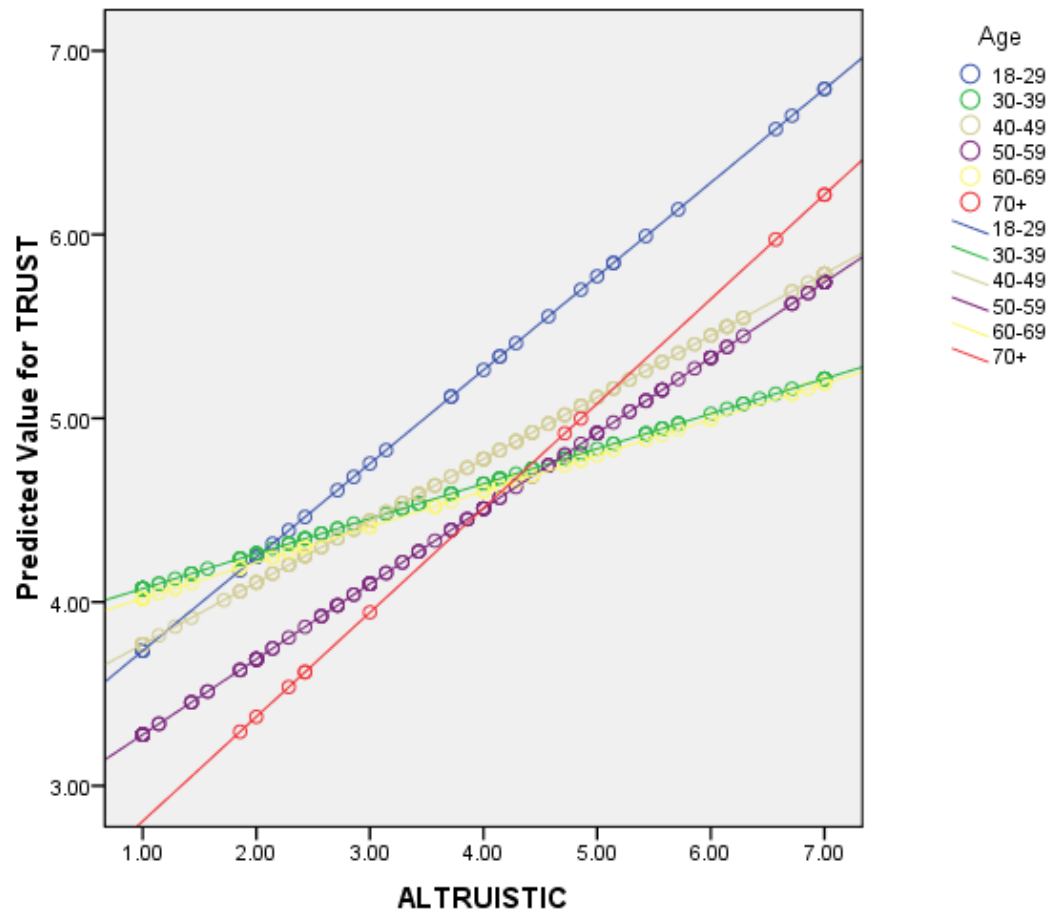


Figure 7.4: Demographic variables and perceived altruistic benefits

Demographic variables were tested against all the other perceived benefits and their relationships with RQ constructs and CL. No other significant relationships were found.

7.9 STRUCTURAL EQUATION MODELLING

Structural equation modelling provides a method to assess and alter relationships in a theoretically sensible way (Kreis and Mafael 2014: 593). The general SEM is made up of two steps. The first stage applies CFA to a measurement model, testing for reliability and robustness of the scales. This is followed by the testing of hypothesized relationships between independent (exogenous) and dependent (endogenous) variables through the examination of the structural model (Hoyle and Smith 1994: 429). Structural equation modelling enables you to observe the accuracy with which the proposed conceptual model containing observed variables and unobservable

constructs fits the quantitative data that has been collected (Bollen in Omar *et al.* 2015: 151).

7.9.1 The Measurement Model

According to Hoyle and Smith (1994: 429), a measurement model (MM) is concerned with the relationships between a set of “observed variables (e.g. questionnaire items) and the unobserved (latent) variables or constructs they were designed to measure”. Each variable is represented by a number of responses to items from the questionnaire. Hypotheses are made about relationships between variables (exogenous and endogenous, observed and unobserved). Bagozzi and Yi (2012: 10) explain that SEM offers an integrative function that can provide “synergy and complementarity” for various statistical processes.

The most acceptable way to commence a SEM analysis is by constructing a diagram or model illustrating the paths that are going to be analysed. This path or MM maps measurements onto theoretical constructs. The original MM, before any adjustments have been made is illustrated in Figure 7.7. The diagram is made up of rectangles which represent observed (or measured) variables and circles which represent latent (or unmeasured) factors or concepts (Bagozzi and Yi 2012: 9). Each latent variable in Figure 7.7 is represented by a number of measured variables. Arrows with single heads represent paths or causal relationships (Hox and Bechger 1998: 2). The questions/statements that were used in this model were selected through the application of EFA earlier in the study. Items that had low loadings, as well as those that loaded onto multiple factors were discarded. All of those that remained are featured in the model, and had tested as reliable with good Cronbach’s alpha scores. Evaluation of the MM is conducted through assessing how consistent the questionnaire responses are with the theory underlying the variable or construct they were meant to measure. According to Hoyle and Smith (1994: 430), each latent variable should be represented by at least three indicators, therefore the variables in this model are well represented.

7.9.1.1 Testing the Measurement Model

In the testing of the MM, a number of numerical issues arose after a few steps. Heywood points were found in a few cases, identified by the fact that standardized regression parameters were > 1 . This is outside the permitted maximum value. The cause of this was found to be a correlation value of 0.93 for perceived consumeristic benefits (CBEN) and perceived egoistic benefits (EBEN).

The solution for this was to join these two constructs. A possible scenario offered to explain this correlation is that South African LP members are not distinguishing between perceived CBEN and EBEN in a significant manner. A suggestion could be that a number of programmes in the FMCG sector that offer benefits that potentially generate egoistic feelings (e.g. healthy purchases), are also linked with tangible/consumeristic rewards of points and discounts. Another explanation could be one of misreporting where respondents are loath to admit to egoistic feelings, which could be viewed as socially unacceptable.

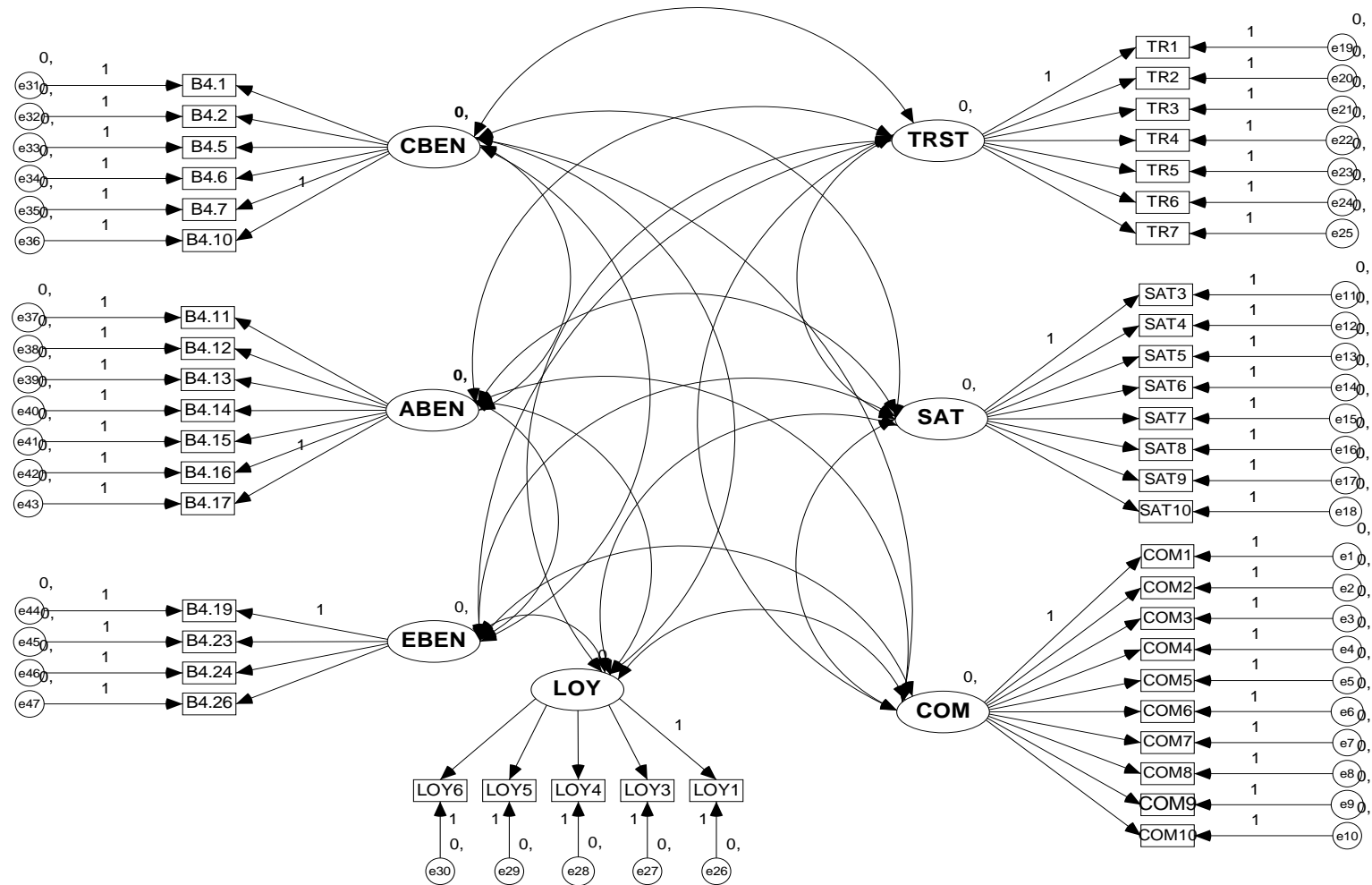


Figure 7.5: Original measurement model for SEM

7.9.1.2 Confirmatory Factor Analysis

Confirmatory factor analysis was carried out in order to test how robust and reliable the scales are, the factor loadings of the constructs and to assess how well the model fits (Omar *et al.* 2015: 151). The factors had already been subjected to EFA during previous analytical stages. The application of CFA to the original MM resulted in the deletion of the COM 8 (commitment) statement as well as the addition of a number of covariance arrows between error terms on the same construct.

A new MM was therefore constructed, which exhibited two constructs representing perceived benefits, three to represent RQ and one for loyalty (Figure 7.8). Model fit indices used to assess the fit of the model are outlined in Table 7.15. It is evident that the model fits well.

Table 7.15: Model fit indices for modified MM

	Fit Values	Criteria
χ^2 / df	2.122	<5
IFI	.957	>.9
CFI	.957	>.95
RMSEA	0.48	<.08

CFI = confidence fit interval

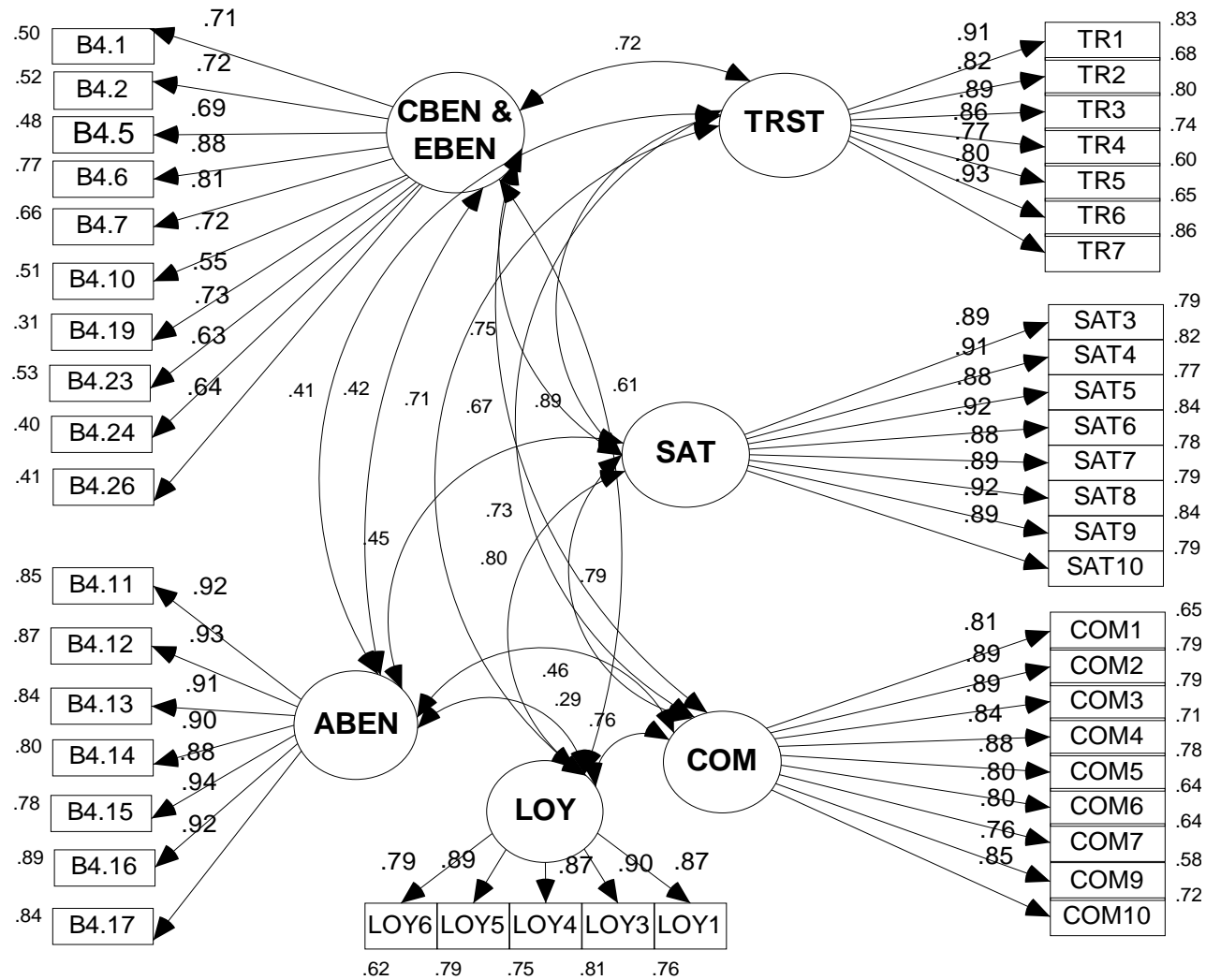


Figure 7.6: Modified measurement model

7.9.1.3 Validity and Reliability

Validity and reliability tests were carried out on the constructs of the modified MM.

Table 7.16: Validity and reliability calculations for MM

CONSTRUCT	Cronbach's alpha (A)	Composite reliability (CR)	Ave variance extracted (AVE)	CBEN EBEN	ABEN	TRST	SAT	COM	LOY
CBEN/EBEN	0.921	0.911	0.51	1					
ABEN	0.973	0.973	0.839	0.179	1				
TRST	0.949	0.951	0.736	0.521	0.172	1			
SAT	0.969	0.97	0.802	0.566	0.206	0.789	1		
COM	0.955	0.955	0.701	0.445	0.213	0.536	0.619	1	
LOY	0.932	0.937	0.748	0.371	0.087	0.508	0.643	0.575	1

CBEN = consumeristic benefits; EBEN = egoistic benefits; ABEN = altruistic benefits; TRST = trust; SAT = satisfaction; COM = commitment; LOY = loyalty

N.B. Values on the right hand side of the table are squared correlations between constructs, also known as shared variances (SV).

- **Reliability**

Fundamentally, the measure for theoretical variables should be stable and consistent (Hoyle and Smith 1994: 431). In order to be viewed as reliable, CR and Cronbach's alpha (A) should be $> .7$. All loadings (standard regression coefficients) should measure $> .5$. On examination, these requirements held for all items, therefore the model is seen to be reliable (see Table 7.16).

- **Validity**

Construct validity measures how well the construct indicators measure what they are intended to measure. According to Hoyle and Smith (2004: 432), "the question of validity is a multifaceted one that involves the evaluation of the internal characteristics of a measure as well as its relations with other measures. SEM is well suited to evaluating both". Construct validity was assessed in two ways: convergent and discriminant validity. Valid measurements should converge where required but also not be too closely related to measures that belong to another (Bagozzi and Yi 2012: 18).

- **Convergent validity**

Convergence validity implies that a number of measures related to the same construct should correlate well (highly). For convergent validity $CR > AVE$. This is the case for all constructs. For convergent validity to be recognised, the average variance extracted (AVE) should be larger than 0.5. As can be seen in Table 7.18 the AVE of the latent constructs ranged from 0.51 to 0.839. Therefore, convergent validity holds.

- **Discriminant validity**

For discriminant validity, there should be a low correlation with measures for another factor. i.e. a construct should demonstrate more variance with its indicators than with other constructs. Therefore, to achieve discriminant validity, AVE needs to be $> SV$. Three measures don't hold for this, although the difference is marginal. These are highlighted in Table 7.16. They are for constructs CBEN/EBEN with trust (TRST) and with satisfaction (SAT); and for TRST with SAT.

Thus, the first MM does not demonstrate construct validity, as not all the criteria for establishing convergent and discriminant validity were fulfilled. In order to overcome this, it is recommended that TRST and SAT are combined. The high correlation that they have (.888) suggests that this will result in discriminant validity being achieved. According to Hox and Bechger (1998: 9), it has become acceptable to alter the model by removing and/or adding parameters that are either not significant or can improve the fit. Sometimes a sequence of modifications take place until reliability and validity are achieved. The adjusted model produced the validity and reliability figures exhibited in Table 7.17.

Table 7.17: Validity and reliability calculations for new MM (combined SAT and TRST)

CONSTRUCT	Cronbach's alpha (A)	Composite reliability (CR)	Average variance extracted (AVE)	CBEN/EBEN	ABEN	TRST/SAT	COM	LOY
CBEN/EBEN	.921	.911	.509	1				
ABEN	.972	.973	.840	.178	1			
TRST/SAT	.949	.975	.714	.590	.213	1		
COM	.969	.955	.701	.445	.213	.638	1	
LOY	.955	.937	.748	.371	.087	.638	.575	1

A small discriminant validity issue still remains as $AVE < SV$ for CBEN/ABEN and TRST/SAT. On examination for cross loading, it appeared that all the EBEN questions should be dropped. This results in an MM that has no EBEN and TRST and SAT combined. The final model results in the validity and reliability figures exhibited in Table 7.18.

Table 7.18: Validity and reliability figures for final MM

CONSTRUCT	Cronbach's alpha (A)	Composite reliability (CR)	Average variance extracted (AVE)	CBEN	ABEN	TRST/SAT	COM	LOY
CBEN	.897	.892	.583	1				
ABEN	.973	.980	.839	.140	1			
TRST/SAT	.975	.974	.713	.563	.213	1		
COM	.955	.955	.701	.387	.213	.638	1	
LOY	.939	.937	.748	.364	.087	.638	.575	1

As can be observed, the new model offers reliability ($A > .7$); convergent validity ($CR > AVE$ and $AVE > .5$) and discriminant validity ($AVE > SV$). Once the MM is found to be acceptable in terms of model fit, reliability, and validity, the structural model needs to be tested.

7.9.2 Structural Model and the Test of Hypotheses

A SEM is concerned with the relationships between variables (independent and dependent), which can be observed and/or latent. Structural equation models have no limitations on the number of relations between variables (both independent and depend) that can be measured. All paths are estimated and evaluated. If it is found

that the model fit is not satisfactory then it is acceptable to alter the model by eliminating parameters that have not been established as significant and/or adding those that would make it a better fit. This is carried out on a step by step basis (Hox and Bechger 1998: 9). After the first round of structural tests, the final structural model (Figure 7.7) was arrived at after alterations (to improve validity and to avoid misleading structural outputs) were made as described in the preceding text. One of the paths that was found to improve the fit, was the addition of a path between the TRST/SAT and COM.

Model adequacy was tested by means of various fit indices. Model fit indices for this model are indicated in Table 7.19. The indices demonstrated an excellent fit (CFI = 0.964; IFI = 0.964 and RMSEA = 0.047). A model that is a perfect fit will produce fit indices with a value of 1. However, a value of 0.90 or more is seen as acceptable, with values of more than 0.95 seen as representing a 'good' fit (Hox and Bechger 1998: 9). In addition, chi square over degrees of freedom (CMIN/DF) was 2.058 which is within the recommended 3:1 ratio (Omar *et al.* 2015: 151).

Table 7.19: Model fit indices for the structural model

CMIN/DF	Criteria	IFI	Criteria	CFI	Criteria	RMSEA	Criteria
2.058	3: 1	.964	>0.90	0.964	>0.93	0.047	<0.05 *

CMIN = chi square; DF = degrees of freedom; IFI = incremental fit index; CFI = confidence fit interval; RMSEA = root mean square error of approximation.

N.B: Researchers state that although RMSEA can be < 0.08, ideally it should be < 0.05 (Moss 2016)

The regression weights (see Table 7.20) indicate that there is a positive and significant relationship between perceived CBEN and the combined constructs of TRST and SAT. However, the relationship between CBEN and COM, although positive, is not significant. When it comes to perceived ABEN, there is also a significant and positive relationship between ABEN and the TRST/SAT construct as well as ABEN and COM. These results suggest that the more these benefits are perceived, the greater the TRST/SAT and COM exhibited by the cardholder.

Table 7.20: Significant regression weights for structural model

			Estimate	S.E.	C.R.	P	Label
TRST/SAT	<---	CBEN	.585	.046	12.822	***	par_65
TRST/SAT	<---	ABEN	.141	.024	5.938	***	par_68
COM	<---	CBEN	.049	.053	.925	.355	par_66
COM	<---	ABEN	.095	.028	3.398	***	par_69
COM	<---	TRST/SAT	.876	.074	11.899	***	par_74
LOY	<---	CBEN	-.003	.048	-.055	.956	par_67
LOY	<---	ABEN	-.103	.025	-4.058	***	par_70
LOY	<---	TRST/SAT	.646	.075	8.561	***	par_71
LOY	<---	COM	.338	.050	6.724	***	par_72

N.B. Highlighted sections are not significant

However, the results are a little different when it comes to the loyalty construct. Firstly, there appears to be no significant relationship between CBEN and LOY towards the retailer concerned. Furthermore, this relationship (significant or not) is a negative one. In addition, the relationship between ABEN and LOY is significant, but is also indicated as negative. However, this is counteracted by a significant positive relationship between TRST/SAT and LOY as well as COM and LOY. This indicates that the path to LOY is not a direct one, and that once the RQ constructs are achieved, LOY will follow.

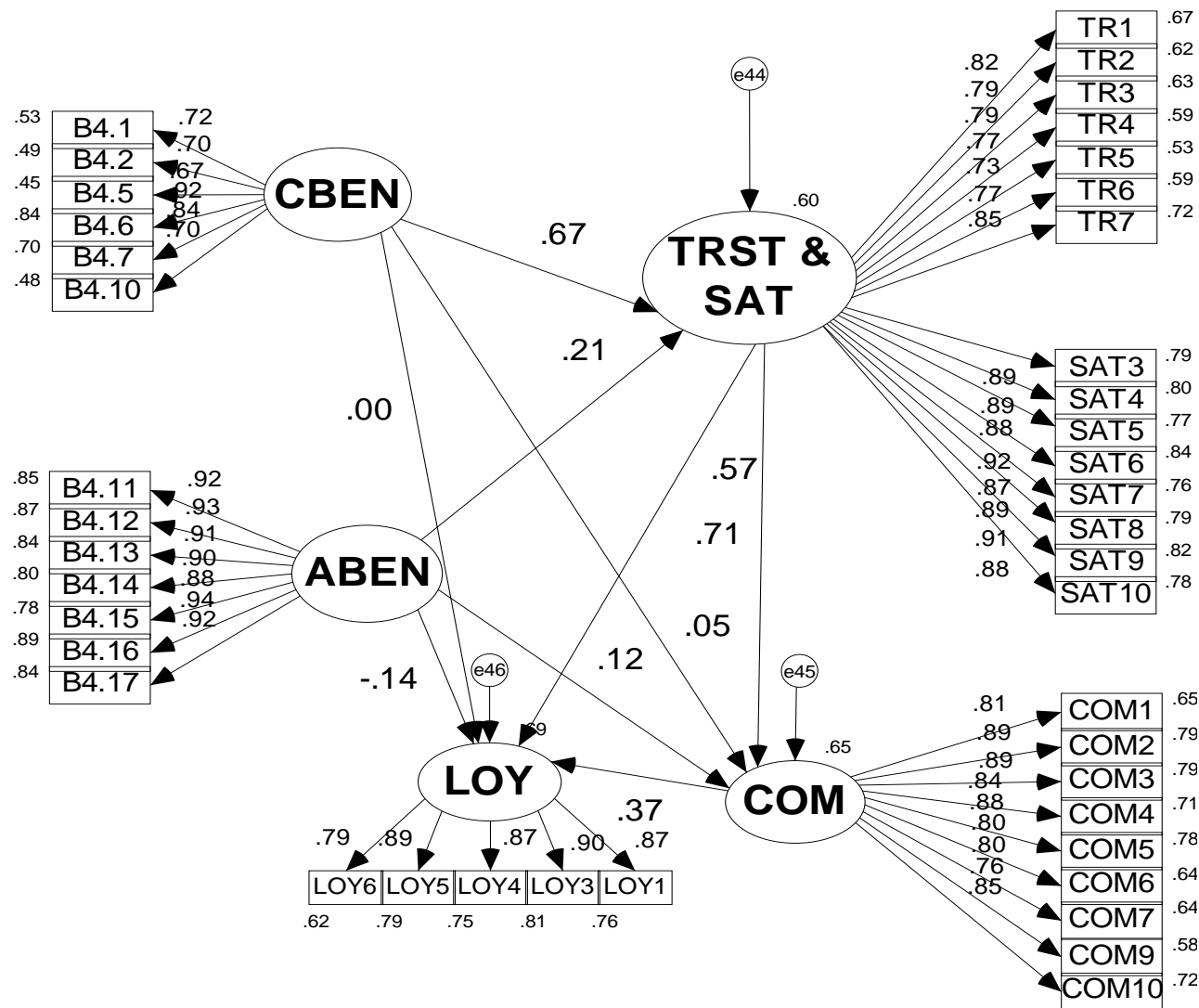


Figure 7.7: Structural model

7.9.3 Hypotheses Testing for SEM

Hypotheses 1-12 test how perceived LP benefits (consumeristic, altruistic and egoistic) affect the elements of RQ (trust, satisfaction and commitment) and CL. To test the original hypotheses, SEM was employed via AMOS. Table 7.21 illustrates the results of these tests according to the SEM. It shows that TRST and SAT are combined into a single factor. In addition, EBEN was eventually dropped to ensure validity.

Table 7.21: Hypotheses tests according to SEM

H	Hypothesized Path	New Path	Standardised Coefficient	Critical Ratio (t-value)	Results
H1	CBEN -> TRST	CBEN ->TRST/SAT	0.671	13.399***	Supported
H2	CBEN -> SAT				
H3	CBEN -> COM	Not applicable	0.046	11.340	Not supported
H4	CBEN -> LOY	Not applicable	-0.003	-0.444	Not supported
H5	ABEN ->TRST	ABEN ->TRST/SAT	0.211	5.672***	Supported
H6	ABEN->SAT				
H7	ABEN -> COM	Not applicable	0.115	6.100***	Supported
H8	ABEN -> LOY	Not applicable	-0.137	-4.073***	Not Supported
H9	EBEN ->TRST				Dropped
H10	EBEN ->SAT				Dropped
H11	EBEN ->COM				Dropped
H12	EBEN -> LOY				Dropped

*** Significant at $p < 0.01$

H1 and H2 are supported, albeit in a slightly different format with TRST and SAT combined as shown in the model in Figure 7.7 and Table 7.21. H3 and H4 were both found to be not significant. However, the relationship between CBEN and LOY is negative compared to that of CBEN and COM which is positive.

H5 and H6 are also supported in a similar format to H1 and H2. Finally, H8 is significant, but is not supported as the relationship is negative in contrast with the suggested hypothesis.

H9 through to H12 were not taken into consideration with this model, due to EBEN being dropped to ensure validity.

Finally, it should be noted that two new relationships were noted as a result of the SEM and alterations and additions that were made to improve validity. The first one is a positive relationship between TRST/SAT and LOY ($SC = 0.571$; $t = 9.966$; $p < 0.001$), whilst the second is a positive relationship between COM and LOY ($SC = 0.371$; $t = 7.952$; $p < 0.001$). These were not addressed in the original hypotheses, but should nevertheless be taken into account as they are significant, and have implications for the research, which will be discussed in Chapter 8.

7.10 SUMMARY OF THE OUTCOMES OF THE EFA, CFA AND SEM

Once the final tests had taken place, the original statements that were included in the questionnaire were scrutinised to observe which ones had been retained or deleted. From the original 62 statements that were selected to make up the exogenous constructs 20 were deleted and 42 were retained.

For the LOY construct, four of the statements were deleted with five remaining, namely LOY1 and LOY 3-6. The three RQ constructs of COM, TRST, and SAT only had three deletions, namely, two from SAT and one from COM.

However, when it came to the benefit statements, the entire EBEN section was deleted to achieve validity for the SEM. In addition, four consumeristic statements were deleted. These were CBEN 3-4 and 8-9. These findings are illustrated in the appendix B5. 1.

7.11 CONCLUSION

This chapter described how the results from the quantitative data have been analysed. It began with descriptive details of the sample, outlining demographic details as well as details on respondents' LP membership. It then proceeded to examine the perceived benefits that can be obtained from LP rewards. These were categorised into consumeristic, altruistic and egoistic benefits (CBEN, ABEN and EBEN) as described in Chapter 2. Factor analysis was applied to these groupings.

The chapter then examined the elements that make-up the constructs of RQ, namely trust, satisfaction, and commitment. Factor analysis was applied to this scenario to verify the statements used to describe each construct. Reliability was established. The same tests were applied to the loyalty factor. This was repeated on a combination of loyalty and RQ factors.

Hypotheses were tested individually with regression analysis. These were then analysed in terms of demographics to see if this affected the results in any way. Finally, SEM was applied through the application of CFA. A MM was produced and then a structural model which measured the relationships between variables. This also tested a number of the hypotheses.

Chapter 8 contains a summary of the findings from Chapters 6 and 7. These findings will also refer to previous findings from the literature in Chapters 2, 3 and 4. Chapter 8 and 9 will be put forward suggestions to explain the findings made in Chapter 7. Finally, conclusions will be drawn in terms of the objectives and hypotheses.

CHAPTER 8 : DISCUSSION OF THE FINDINGS

8.1 INTRODUCTION

The previous two chapters contained a presentation and analysis of the research results. This chapter contains a short outline of the study, including a revisit of the problem statement and the methods involved in investigating the problem. However, the main purpose of this chapter is to summarise and discuss the objectives and hypotheses and how they relate to the theory and the results of the investigation. The findings from Chapters 6 and 7 will be summarised, and linked with pertinent findings from past literature as reviewed in Chapters 2, 3 and 4. It also outlines the conceptual framework and how it was developed during the course of the study.

The purpose of this research is to contribute towards the existing body of knowledge in the field of LPs, RQ and CL. It has identified that although there has already been a fair amount of research conducted in the international environment, very little has focused scientifically on the South African marketplace. Furthermore, although the perception of benefits from LPs has come under the spotlight in recent years, they have not been covered in the same context as this piece of work.

The discussion of the findings is structured according to the objectives of the study.

8.2 BACKGROUND TO THIS RESEARCH

The offering of LPs to customers in the FMCG sector in South Africa is growing exponentially. The main idea behind them is to compete more efficiently with the opposition, and develop relationships and CL.

Although LPs are frequently used as a marketing tool, there is still some doubt as to the contribution they make, with some researchers claiming that they are very successful, whilst others claim that they are an unnecessary expense. It is important

for those involved to have a better understanding of how the benefits inherent to LPs can translate to better relationships and CL. It is in this area where there is still limited understanding. Despite the academic debate that has taken place, there is still room for more, with answers remaining either contradictory or inconclusive.

In order to enable LPs to be more effective, a greater understanding is required to explain whether different forms of LPs and their benefits create a greater depth of RQ between the customer who is a member of an LP and the retailer that participates in it. Although a fair amount of research has been conducted in first-world countries, much less has taken place in South Africa. The aim of this research is to analyse how different perceptions of the benefits of LPs contribute towards RQ and CL between various groups of consumers and the retailer in order to contribute towards the growing body of research that has both theoretical and practical significance in the field of LPs in the South African FMCG retail sector.

In order to achieve this aim, a number of objectives and sub-objectives were generated and then also stated in the form of hypotheses.

8.3 OBJECTIVES AND HYPOTHESES

Objectives 1 to 4 are spelt out below. In addition, Table 8.1 outlines the sub-objectives and hypotheses related to objectives 1 and 2. There are no sub-objectives or hypotheses for objectives 3 and 4.

Objective 1

To determine how the perception of benefits gained from different types of loyalty programmes contributes towards relationship quality.

Objective 2

To determine which perceived benefits, gained from different types of loyalty programmes, are preferable for retailers in building loyalty.

Objective 3

To establish whether any of the above differ when various socio-demographic variables are applied.

Objective 4

To propose a framework that describes the relationship that develops between consumers and FMCG retailers when an LP is included.

Table 8.1: Objectives and hypotheses

Objectives	Sub-objectives	Hypotheses
Objective 1: To determine how the perception of benefits gained from different types of loyalty programmes contributes towards relationship quality.	To determine the extent to which perceived consumeristic benefits from loyalty programmes build trust, satisfaction and commitment.	H1 Perceived consumeristic benefits from loyalty programmes have a positive relationship with customer trust.
		H2 Perceived consumeristic benefits from loyalty programmes have a positive relationship with customer satisfaction.
		H3 Perceived consumeristic benefits from loyalty programmes have a positive relationship with customer commitment.
	To determine the extent to which perceived altruistic benefits from loyalty programmes build trust, satisfaction and commitment.	H5 Perceived altruistic benefits from loyalty programmes have a positive relationship with customer trust.
		H6 Perceived altruistic benefits from loyalty programmes have a positive relationship with customer satisfaction.
		H7 Perceived altruistic benefits from loyalty programmes have a positive relationship with customer commitment.
	To determine the extent to which perceived egoistic benefits from loyalty programmes build trust, satisfaction and commitment.	H9 Perceived egoistic benefits from loyalty programmes have a positive relationship with customer trust.
		H10 Perceived egoistic benefits from loyalty programmes have a positive relationship with customer satisfaction.
		H11 Perceived egoistic benefits from loyalty programmes have a positive relationship with customer commitment.
Objective 2: To determine which perceived benefits, gained from different types of loyalty programmes, are preferable for retailers in building loyalty.	To determine the extent to which perceived consumeristic benefits from loyalty programmes build loyalty.	H4 Perceived consumeristic benefits from loyalty programmes have a positive relationship with customer loyalty.
	To determine the extent to which perceived altruistic benefits from loyalty programmes build loyalty.	H8 Perceived altruistic benefits from loyalty programmes have a positive relationship with customer loyalty.
	To determine the extent to which perceived egoistic benefits build loyalty.	H12 Perceived egoistic benefits from loyalty programmes that offer the perception of egoistic rewards have a positive relationship with customer loyalty.

8.4 SUMMARY OF METHODS USED

In order to achieve the objectives which were set out in the preceding section, a number of methods were used. Firstly, an exploratory qualitative study was carried out through the means of focus groups aimed at LP members and then in-depth interviews aimed at senior staff members in the LP division of retailers offering well-known LPs in the FMCG sector.

Secondly, a quantitative study took place using the internet aimed at a consumer database. A structured questionnaire was used and 559 individuals responded. Once the make-up of the sample was established, data was initially analysed by means of EFA, reliability tests, and regression analysis. Confirmatory factor analysis was later applied to the data and relationships between the variables were measured to test the hypotheses, by means of SEM. Analysis of the results was described in Chapter 7. A discussion of the meaning of these results is outlined in this chapter, objective by objective.

8.5 OBJECTIVE 1

The first objective sought to determine how customers' perceptions of different types of benefits gained from various LPs that were available in the South African FMCG sector contributed towards RQ. As discussed in the literature, RQ is made up of three main factors, namely trust, satisfaction and commitment, whilst perceived benefits are described in this study as consumeristic (CBEN), altruistic (ABEN) and egoistic (EBEN).

8.5.1 Past Research Related to Objective 1

Many studies have described the make-up of LPs, and made mention of the connection with the factors of RQ and its components of commitment, satisfaction and trust, CL, LP design and the nature of rewards. Past literature has also revealed a number of findings from studies conducted in the international marketplace on the topic of the perceived benefits inherent in LP rewards. In addition, there have been

many studies on RQ and CL and the connections these concepts might have with LPs. Customers are stated as experiencing value in a relationship when there is a perception of benefits from any exchanges that take place (Palmatier *et al.* 2006: 139).

The nature of LPs is outlined in Chapter 2, and RQ and CL were defined in Chapters' 3 and 4. Relationship quality is seen as one of the ways to retain customers in an environment that is competitive (Vesel and Zabkar 2010a: 213). Relationship quality consists of the dimensions of trust, satisfaction, and commitment (Hennig-Thurau *et al.* 2002: 242).

Ou *et al.* (2011: 201) found that the hypotheses relating to LPs having a positive effect on trust and satisfaction respectively were partially supported, adding that LP design was of crucial importance. It was also suggested that there was a positive relationship between trust, satisfaction, and commitment, eventually leading to loyalty (Pandit and Viches-Montero 2016: 359). Vesel and Zabkar (2010a: 228) add that LPs could contribute towards RQ in terms of both calculative and emotional commitment when benefits are experienced. Ou *et al.* (2011: 203) confirmed that there is a connection between trust and satisfaction and then commitment, as well as a positive and significant relationship between commitment and loyalty. Gómez *et al.* (2006: 393) demonstrated that participants in LPs showed greater levels of attitude, satisfaction, trust and commitment than those who were not involved in a programme.

Mimouni-Chaabane and Volle (2010: 32) highlighted the importance of customers' perceptions of the benefits that could be experienced when making use of an LP. Loyalty programme benefits were initially categorised as tangible and intangible. Vesel and Zabkar (2010b: 1335) took into account tangible (monetary) and intangible (altruistic and egoistic) perceived benefits of LPs. For example, Melancon *et al.* (2010: 3) stated that social (egoistic) rewards have a positive relationship with affective commitment. Social rewards are described as those that offer recognition, friendship and better service. The same study showed that economic (consumeristic) rewards created higher levels of continuance commitment.

Although one of the main outcomes that retailers seek to establish through LPs is relationships with customers, there have not been many studies that are focused on which type of LP benefits might lead to relationship building (Wel *et al.* 2011: 6429). In a recent study, Pandit and Vilches-Montero (2016: 359) showed how consumers could build relationships with their LP through the elements of trust and satisfaction, mediated by emotional and normative commitment. However, they did not address the question of the relationship with the retailer offering the LP.

8.5.2 Current Research Related to Objective 1

Regression analysis was conducted to test each hypothesis independently of each other. The findings indicated that CBEN in an LP had a positive relationship with trust, satisfaction and commitment. It also found that ABEN had a positive relationship with trust, satisfaction and commitment. Finally, EBEN exhibited the same positive relationship with customer trust, satisfaction and commitment. All of these relationships were found to be significant.

This means that H1, H2, H3, H5, H6, H7, H9, H10 and H11 were all supported. When regression analysis was applied to all three groups of perceived benefits (consumeristic, altruistic and egoistic) together, it was found that they accounted for 49% of the variance in trust. CBEN was found to be stronger than the other two with ABEN the weakest with respect to their effect on trust. When the same exercise was applied to satisfaction, it was found that all three groups of benefits accounted for 50% of the variance in satisfaction with CBEN being the strongest again and EBEN the weakest. Finally, regression analysis was applied to the three benefit groups with respect to commitment. Results indicated that together they accounted for 46% of the variation in commitment, with all three being significant predictors of commitment, with EBEN being stronger than the other two and ABEN being the weakest.

This research was then extended through the application of CFA in the form of an SEM. Multivariate models such as multiple regression are able to test constructs and the relationships between them, while SEM is a second generation multivariate method which involves the testing of the whole model versus analysing individual

coefficients separately. This can produce different results, as variables interact and can affect each other.

Results from the SEM that are related to Objective 1 indicate that H1 and H2 are still supported albeit in a different format. This is in the form of a new path created due to the amalgamation of the variables of TRST and SAT (TRST/SAT) which cross-loaded onto each other during the CFA. When this occurs, discriminant validity cannot be achieved unless they are combined. Hence, CBEN has a positive relationship with TRST/SAT. This is significant at $p < 0.001$. Similarly, ABEN has a significant and positive relationship with TRST/SAT.

CBEN and ABEN also both have positive relationships with COM. The relationship between ABEN and COM is positive and significant at $p < 0.001$, and therefore supported. However, this is where the similarity ends, as the relationship between CBEN and COM, although positive, is not significant and therefore not supported.

The relationships between EBEN and the variables of TRST, SAT and COM were not measured owing to EBEN being firstly combined with CBEN and then eventually dropped to achieve validity. This could be ascribed to EBEN sharing many similarities with CBEN. One of the possible explanations for this could be that in the South African FMCG sector, the programmes that could have been envisaged as offering the intangible EBEN rewards, also offer a tangible reward to the customer as they ascribe to healthy eating and/or environmentally friendly purchases.

Overall, H1, H2, H5, H6 and H7 were supported under Objective 1 when SEM was applied. When compared with the results from multiple regression analysis, H3 was no longer supported and H9, H10 and H11 were dropped due to the elimination of EBEN.

8.5.3 Discussion on the Findings of Objective 1

The results of this study can be summarised in the following way. Out of the three proposed forms of benefits CBEN was found to have a positive and statistically significant influence on TRST, SAT and COM, with CBEN having the strongest effect on both TRST and SAT. In contrast EBEN was seen to have the strongest effect on COM, but the weakest on TRST and SAT.

A suggestion is that EBEN are often connected to 'good behaviour' in the FMCG sector. The feeling of high self-esteem and self-improvement that could be attached to these types of rewards are attitudinal (as is commitment) and could lead to customers having similar emotional feelings about the retailers that contribute towards these rewards.

When the research was extended by means of SEM, it was found that CBEN still had a positive and significant relationship with TRST and SAT although they were now combined. ABEN also held a positive effect in the same manner as CBEN. However, EBEN was now excluded from the mix, as it was absorbed by CBEN. A suggestion for this phenomenon was that EBEN in the FMCG sector are often linked to CBEN as well, and so might be viewed in that light. The relationship between CBEN and COM was found to not be significant in the SEM, whilst ABEN still held a significant and positive relationship with COM.

It could be argued that the strong relationship of CBEN with TRST and SAT is linked to the pleasure that is experienced when one receives a benefit of a tangible / financial reward when shopping. Bridson *et al.* (2008: 371) concurred with this, stating that tangible attributes were seen to be stronger contributors towards SAT with the retailer. Mimouni-Chaabane and Volle (2010: 34) also stated that monetary benefits (CBEN) had the strongest influence on programme satisfaction, finding that recognition and social benefits (which would fit under the EBEN description for this study) did not have a significant impact on satisfaction with the programme. It should be clearly understood that although this study is concerned with satisfaction with the retailer when an LP is used, a similar affect could be implied. Furthermore, the tangibility of this reward is strongly linked with trust as it is a case of "what you see is what you get".

The results from the focus groups concur, with participants stating that they felt satisfied when they “get something back”. Furthermore, they commented that immediate rewards, indicated on the till slip, earned their trust.

On the other hand, CBEN did not hold as strong a relationship with COM in the regression analysis and was found to not be significant in the SEM. This can also be explained with past literature and backed up by the qualitative research. In the focus groups participants stated that although they enjoy the receipt of tangible rewards, it did not prevent them from being promiscuous and moving on to a new relationship when a better deal became available. However, they also explained how they were satisfied with, and trusted, monetary rewards, especially when rewards were experienced immediately at the point of sale. However, constant comparison was evident as offers were compared from store to store. Omar *et al.* (2015: 43) argues that although utilitarian (CBEN) benefits are related to programme satisfaction, they are not conducive to the establishment of loyalty towards the retailer. Bridson *et al.* (2008: 371) concurred with these results stating that hard (CBEN) benefits perceived in LPs were not established as significant contributors towards commitment. CBEN were seen to be drawing attention to the deal, rather than creating an attitude or promoting a long-term relationship. This discussion mirrors Dowling and Uncles’ (1997: 97) statement in the early days of LPs that free gifts were always welcome, but that the impact was short-lived.

8.5.4 Conclusion for Objective 1

The research has indicated that there were initially positive and significant relationships between CBEN and TRST, SAT and COM. The relationship of CBEN with TRST was stronger than that of the other benefits. However, when SEM was applied, a new pathway is evident with TRST and SAT combined. The relationship between CBEN and the new construct is still positive and significant. However, the relationship of CBEN with COM is no longer significant and therefore falls away.

In the beginning, when regression analysis was conducted, the relationship of EBEN with COM was stronger than that of the other benefits. EBEN were initially seen as exhibiting positive relationships with TRST, SAT and COM. However, once SEM was applied EBEN was absorbed by CBEN and therefore no longer in evidence. Finally, ABEN had a positive and significant relationship with TRST/SAT and COM.

This objective is therefore supported by literature from past research. In addition, possible explanations for the results of the current research have been put forward.

8.6 OBJECTIVE 2

Objective 2 sought to establish whether various perceived benefits (CBEN, ABEN and EBEN) from LPs contributed towards the establishment of loyalty towards the retailer. In this study, the measurement of loyalty is only made up of statements that indicate behavioural loyalty, due to the study including a measurement for commitment which is often described as the attitudinal component of loyalty in the RQ construct. Hence any statement that indicated an attitudinal measurement was included in the construct of commitment.

8.6.1 Past Research Related to Objective 2

Loyalty programme research suggests that it is more economical to retain existing customers than to continually search for new ones (Bennett 2014: 9: 33), with Mauri (2003: 13) stating that profitability is connected with CL. Behavioural loyalty is described as something that can be observed and measured, such as repeat purchases. It is also related to intention to buy and positive word of mouth. Most research has difficulty in establishing customers as truly loyal, rather finding them to be 'polygamous' (i.e. having a number of alternatives to purchase from, depending on the current offering) (García-Gómez *et al.* 2012b: 552; Bellini *et al.* 2011: 46).

This section of the research is marked by opposing findings and even some confusion with other researchers finding a positive link between customer perceptions of LP benefits and CL (Kim *et al.* 2013: 101). O'Malley (1998: 50) questions the wisdom of

this idea due to the different interpretations of value in an LP. Value can be ascribed to a number of terms, such as the cash value and range of rewards, aspirational value of rewards along with the likelihood and ease of receiving the rewards.

Kang *et al.* (2015: 464) differentiate between programme loyalty and loyalty towards the business when a programme is used. Either form is stated as impacting positively on buying behaviour, with both forms being affected by the customer's interpretation of the perceived value of programme benefits (Kang *et al.* 2015: 465) However, Evanschitzky *et al.* (2011: 9) stated that loyalty towards the programme was more often driven by tangible benefits whilst social (egoistic) benefits were seen as less relevant. Loyalty towards the business was seen as more attitudinal and related to RQ. In other words, commitment.

Gómez *et al.* (2006: 393) suggest that LP members demonstrate greater behavioural loyalty towards the retailer connected with the LP. Wirtz *et al.* (2007: 332) also found that the perception of attractiveness of an LP impacted positively on behavioural loyalty. Kang *et al.* (2015: 465) stated that customers that are loyal to an LP are more likely to identify with the business, thereby promoting CL. This is moderated by the design of the programme.

Bridson *et al.* (2008: 371) found that LPs in general had a significant relationship with loyalty towards the retailer, refuting claims that LPs were just promotional tools stating that they instigated a longer term relationship between the customer and the retailer. They also found that both tangible and intangible benefits of LPs contributed towards CL. Therefore, they recommended that both forms of benefits could justifiably be included in the make-up of an LP. However, they also stated that tangible (CBEN) benefits might prove to be a distraction from CL, drawing attention to the special deal, rather than the retailer itself. Omar *et al.* (2015: 154) found that monetary benefits are seen to be better than other benefits from LPs and more likely to result in satisfaction, but not necessarily loyalty. According to Arbore and Estes (2013: 443), LPs in low status organisations such as FMCG retailers, will only appeal to customers when they are based on incentives that are rational and/or tangible. Meyer-Waarden (2015: 30) concurred that rewards that are both tangible and immediate have a higher rank in the consumer's estimation. Bojei *et al.* (2013: 178) stated that although customers that

prefer monetary benefits are susceptible to competitive offers, this type of reward is still an important part of LPs, as there is a positive link between CBEN and the customer.

Allaway *et al.* (2006: 1317), suggested that customers who join an LP do not always become loyal. Customers can become loyal to a retailer, for many other reasons than an LP. Demoulin and Zidda (2008: 396) showed that there was a connection between satisfaction with LP benefits and CL. Omar *et al.* (2013: 44) concurred that LP value has an impact on both programme satisfaction and loyalty. This suggests that businesses could benefit from sustainable relationships with customers who perceive value in the associated LP. Evanschitzky *et al.* (2011: 6) adds to this by suggesting that LPs do not necessarily result in CL, adding that in order for the retailer to gain maximum benefit from their programme offering, both emotional and economic benefits should be available for the programme member. Garcia-Gómez (2012b: 549) suggests that intangible rewards are more likely to create emotional connections with customers.

To summarise, although past research indicates some connections between LPs, their rewards and CL, less research has described which benefits actually result in CL. In particular, the combination of benefits that have been described in this research have not been addressed before.

8.6.2 Current Research Related to Objective 2

Regression analysis was conducted to test each hypothesis related to this objective independently of each other. It was found that all three perceived forms of benefits (consumeristic, egoistic and altruistic) had significant and positive relationships with CL. Therefore, H4, H8 and H12 were all supported in this instance. When regression analysis was applied to all three groups of benefits together, it was found that they accounted for 28 % of the variance in loyalty. It was also found that CBEN were favoured, although ABEN were also significant. EBEN were found to be not significant in this mix.

However, when SEM was applied, the results were a little different. CBEN was found to have a negative relationship with LOY that was also not significant. Furthermore, ABEN was also found to have a negative relationship with LOY. However, this was found to be significant. Therefore, the application of SEM resulted in neither H4 nor H8 being supported. H12 was not tested due to EBEN being dropped from the SEM to improve validity. The idea of CBEN not resulting in CL, or even resulting in a negative relationship, was explained in the preceding discussion which outlined the idea of CBEN resulting in promiscuity as cardholders sought out the best offers. In other words, CL requires something deeper that impacts on emotions in order to be achieved. However, ABEN was also in a negative relationship when included in an SEM. This requires some introspection. There is a possibility that this could be explained by the attitude of members of the focus groups who felt that they should not be the ones contributing towards the charities, but rather the retailers.

In addition, participants of the focus groups indicated that there were a number of other factors outside of LPs that had an influence on whether they might choose to be loyal to an FMCG retailer. These items are illustrated in Figure 8.1.

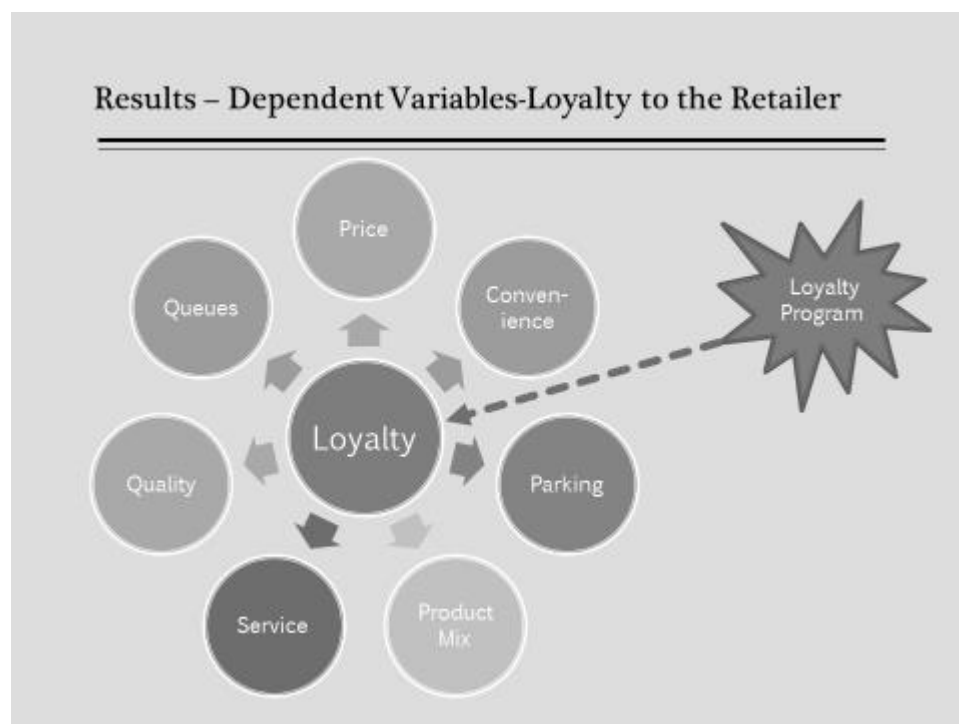


Figure 8.1: Elements that influence customer loyalty

However, there is a final note that should be added to this section. Although the SEM held that no relationships were supported between either ABEN or CBEN and CL, note should be taken of the two new relationships that arose as a result of the SEM in order to improve validity. The first one is a positive relationship between TRST/SAT and LOY ($\gamma = 0.571$; $t = 9.966$; $p < .001$), whilst the second is a positive relationship between COM and LOY ($\beta = 0.371$; $t = 7.952$; $p < .001$). These were not addressed in the original hypotheses, but should nevertheless be taken into account as they are significant, and have implications for the research.

8.6.3 Discussion on the Findings of Objective 2

The results of this study can be summarised in the following way. When individually tested, all three forms of benefits were found to have positive and statistically significant influences on CL. However, when tested together both CBEN and ABEN were found to be significant with CBEN having the strongest effect and EBEN no longer being significant.

When the research was extended with an SEM, it was found that CBEN still had a positive and significant relationship with TRST and SAT although they were now combined. ABEN also held a positive effect in the same manner as CBEN. However, EBEN was now excluded from the mix. The relationship between CBEN and COM was found to not be significant in the SEM, whilst ABEN still held a significant and positive relationship with COM. As explained in the previous sector, the application of SEM changed the results substantially. CBEN was found to have a relationship with CL that was both negative and not significant. The relationship between ABEN and CL was significant but also negative.

It is noted in the literature that there is an on-going argument regarding the creation of loyalty through the use of an LP. This argument was acknowledged by the participants in the focus groups who stated that loyalty to an FMCG retailer was underpinned by a number of other items such as product mix, queues, convenience, parking, quality, service and price. However, this is counteracted by a significant positive relationship between TRST/SAT and LOY as well as COM and LOY. This indicates that the path

to LOY is not a direct one, and that once the RQ constructs are achieved, LOY could very well follow. Regression weights indicated that there was a positive and significant relationship between CBEN and the combined constructs of TRST and SAT. However, the relationship between CBEN and COM is not supported. When it comes to ABEN, there is also a significant and positive relationship between ABEN and the TRST/SAT construct as well as ABEN and COM. These results suggest that the more these benefits are perceived, the greater the TRST/SAT which could ultimately lead to LOY for both ABEN and CBEN and COM for ABEN.

Possible explanations for these results are that CBEN has already been noted as an offering that does not automatically lead to LOY, due to the fact that LOY is a multi-faceted construct which requires a number of items to fall into place before the customer gives the retailer his or her entire attention. Furthermore, the literature has indicated that customers that are partial to consumeristic and tangible benefits are often promiscuous, shopping for the best offers and price across the board. This is particularly evident in the FMCG sector. The results for this objective are complicated and could potentially lead to more confusion. However, this is supported by the conflicts that have been noted in the literature. Despite this, all is not lost for retailers as the research indicates that although this study found no evidence of a direct route to loyalty through LP benefits, there is still a path where the customer has become satisfied and placed their trust with the retailer and their offering. There is a positive and significant relationship between CBEN, ABEN and the combined constructs of TRST and SAT, which lead to CL.

8.6.4 Conclusion for Objective 2

To conclude, when regression was applied to the individual hypotheses, EBEN, CBEN and ABEN all had a positive and significant relationship with CL. CBEN had the greatest effect. However, once they were grouped in an SEM, the result was somewhat different. CBEN's relationship with CL became both negative and not significant. ABEN's relationship was also negative, but significant and EBEN had been absorbed by CBEN, hence no longer relevant. Literature that underpins this objective was discussed and suggestions have been offered to explain the results.

Allaway *et al.* (2006: 1317), suggested that customers who join an LP do not always become loyal. Customers can become loyal to a retailer, for many other reasons than an LP. However, the research indicates that loyalty can still be achieved through a lengthier path, by ensuring that the benefits satisfy the cardholder and build trust first.

8.7 OBJECTIVE 3

Objective 3 sought to establish whether there were any differences in Objectives 1 and 2 when various socio-demographic variables are applied. Terms used to describe socio-demographics include items such as income, age cohorts, race and gender.

8.7.1 Past Research Directed Related to Objective 3

It is suggested that customers might perceive LPs and the benefits they offer differently owing to their unique make-up and status with the organisation concerned (King and Clark 2014: 576; Kreis and Mafael 2014: 597). Hence it is proposed that customers situated within different market segments might behave differently (Meyer-Waarden 2015 22).

Garcia-Gómez *et al.* (2012a: 492) investigated items such as perceptions, attitudes and socio-demographics with respect to CL and LPs. Both Walsh *et al.* (2008: 9 82) and Goncalves and Sampaio (2012: 1521) examined characteristics such as age, gender, income and consumer expertise with regards to the relationship between customer satisfaction and loyalty when membership of an LP is involved. Their findings indicated a significant relationship between genders and age and repurchase intentions. Men and older customers who are satisfied also show greater intention to re-use the card. Repurchase behaviour was found to have a negative relationship with income, as the more the individual earned, the less the chance of repurchase occurring.

In addition, the length of time that the individual has held LP membership also appears to have a positive relationship with their spending patterns. It was also found that LP programme effects decreased when the customer held a number of LP memberships.

Demoulin and Zidda (2009: 395) investigated consumer characteristics in their study on LPs in the grocery market. Although they took the number of loyalty cards held, store proximity / location, economic shopping orientation (price consciousness), age and household size into consideration, only price consciousness was found to have a significant effect on LP adoption.

Amos *et al.* (2015: 352) discussed the impact of demographic variables on altruistic giving. They emphasise that additional studies are still, required, but note that females appear to be more likely to be affected by the opportunity to help others in contrast with men who appeared to be more susceptible to egoistic approaches. Women were also attracted by hedonistic appeals. Amos *et al.* (2015: 358) found that age is connected with altruism. Those over 40 appeared to be more responsive to altruistic appeals than younger people. This finding is even more marked with greater ages with those over 60 being even more likely to respond to altruistic causes. Egoistic motives appear to be stronger with the youth.

A number of other studies have also considered demographic variables with respect to cause related marketing (Amos *et al.* 2015: 357; Corbishley and Mason 2011: 229). In addition, Steyn *et al.* (2010: 356) stated that responses to LPs differ from one country to another with respect to buying behaviour, attitudes and values. This highlights the importance of conducting research in South Africa, rather than relying on research from elsewhere in the world.

In order to design the best LPs, an understanding of target markets and their potential responses is critical (Steyn *et al.* 2010: 371). Liu and Yang (2009: 94) concurred by stating that the response of consumers is ultimately what will determine the success of an LP.

8.7.2 Current Research Related to Objective 3

When regression analysis was applied, only one relationship was found with respect to perceived benefits in LPs and the RQ constructs of TRST, SAT and COM when socio-demographic variables become involved. This relationship was found with respect to the interaction between age, ABEN and TRST.

This study found that there was a significant interaction ($p = 0.033$) between the demographic variable of age and ABEN. Firstly, all the beta values are positive which indicates that there is a positive relationship between ABEN and TRST for all ages. Results vary from one age group to another with the over 70 age group exhibiting a greater relationship between ABEN and TRST than for any other age groups. This is followed by the opposite end of the scale (the 18-29 year age group). Interestingly the smallest effect is experienced by the 30-39 year age group. Freund and Blanchard-Fields (2014: 11) supported the finding that the elderly were more likely to be altruistic than those who were younger or middle aged, suggesting that older people could be satisfied with their accumulation of wealth, and prefer to contribute towards the environment in order to improve the conditions for those that come after them. In earlier research, Corbishley (2007: 145) also found that that more people than expected in the older than 60 age group were more trusting towards a retailer who was involved with a cause. The younger age group might be more concerned about the world at large, which could result in their rewarding retailers with their trust when they perceived altruistic motives in an LP. Demographic variables were tested against all the other perceived benefits and their relationships with RQ constructs and CL. No other significant relationships were found.

8.7.3 Discussion on the Findings for Objective 3

The results of this study confirm that there is evidence in certain instances that customers might behave differently in response to their perceptions of different types of LP benefits, according to their socio-demographic make-up.

Both Walsh *et al.* (2008: 982) and Goncalves and Sampaio (2012: 1521) examined characteristics such as age, gender, income and consumer expertise with regards to the relationship between customer satisfaction and loyalty when membership of an LP is involved. The findings of this study concurred with the findings that there were some significant relationships when age is involved. However, this study indicated a significant relationship with trust, rather than repurchase intentions. Older customers were also the segment who indicated that they would respond with trust to ABEN. The same behaviour was evident with the younger segment. Suggestions for this behaviour were offered in the preceding section.

8.7.4 Conclusions for Objective 3

When the demographic variables of gender, age, race and income are introduced, the relationship between age, ABEN and TRST are found to be significant. In particular, it was found that the elderly were more likely to trust a retailer that appeared to be supporting a cause. A possible explanation for this was that older people might be more likely to have the inclination, the time and resources to care about causes.

8.8 OBJECTIVE 4

Objective 4 set out to propose a framework that describes the relationship that develops between consumers and FMCG retailers when an LP is included.

8.8.1 Initial Model

An initial model was proposed at the beginning of this research. This model was stated throughout the literature and is evident in Figure 8.2.

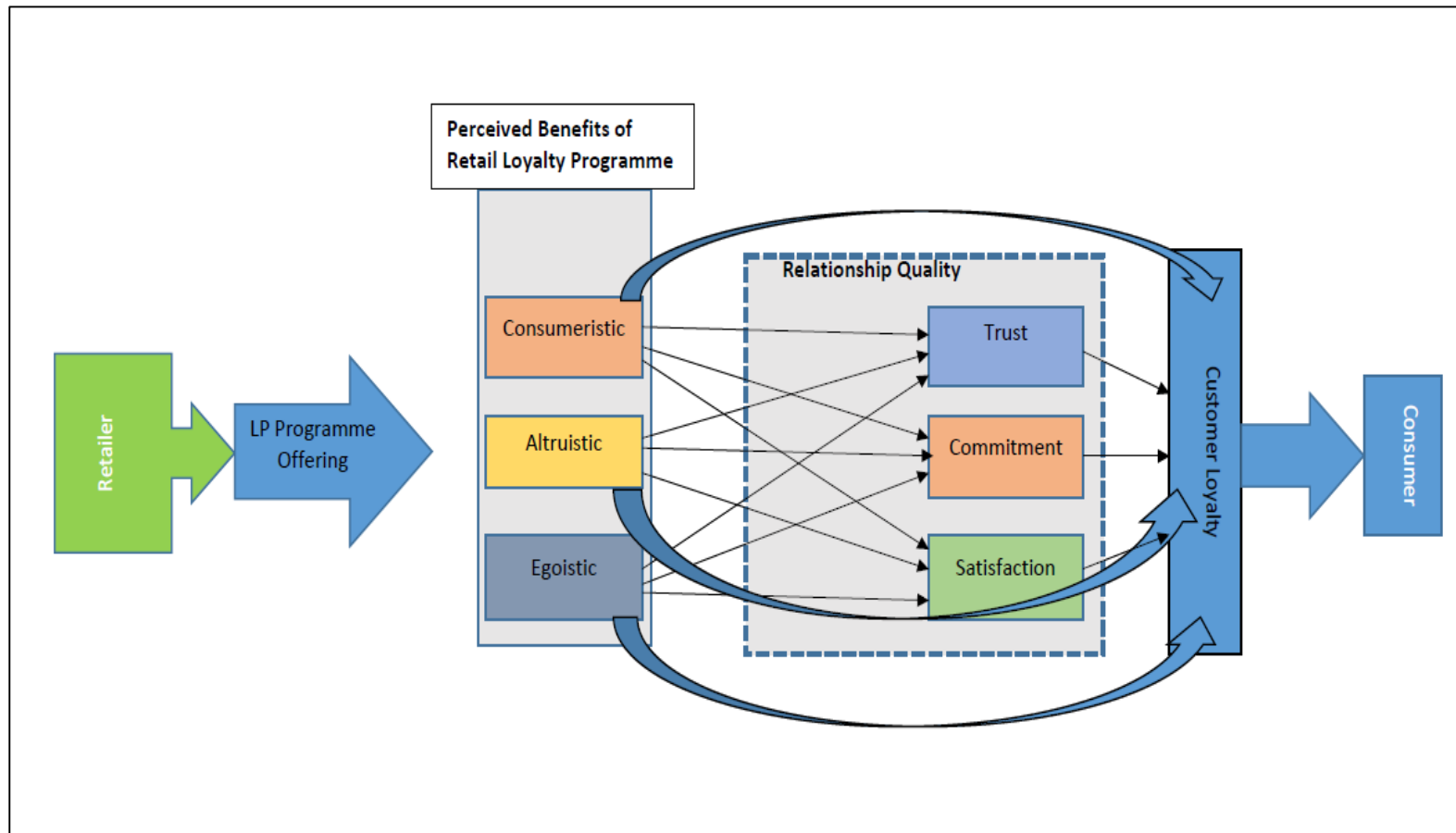


Figure 8.2: Original model proposed for this study

8.8.1 New Model

However, as a result of the CFA and the SEM, a new model was developed and is exhibited in Figure 8.3. It should be noted that the new model was only based on the results of the SEM, and not the regression analysis.

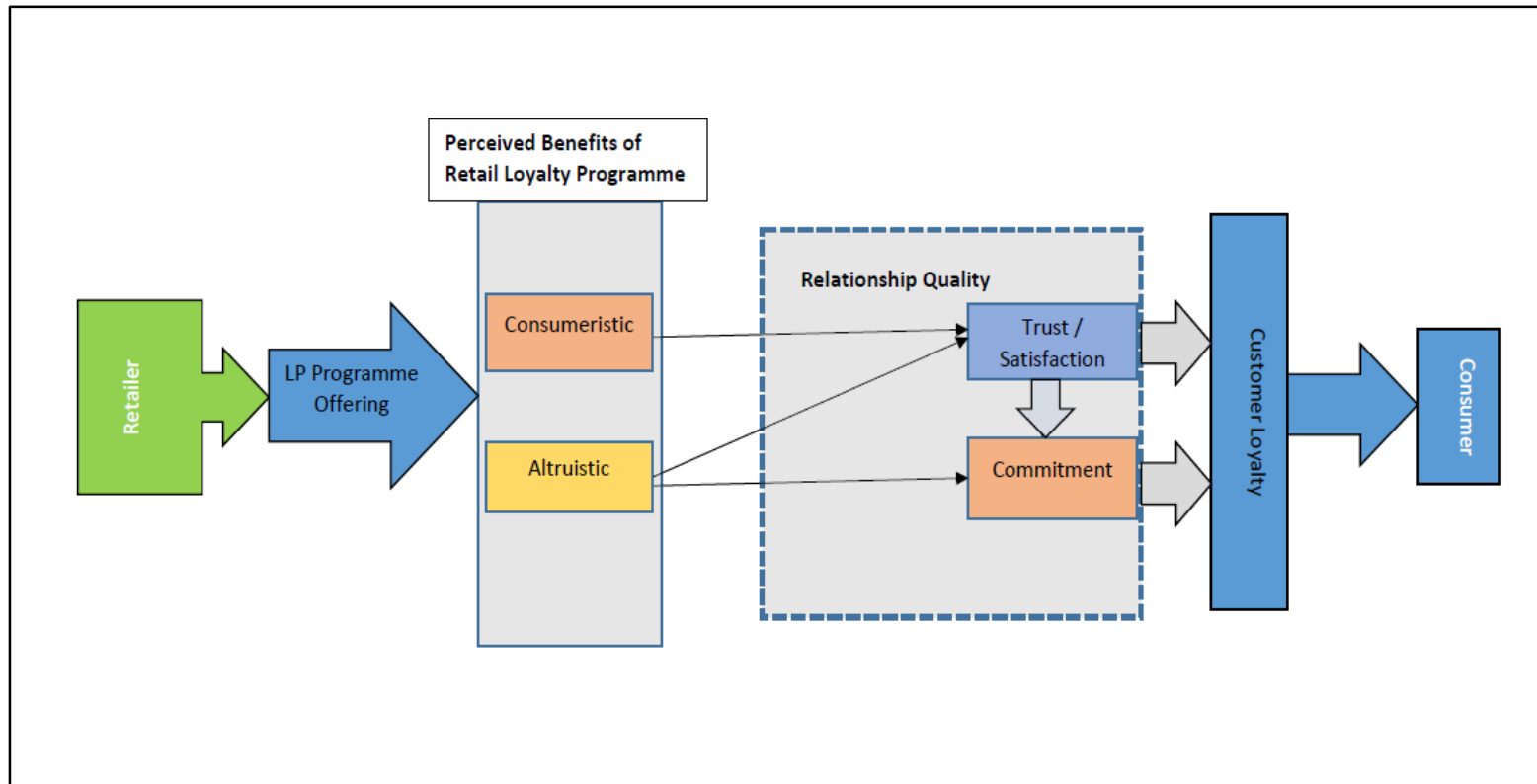


Figure 8.3: New model developed as a result of this study

There are some strong similarities between this new model and the model described by Ou *et al.* (2011: 198) with respect to the combination of satisfaction and trust and their combined impact on commitment which leads to loyalty. However, the Ou *et al.* (2011: 198) model does not show a link between trust/satisfaction and loyalty, as this study does.

8.9 ADDITIONAL FINDINGS

A number of interesting findings emerged which were not part of the original objectives and hypotheses. Because of the nature of these findings and their bearing on the current study, they need to be mentioned. These relate to the discussion that has taken place in the many pieces of research that explore the role of the RQ constructs of satisfaction, trust, and commitment; how they interact with each other and whether or how they might contribute towards CL. Many of these studies were ones that incorporated LPs in various formats as the independent variables.

Vesel and Zabkar (2010a: 214) stated that LPs work through the constructs of satisfaction and trust, along with the construct of commitment which is made up of a number of dimensions. These components are then potentially related to each other and finally to CL.

8.9.1 The Trust/Satisfaction Issue

When CFA was conducted in this study it was found that trust and satisfaction were very similar to each other, and therefore in order to achieve validity it became necessary to combine them and create a single construct named trust/satisfaction. This finding has been supported by similar results from a number of studies. For example, Vesel and Zabkar (2010a: 222) found that trust and satisfaction could not be discriminated from each other and were therefore combined in a similar fashion to form one distinct construct. Balaji (2015: 21) concurred with this by stating that there is no satisfaction without trust, with trust being a prerequisite for satisfaction. It was found that trust can only contribute towards loyalty if it is mediated through satisfaction and

commitment (Belaji 2015: 34;Omar *et al.* 2011: 344) found that programme satisfaction did not result in store loyalty, although loyalty could be achieved when satisfaction was mediated by trust.

8.9.2 The Trust/Satisfaction Path to Commitment and Loyalty

Pandit and Viches-Montero (2016: 355) established that satisfaction and trust with LPs had a positive relationship with CL. This effect was found to be mediated by commitment. In a similar fashion, this study found that there was a significant relationship between satisfaction and trust with commitment. This concurs with a number of other studies, such as Ou *et al.* (2011: 202). Results also confirm relationships between commitment and loyalty, illustrating a path from the various elements to loyalty. The final outcome of this is that when various perceived benefits from LPs are positively linked with RQ constructs, there is a stronger relationship with customers and therefore an escalation in buying behaviour. This results in stronger CL. Therefore, it follows that if LPs are not designed in a way that appeals to customers, they will be ignored and will play no role in the building of RQ and CL.

Commitment, trust, and satisfaction are the main elements that serve to create the idea of RQ. All three are described as leading to customer advocacy. Furthermore, it is proposed that they lead to loyalty. Satisfaction is said to contribute towards commitment (Fullerton 2011: 94; Hennig-Thurau *et al.* 2002: 237) through the customer's evaluation of the benefits received. In the event of this being positive, commitment is established. The link between customer satisfaction and loyalty result in a decrease in price sensitivity, an increase in cross-buying behaviour and an increase in profitability (Bloemer and Oderkerken-Schroder 2002: 71; Bloemer and de Ruyter 1998: 502). Furthermore, increased satisfaction can improve attitudes, result in repeat buying, heightened intention to purchase and loyalty (Omar *et al.* 2013: 38).

Ou *et al.* (2011: 196) describe commitment as a belief that it is important to make a maximum effort to continue with a relationship. This study treats commitment as affective loyalty. Liang and Wang (2005: 71) state that commitment as well as the combined construct of RQ lead to repeat purchasing, while Ou *et al.* (2011: 203) found

that commitment impacted on CL. Loyalty is described by Ou *et al.* (2011: 197) as the customers commitment to carry on purchasing from a selected retailer in the future. Loyal customers are also more to recommend the retailer, as well as have the intention to repurchase. Therefore, higher commitment leads to greater advocacy or word-of-mouth.

Relationships are said to be built on trust which relies on the customer's positive satisfaction assessment. This is confirmed by Omar *et al.* (2011: 344), who found that satisfaction with an LP had a positive effect on trust. In addition,

The SEM that resulted from the current study showed that in order for the model to have the best fit, satisfaction and trust were treated as one element and the new combined element contributed towards commitment. Commitment was a contributor towards loyalty, as was satisfaction/trust. These relationships are illustrated in the new model (Figure 8.3).

8.10 CONCLUSION

This chapter makes use of the analysis of the research that has been conducted, both qualitative and quantitative, and contrasts it to past research, in order to discuss the objectives and hypotheses and provide possible explanations and conclusions as to the results. Discussion of the results was carried out, in the form of an analysis of past research, current research and the presentation of possible reasons for the results. It was structured according to the objectives and broken down to each individual hypothesis linked to the objectives, where necessary.

Firstly, a discussion took place on the relationships between CBEN, ABEN and EBEN and the RQ elements of trust, satisfaction and commitment. It was noted that when SEM was applied, trust and satisfaction became a single construct and analysis was applied to the new construct. In addition, when SEM was applied, EBEN fell away after it was absorbed into CBEN. Motivation for that was proposed.

Secondly, the relationships between CBEN, ABEN and EBEN and loyalty towards the retailer were discussed. Once again, EBEN became irrelevant when SEM was applied. It was noted that relationships with loyalty were not significant in the context of the SEM. However, an alternative path to loyalty was evident and this was discussed later in the chapter.

Socio-demographic details were added to the mix, and any impact that these moderating variables had on the results were outlined. It was found that age had some effect on the relationships between ABEN and the dependent variables. This was outlined and possible reasons were suggested.

As proposed at the beginning of this study, a new model was put forward in line with the findings of this study. Finally, additional findings were outlined that were linked with the model and this study. These could assist in explaining some of the findings, and also to offer alternative solutions for researchers and practitioners.

CHAPTER 9 : CONCLUSIONS AND RECOMMENDATIONS

9.1 INTRODUCTION

The main aim of this study was to analyse how various perceptions of LP benefits contributed towards RQ and CL between cardholders and the retailer that is involved with the programme. These results were expected to contribute towards the body of research in the field and provide useful information for academics and practitioners alike in the field of LPs with specific reference to the South African FMCG retail sector.

The initial aim was broken down to four objectives. The first objective was to analyse the impact of the various groups of perceived benefits (consumeristic, altruistic and egoistic) on the elements that make up the concept of RQ. These were described as trust, commitment, and satisfaction. The second objective set out to analyse the impact of the same groups of perceived benefits on CL. The first two objectives were broken down into a number of sub-objectives and hypotheses were formulated for each of the sub-objectives related to objectives one and two. The third objective was to establish whether any socio-demographic characteristics of respondents would affect the outcome of the first and second objectives. Finally, the fourth objective required that a framework be proposed to describe the potential relationships that were evident between consumers and FMCG retailers when an LP is included.

This chapter starts out with a discussion of the conclusions that were arrived at in Chapter 8. This will be followed by the implications of the research, both to the academic environment and the retail and LP sectors. This will be followed by any limitations that could potentially have had an effect on the results. Finally, suggestions and recommendations for future research will be offered.

9.2 CONCLUSIONS

The conclusions for this research are categorised and summarised according to the four main objectives of the study.

9.2.1 Objective 1: The Impact of Perceived Loyalty Programme Benefits on Relationship Quality

This research initially supported hypotheses 1, 2, 3, 5, 6, 7, 9, 10 and 11 which stated that there were positive relationships between perceived CBEN and the RQ elements of SAT, TRST and COM as well as between ABEN and EBEN and SAT, TRST and COM. The relationship of CBEN with TRST was stronger than that of the other benefits.

However, when SEM was applied, new pathways emerged with TRST and SAT combining to form a new construct called TRST/SAT. The relationship between CBEN and the new construct remained positive and significant. However, the relationship of CBEN with COM was no longer significant. ABEN remained unchanged in that it still showed a positive and significant relationship with the combined construct of TRST/SAT as well as COM.

It was noted that although the relationship between EBEN and COM was stronger than that of the other perceived benefits in the original stages, EBEN was absorbed into CBEN once SEM was applied and finally fell away, in order to improve validity.

9.2.2 Objective 2: The Impact of Perceived Loyalty Programme benefits on Customer Loyalty

The second objective was to establish whether the three forms of perceived benefits resulted in CL. H4, H8 and H12 were associated with this objective. When regression analysis was conducted, all three types of benefits (CBEN, ABEN and EBEN) were found to have significant and positive relationships with CL. Furthermore, CBEN was

initially favoured as the main contributor to CL when regression was applied to all the elements together.

However, once SEM was applied, the relationship between CBEN and CL became negative and no longer significant. Although significant, the relationship between ABEN and CL was also negative. The application of SEM resulted in neither H4 nor H8 being supported. Because EBEN was dropped from the SEM to improve validity, H12 could not be tested.

The idea of CBEN not resulting in CL is not new, as there are a number of studies which spell out the promiscuous behaviour which is often employed by LP members when the rewards are tangible (Steinhoff and Palmatier 2014: 1; Xie and Chen 2013: 473). The retailer is only supported when the offer is better than that of competitors. The negative relationship between ABEN and CL could possibly be explained by the comments made in the focus groups, where there was a strong reaction to charity donations in the context of LPs, with a number of participants indicating that donating to charity should be the responsibility of the retailer, and not their customers. It was also highlighted in the focus groups that loyalty was the result of many more dimensions than the LP offering.

However, it should be noted that there is a significant and positive relationship between the combined constructs of TRST/SAT and LOY, as well as COM and LOY. A significant finding is that the path to LOY is not necessarily a direct, or singular one, and that once the RQ constructs are achieved, LOY could still follow. As discussed, both CBEN and ABEN enjoy positive and significant relationships with the combined construct of TRST/SAT, while ABEN also leads to commitment. These results suggest that the more these benefits are perceived and felt to be important by the consumer, the greater the TRST and SAT, which could ultimately lead to LOY from both ABEN and CBEN along an alternative path. ABEN could also follow the path through commitment to LOY.

9.2.3 Objective 3: Socio-demographics, Perceived Loyalty Programme Benefits, Relationship Quality and Customer Loyalty

The third objective sought to establish whether there were any differences in objectives one and two when various socio-demographic variables are applied. Terms used to describe socio-demographics include items such as income, age cohorts, race and gender.

When the demographic variables of gender, age, race and income were introduced, the relationship between age, ABEN and TRST was found to be both significant and positive. The strongest relationship is evident between the oldest age group (over 70) and the youngest (18-29 year olds). Past research concurred with the findings on the elderly and ABEN, stating that older people have less inclination to be materialistic and are therefore more likely to focus their energies on altruistic activities such as helping others and preserving the world for future generations (Amos *et al.* 2015: 358; Freund and Blanchard-Fields 2014: 11; Corbishley 2007: 145). Possibly the younger age group's attitude towards altruistic endeavours could be explained in terms of a generational cohort that is more interested in the preservation of the environment, due to education and information on these matters.

9.2.4 Objective 4: A Revised Model

Objective 4 required the design of a framework that described the relationships that could develop between consumers and FMCG retailers when LPs offer certain perceived benefits. The model was designed in the same style as the initial model proposed at the beginning of the study, but included the additions and removals that took place as a result of the analysis (EFA, CFA and SEM). The new, revised model can be viewed in Figure 9.1.

The new model indicates how both ABEN and CBEN can result in trust /satisfaction. In addition, it highlights a positive relationship between ABEN and commitment. It also illustrates the paths that were outlined between trust/satisfaction and commitment and

loyalty, suggesting that once trust and satisfaction are achieved, commitment and loyalty can follow.

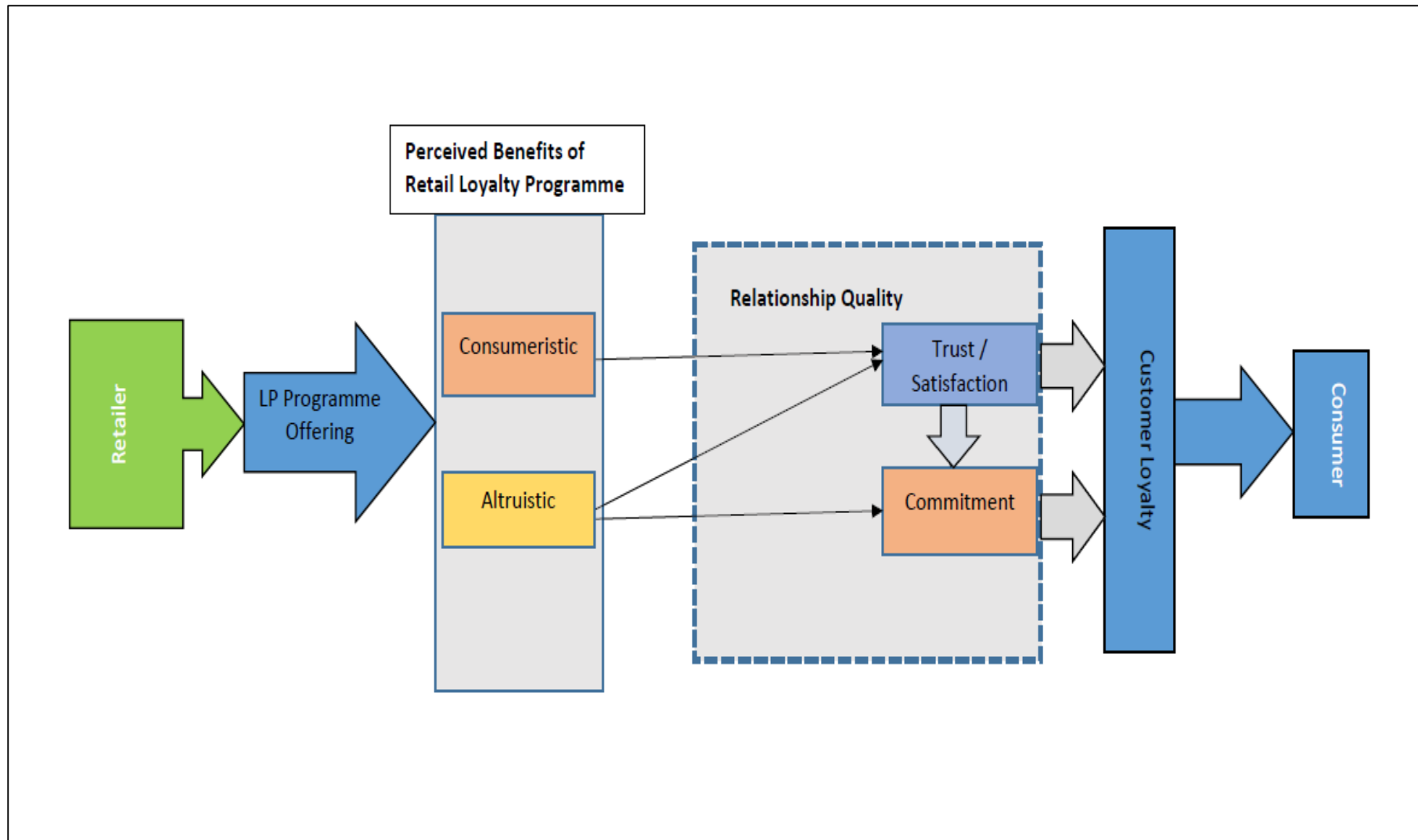


Figure 9.1: New structural model

9.2.5 Additional Findings

In addition to the conclusions that were associated with the objectives and described above, a number of additional findings arose, which were relevant to this study. As a result of the SEM and the application of CFA to the variables of this study, there was a merger of the variables of trust and satisfaction in order to improve validity. This is consistent with statements that were evident in a number of different studies and described in Chapter 8 (Pandit and Viches-Montero 2016: 355; Balaji 2015: 21; Ou *et al.* 2011: 202; Vesel and Zabkar 2010a: 222).

Results showed that the combined variables of trust and satisfaction had positive and significant relationships with commitment and loyalty. In addition a positive relationship was evident between commitment and loyalty. Due to their significance, this should be taken into account, as they indicate that there are alternative paths to loyalty, rather than just the ones that were initially predicted.

9.3 CONTRIBUTION OF THE STUDY

A number of significant findings were made that contribute towards new knowledge on LPs. Eason *et al.* (2015: 71) states how important LP design is for the creation of attitudinal changes in customers, rather than merely that of behaviour, which supports the importance of these findings.

9.3.1 Perceived Benefits and Relationship Quality

It should be noted by retailers that offer LPs, or are considering offering LPs to their customers, that all three forms of benefits can contribute towards the construction of RQ. However, when SEM was applied, CBEN in particular showed evidence of building both TRST and SAT, but not COM relationships which were positive, but not significant. ABEN, on the other hand was seen to build TRSTT/SAT as well as COM. This is understandable due to the attitudinal composition of both ABEN and COM. Furthermore, the expectation of CBEN creating CL should be treated with caution, due to the short life that tangible rewards have in terms of competitiveness. Customers in

the FMCG sector are notorious for their fickleness and promiscuity, often shopping around for the best deal.

These results indicate that the offering of consumeristic benefits is still a worthwhile endeavour, breeding both satisfaction and trust in the customer, on the condition that the offering is not too complicated and is transparent and fair. However, there should not be an expectation of instantaneous loyalty on the part of the customer. Despite this, all is not lost, as once trust and satisfaction is established loyalty can follow in the longer term through the indirect route which has been described in this study.

The offering of altruistic benefits can also serve towards building trust and satisfaction, as well as commitment, taking the customer further down the line towards the establishment of CL.

9.3.2 Perceived Benefits and Customer Loyalty

Although all three types of benefits (CBEN, ABEN and EBEN) were initially found to have significant and positive relationships with CL, once SEM was applied, the relationship between CBEN and CL became negative and not significant. Although significant, the relationship between ABEN and CL was also negative. Furthermore, EBEN was absorbed into CBEN. This indicates that in a more complex scenario, with all factors taken into account, loyalty becomes a little more elusive. Further results indicate that a pathway to loyalty can be traced, but that it can only be achieved once trust/satisfaction and commitment are fulfilled.

9.3.3 An Alternative Pathway towards Customer Loyalty

A significant finding as a result of the SEM was that trust and satisfaction could be viewed as a combined construct. This construct was achieved through the offering of a number of perceived benefits as previously discussed in this chapter as well as Chapters 7 and 8. Furthermore the findings demonstrated how the combination of trust and satisfaction contributed towards commitment and loyalty respectively in a significant and positive way. This indicates that there is an alternative pathway towards

loyalty; it should be noted though, that in order to achieve commitment and loyalty in this way, satisfaction and trust is paramount and without these constructs being achieved, commitment and loyalty will remain elusive.

9.3.4 The Impact of Demographics

With respect to demographics, it is significant to note that elderly consumers are attracted to altruistic benefits. This is discussed in the literature, noting that older people are often satisfied with their accumulation of material wealth and might turn their focus towards alternative causes, which could bring them more satisfaction. In addition, there appears to be a cohort of much younger consumers that also respond to altruistic offerings. These findings have implications for the LP offering that should be made available to specific segments of customers.

9.4 IMPLICATIONS OF THE RESEARCH

This research has presented some noteworthy implications for retailers and customers as well as contributing to the body of knowledge with respect to relationship marketing, CL and LPs. Results that are both reliable and valid have been noted with regard to a number of different constructs identified in the customer LP context – for example, customer groups, various forms of LPs with respect to the perceived benefits that can be offered, the latent variables of trust, satisfaction and commitment that make up the construct of RQ, and finally loyalty towards the retailer. These results were all obtained in the context of a developing country, more specifically, South Africa.

9.4.1 Implications for Academics

This research adds to the body of research that has been conducted on LPs. It focuses on the FMCG retail sector and the perception of particular benefits (EBEN, ABEN and CBEN) that are available to customers from LPs. The perceived benefits were investigated with respect to their impact on RQ (trust, satisfaction and commitment) and CL between the cardholder and retailer. It provides empirical evidence that has been tested for both validity and reliability on the variables and relationships that have

been described. This research also contributes towards the body of research conducted in the fields of CL and RQ. It provides a frame work that identifies a number of different perceived benefits that customers experience when interacting with a LP in the South African FMCG sector. The measurement of these benefits can offer future researchers greater scope when conducting further study on the impacts of LPs.

9.4.2 Implications for the Retail Industry

This research is of interest to those in the marketplace, who are either currently involved with an LP, or who are considering offering an LP to their customers. It should be of particular interest to retailers, especially those in the FMCG sector. Bojei *et al.* (2013: 177) state that most theory on relationship marketing recommends that the management of relationships is both necessary and of great advantage to the business. In order to benefit from the relationship, both the customer and the retailer need to experience benefits. In addition, a large amount of retailers' turnover comes from loyal customers.

This study offers evidence related to RQ and CL between the LP member and the retailer concerned. In addition, it provides evidence on certain perceived benefits that could be inherent in such programmes and how they impact on said relationships. Furthermore, it shows how CL can be created through the skilful management of RQ constructs and their antecedents of LP benefits.

The findings of this study could assist in the selection of appropriate benefits offered to cardholders, potentially preventing the expenditure of large amounts of money on rewards which might not make a difference. In addition, retailers that are considering the offering of LPs with different benefits should benefit from this research. Offerings that are less tangible can have a great affective impact on cardholders, leading to commitment and loyalty. On the other hand, more tangible offerings such as CBEN are still viewed as important in the eyes of the customer. However, it is noted that although they result in the customer becoming trusting and satisfied, they do not automatically lead to CL. Despite that, it was noted that there are alternative paths towards CL, where consumeristic benefits can still play a role. Therefore, CBEN still

have an excellent contribution to make and should not be discarded. Although EBEN fell away in the SEM, egoistic benefits should not be completely ignored. In the original regression analysis, they were found to lead to both RQ and CL. The reasons for the cross loading can be justified in the context of the FMCG sector.

Finally, ABEN is useful and can appeal to the customer, resulting in the achievement of trust and satisfaction for the customer. Older customers, in particular, appear to be drawn towards altruistic offerings. It also appears that there is a younger cohort that is also responsive towards altruistic offerings. Retailers are cautioned from allowing the customer to believe that the retailer itself is not funding any charitable contributions. In addition, it is noted that there is no direct route from ABEN to loyalty, which can only be achieved via the RQ constructs of trust/satisfaction and commitment.

Overall, the recommendation is that retailers will benefit from offering a combination of both consumeristic and altruistic benefits to customers. Although consumeristic benefits do not necessarily lead to loyalty immediately, they are still favoured by customers. If they are easy to use and the benefit is immediate and tangible, satisfaction and trust will result and commitment and loyalty will follow. Egoistic benefits should not be completely excluded, as it should be understood that they are probably viewed in the context of the consumeristic rewards that are linked to them, rather than the more intangible reward of “ego-building”.

This study demonstrates that LPs are still of value to retailers and their customers. However, it notes that the customer is not naive and expects value from their rewards, which could be translated in various ways as outlined in this study. Furthermore, they require transparency and simplicity in order to achieve the essential requirements of satisfaction and trust which are paramount towards the ultimate reward of loyalty for the retailer.

9.5 LIMITATIONS

A number of limitations that have relevance for this research were identified during the carrying out of this study, and should be taken into consideration.

9.5.1 Differences in Loyalty Programme Design

This research was directed towards a number of LPs that were commonly used in the FMCG retail sector. It focused particularly on the inherent perceived benefits that they offer to the customer and the impact that these might have on RQ and CL. However, some might see this as a case of comparing programmes that make their offerings in very different ways. In addition, there are some programmes that offer only one of the described perceived benefits, whilst others offer an entire basket of benefits. Also, some programmes were owned by the retailers themselves, whilst others were recognised and accepted by the retailer, but owned by an external group. This observation could potentially have limitations for the applicability of the results. This problem was overcome by focusing the research on the perceived benefits inherent in LPs, rather than the programmes themselves.

9.5.2 Coverage Bias

A possible limitation is that of coverage bias where certain populations of the population were excluded from the sample. This research was conducted by means of an electronic instrument which effectively eliminated candidates that did not have access to the internet. Therefore, it should be evident that the sampling technique may not represent the entire population of South Africa. However, the retailers that offer LPs in the FMCG sector in South Africa mainly target the middle to upper LSMs therefore this limitation is mostly avoided. However, this should be borne in mind when considering generalisation or replication of this research, with particular reference to the state of development in the country concerned. This research could be replicated in order to compare different groups.

9.5.3 Interpretation of Perceived Benefits

Omar *et al.* (2013: 44) note that it is important for retailers to realise that customers don't just evaluate rewards when considering an LP, but also take into account a number of different elements that contribute towards the smooth functioning of the programme. These attributes are also part of the differentiation of an LP from competitive offerings. This study was not able to include these elements, but rather focused on different forms of rewards and their inherent benefits.

Due to the nature of the programmes included in this study, perceived egoistic benefits were probably focused on programmes involved with rewards focused on “healthy eating” and “environmentally friendly” purchases. The latter programme type could also be viewed as altruistic, resulting in some grey areas. In addition, these areas could also have been interpreted as consumeristic, because of the tangible benefits that are often attached to these rewards. Although this is not seen as a major limitation it should be borne in mind when considering the study results.

This study has isolated a number of perceived benefits that were identified from the literature as being inherent in FMCG LPs. It is to be noted that some of the items have been included in past research, although sometimes under different categories or names, as is noted in the literature. Furthermore, it is acknowledged that there are potentially other categories of benefits (for example hedonic) that have not been included in this study. It is also noted that perception of benefits can overlap with each other and that participants might also perceive different benefits from the same reward. This study has attempted to gain as accurate a picture as possible of perceived benefits, RQ and loyalty in the FMCG sector from LPs directly connected with major retailers.

9.5.4 Elimination of Egoistic Benefits (EBEN)

As a result of the SEM, EBEN were absorbed by CBEN in order to achieve validity. They were therefore not considered in the final stages of analysis. It should be noted that this form of benefit should not be entirely overlooked as they do appear to have a

place in the mix. When regression analysis was conducted, they were found to have both a significant and positive effect on the RQ constructs as well as loyalty. The researcher is of the view that this phenomenon took place because of the tangible rewards that are attached to most programmes in the FMCG sector that also reward the customer for performing actions that contribute towards better health and/or protecting the environment.

9.5.5 Measurement of Customer Loyalty

Another limitation is that as a result of both RQ and CL being researched as potential dependent variables, CL was only measured in terms of behavioural loyalty. Any attitudinal measures were included as commitment. It could therefore be surmised that any independent variables that resulted in commitment, could feasibly also lead to attitudinal loyalty.

9.5.6 Non-completion of Questionnaires

Although the total number of responses to the questionnaire amounted to 1944, only 559 responses were fully completed, leaving an amount of 1385 incomplete. A possible explanation for this could be that a number of respondents reached the last section where demographic questions were required, and opted out due to the sensitivity thereof. Other potential scenarios could have been the length of the questionnaire, or the seemingly repetitive nature of the questions. Although the number of replies was more than ample, it is worth noting for future research.

9.5.7 Interpretation of Customer Loyalty

Due to the fact that this study included both RQ and CL, loyalty was only measured in terms of behavioural loyalty, and not attitudinal loyalty, as the commitment construct of RQ was considered to cover the affective side of loyalty. Many studies discussed in Chapters 3 and 4 have shown that attitudinal loyalty and commitment are fundamentally the same. Therefore, not specifically measuring attitudinal loyalty is not seen as a major weakness.

9.6 RECOMMENDATIONS

Recommendations for both academics and the industry are outlined below.

9.6.1 Recommendations for Future Research

The first limitation that was outlined should give rise to additional research. Research could be conducted by focusing on just one particular programme, or one particular type of offering rather than a number of different programme designs so as to reduce the possibility of confusion. This study could be replicated by focusing on loyalty towards the programme, possibly even a specific programme, instead of the retailer. The link between programme loyalty and loyalty towards the retailer could also be included as an extension to the study.

This research could be repeated by extending the types of benefits that are perceived. The limitations indicated a possible problem with the interpretation of egoistic benefits. Other research studies have used the term social benefits and attached additional meanings to egoistic benefits. It is worthy of investigation. Some studies have added the idea of hedonic benefits, which could also potentially be added to the mix.

As the results were obtained specifically in South Africa, this study could be duplicated in alternative situations within the international community. Finally, this work could be extended to include a number of different retailers such as clothing, books and appliance stores as these retailers also offer LPs.

9.6.2 Recommendations for the Retail Industry

This study offers recommendations on certain perceived benefits offered by LPs. These recommendations could assist retailers and LP managers to select the best combination of rewards / benefits in order to make their investment work for them. The information would be of use to both those considering offering a LP or who are already offering one and wishes to improve their offering in order to differentiate themselves from their competition.

It has become evident that consumeristic offerings such as points and discounts are still sought after by consumers and can lead to trust and satisfaction from the customer, both desired business outcomes. Therefore, consumeristic offerings are still good options for retailers and should not be discarded.

The alternative offerings in this study, namely egoistic and altruistic are less tangible, and are also not to be ignored. There is an indication that egoistic benefits are viewed in the same light as consumeristic benefits are. A suggestion for this is that egoistic type behaviour such as healthy eating is often associated in FMCG LPs with rewards such as points or cash.

Altruistic benefits are still worth offering as well, appealing to the customer's emotions. Although most demographic variables did not appear to have much impact, it was interesting to see that these benefits were particularly attractive to older customer's. Therefore, it is worth considering altruistic type benefits when you are trying to appeal to an older target market. However, it was noted that in order to make altruistic offerings to optimise results, the retailer needs to make sure that they are also seen to contribute towards the selected cause. This helps with the 'trust' that is required as trust and satisfaction combine in order to achieve loyalty.

Although consumeristic benefits do not necessarily lead to loyalty immediately, they are still favoured by customers. If they are easy to use and the benefit is immediate and tangible, satisfaction and trust will result and commitment and loyalty will follow. Egoistic benefits should also not be excluded, as it is now understood that they are probably viewed in the context of the consumeristic rewards that are linked to them, rather than the more intangible reward of 'ego-building'.

Given the above findings and recommendations, one could deduce that LPs that offer multiple options for rewarding customers are very acceptable with members proving to be open to a number of different options. Although consumers are very receptive to discounts and points, they are also open to rewards related to 'good behaviour', where they are rewarded for healthy eating and environmentally friendly choices.

This study demonstrates that LPs are of value to retailers and their customers. Retailers should therefore continue to devise programmes that offer value and are differentiated from those of their competitors. It should be noted though, that the customer is not naive and expects rewards to be transparent and offer value. This is translated in various ways in this study. Furthermore, they should be user-friendly and uncomplicated in order to achieve the essential requirements of satisfaction and trust which are paramount towards the ultimate reward of loyalty for the retailer.

9.7 CONCLUSION

This chapter has outlined the conclusions from this study, and describes the limitations that have been noted during the course of the study. Possible implications of the results for the retail and marketing industry, as well as academics, are discussed. Finally, suggestions are made for research that could be conducted in the future.

This study set out to analyse the impact of various types of LP benefits on RQ and CL between programme members and the retailer that offers the programme. The study was carried out by means of an exploratory sequential mixed methods methodology, including both qualitative and quantitative research. Variables that make up RQ were stated to be commitment, satisfaction and trust, while the types of perceived benefits from LPs were identified as egoistic, consumeristic and altruistic. As a result of the analysis, egoistic benefits were absorbed by consumeristic, and eventually fell away altogether. In addition, trust and satisfaction became one variable as they were too similar to be valid separately. A number of findings were made that should be of interest to both academics and practitioners. These are outlined and discussed in both Chapters 8 and 9.

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LIST OF APPENDIXES

APPENDIX A: METHODOLOGY

APPENDIX A1: LETTERS OF INFORMATION AND INFORMED CONSENT

APPENDIX A1.1: Focus Group Participant Information Sheet

Who is the researcher and what is the purpose of the research?

I am Karen Corbishley, an academic and lecturer in the department of Marketing and Retail Management at the Durban University of Technology. I am conducting research as part of a study that is being conducted towards my Doctorate. My study is titled “Retail loyalty programmes: relationship quality and customer loyalty between the card-holder and the retailer” and is intended to provide useful information for both academics as well as the Retail industry.

What type of data is being collected?

You have been invited to join a focus group discussion. One of the purposes of a focus groups is to create an environment in which individuals can express their views and opinions, while at the same time being able to hear what others are saying. You will therefore be expected to engage in discussion and to indicate your agreement or disagreement with the rest of the group. I am interested in your views and opinions on the topic of loyalty programmes and would like this focus group to be a lively discussion. It is not a test and there are no right or wrong answers!

This focus group is one of the initial phases of my research. These discussions will contribute towards the design of a structured questionnaire which will be hosted on the internet in the near future. I will also be interviewing a number of prominent retailers in order to collect information from their view points.

What will participation in the focus group involve?

The group that you will be participating in will involve about 6-8 candidates, one moderator and a transcriber who will be taking notes. It will also be recorded. It will

last about 90 minutes, but please allow two hours in order to cater for any lost time. You will be expected to discuss loyalty programmes, and your attitudes and opinions on these. There is no anticipation of any of the discussion being sensitive or private.

When is the focus group scheduled?

It is difficult to get the perfect time for everyone! This group is scheduled for 10 for 10h30 at **The Coffee Tree, Daventry Place corner of Cato and Alan Paton** If there is any reason why you cannot attend, please contact me as soon as possible so that I can try to obtain another participant. **083 6332257. karenc@dut.ac.za**

What will happen on the day?

Once you arrive, you will be introduced to the other participants and given a name badge. You will also be given a copy of a consent form that will signed by both yourself and the moderator. You will also be required to complete a short demographic questionnaire, with a few questions on your loyalty programme status as well. Any other details about the session will be explained to you and you will be given an opportunity to ask any questions that might be concerning you. The group etiquette will be explained. Refreshments will be provided. Once the group officially begins the recorder will be switched on.

Benefits of participating Fellow academics have the opportunity of participating in a research project and experiencing the process from the other side. You will also be able to participate in a lively and interesting discussion (we hope) on loyalty programmes and share your views on the topic. Lastly, I hope that you will enjoy the coffee break with your colleagues!

Are there any risks involved?

There are no apparent risks involved in this study. There will also be no form of deception. As mentioned previously, the topic has no capacity to be either embarrassing or personal in any way. The information you give will only be used for research purposes and will be aggregated with other responses and only the overall or average information will be used. Your identity and individual answers will be kept totally confidential. If any quotations are used, these will remain anonymous.

Can I withdraw from the research?

Participation is voluntary and you are free to refuse to participate at any time without giving reasons and without prejudice or an adverse consequences. However, with a view to being considerate, please inform me as soon as possible so that alternative plans can be made.

If you have any questions, please contact:

Karen Corbishley, Department of Marketing and Retail Management, Faculty of Management Sciences, Durban University of Technology, karenc@dut.ac.za
0836332257

Or my supervisor Dr Corné Meintjes, cornem@dut.ac.za, 031 373 5385

This research has been approved by the Durban University of Technology Ethics Committee.

APPENDIX A1.2: Consent Form – Focus Group

Consent Form – Focus Group

Retail loyalty programmes: relationship quality and customer loyalty between the card-holder and the retailer

I agree to take part in the project specified in above. I have had the project explained to me, and I have read the attached letters, which I will keep for my records. I understand that by agreeing to take part means that:

I agree to be participate in this focus group Yes ☐ No ☐

I agree to allow the interview to be audio-taped Yes ☐ No ☐

And

I understand that my participation is voluntary, that I can choose not to participate in part or all of the project, and that I can withdraw at any stage of the project without being penalised or disadvantage in any way.

And

I understand that I will be given a transcript of data concerning me for my approval before it is included in the write up of the research.

And

I understand that any information I provide is confidential, and that no information that could lead to the identification of any individual will be disclosed in any reports on the project, or to any other party.

And/or

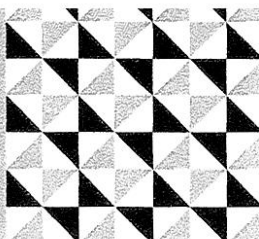
I understand that data from the interview will be kept in a secure store and accessible to the research team. I also understand that the data will be destroyed after a 5 year period unless I consent to it being used in future research.

Participant's name _____

Signature _____

Date _____

APPENDIX A1.6: Example of a Letter of Informed Consent for Interview (Respondent)



Consent Form

Retail loyalty programmes: relationship quality and customer loyalty between the card-holder and the retailer

I agree to take part in the project specified in above. I have had the project explained to me, and I have read the attached letters, which I will keep for my records. I understand that by agreeing to take part means that:

I agree to be interviewed by the researcher Yes ☒ No ☐

I agree to allow the interview to be audio-taped Yes ☒ No ☐

And

I understand that my participation is voluntary, that I can choose not to participate in part or all of the project, and that I can withdraw at any stage of the project without being penalised or disadvantaged in any way.

And

I understand that I will be given a transcript of data concerning me for my approval before it is included in the write up of the research.

And

I understand that any information I provide is confidential, and that no information that could lead to the identification of any individual will be disclosed in any reports on the project, or to any other party.

And/or

I understand that data from the interview will be kept in a secure store and accessible to the the research team. I also understand that the data will be destroyed after a 5 year period unless I consent to it being used in future research.

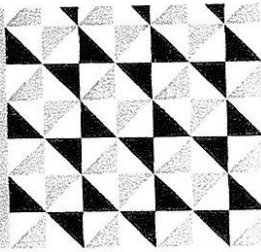
Participant's name

Signature

Date

15/1/2016

APPENDIX A1.5: Example of a Permission Letter (Company)



Permission Letter for:

Retail loyalty programmes: relationship quality and customer loyalty between the card-holder and the retailer

Date: 20th February 2015

Karen Corbishley
Dept of Marketing and Retail Management
PO Box 3314
Durban 4000

Dear Karen Corbishley

I hereby acknowledge your request to recruit participants from
for the above-named research.

I have read and understood the attached statement regarding the research and hereby give
permission for this research to be conducted.

Yours Sincerely

***Please include any stipulations / clauses the company may have about the recruitment of human
participants.**

APPENDIX A2: Interview Guides

APPENDIX A2.1: Semi-Structured Guide for Focus Group

No	Question
1	Establish what loyalty programmes they each belong to.
Comments	Will be completed on Demographic forms.
2	Does anyone in this group belong to more than one programme?
Comments	Also done on forms.
3	What are your general opinions of loyalty programmes?
4	Would you say that you are satisfied with your current programme/s, with the way they run? "a reflection of contentedness with a product or service".
5	(If so) What in particular are you satisfied with? Why is that? (Or, what's going well.....?
6	Are there things that you are dissatisfied with, that you would like to see changed?
7	(If so) What are they? How should they change? What kind of things would you like to see happen?
8	Would you say that you are satisfied with the store that offers the programme? Do you feel that you would pick that store over and above another?
9	Depending on the answers: Why is that? If no? What would the reasons be for you to choose to shop at the competitor?
10	Do you trust this store? Do you believe that the LP has something to do with that? "feeling confident that the other member will fulfil needs as expected".
11	Do you trust the programme? Do you believe that they will do as they promise?
12	Does the LP that you belong to encourage you to be more committed to shop at the retailer concerned? "an enduring desire to maintain a valued relationship".
	Are you more loyal to the store where the programme is offered? "purchases from that business regularly over a long period of time and makes positive recommendations to others"
	Or would you say that you are loyal to the programme rather than the store?
13	Is there anything else you would like to say before we wind up?

APPENDIX A2.2: Semi-Structured Guide for Interview

Questions	Prompts
I would initially like to go through a brief outline of the loyalty / reward programmes that you offer.	W Rewards My School Vitality Environmental
What are your main objectives for these programmes?	
What do you believe that the outcomes are? Are they in line with your objectives?	
In your opinion, what motivates people to make use of an LP?	
Woolworths is associated with a number of different programmes/ rewards. What is the purpose of this?	
Do you believe that loyalty programmes change behaviour? Do they change attitude?	Behavioural Attitudinal
If you have answered yes to no 6, do you think that this could differ between the various forms of programme?	CBEN ABEN EBEN"
The Vitality programme is made available by a different group, but you make it possible to operate. Do you think that this affects customers' attitudes towards you as a retailer in terms of loyalty	
The Vitality programme can be used at more than one retailer. Can it still function as a differentiating tool for yourselves as a retailer?	
My study specifically refers to RQ. This has to do with Satisfaction, Commitment and Trust. Do you believe that any or all of the programmes that you (as a retailer) are involved with invoke any of these elements?.	
Do you believe that these programmes contribute towards CL?	
If the answer to the above is yes, do you think that these elements might vary between programme formats?	ABEN CBEN EBEN
Some retailers that compete with you don't offer a loyalty programme at all or focus on a tangible reward at the purchase point? Would you care to comment on any opinions that you might have towards this?	
What is your LSM profile of your shoppers? Is this similar for your programme members?	

APPENDIX A3: Questionnaire

APPENDIX A3.1 Final Questionnaire

This questionnaire has been designed in order to answer questions on buying behaviour in the Fast Moving Consumer Goods (FMCG) retail environment, when a Loyalty Programme is involved. Fast Moving Consumer Goods would include most household items such as food, toiletries and cleaning items. These would be mostly available at supermarkets, although a number of other stores might sell categories of these products.

SECTION A

1 Do you participate in a loyalty/reward programme at a retailer where you purchase fast moving consumer goods? i.e. groceries, toiletries etc. Yes	No	2. If the answer to question 1 is 'no', please indicate your agreement that the following are reasons why not. The scale ranges from strongly disagree to strongly agree.					
		S D					S A
		1	2	3	4	5	6 7
2.1 I have no interest in loyalty programmes							
2.2 I Don't see any benefit to loyalty programs							
2.3...Loyalty Programmes are an irritation							
2.4...I don't know enough about them							
2.5...I believe that it is an invasion of one's privacy							
2.6...They are too complicated							
2.7 It is difficult to redeem rewards							

2.8 I Have never been offered one							
2.9 Any other reasons. Please describe.							

JUMP TO SECTION C.

SECTION B

2. If yes please select the FMCG Loyalty Programmes in which you are a member, from the list below.

My School Card		Pick n Pay Smart Shopper	
Vitality Woolworths		Woolworths W Rewards	
Vitality Pick n Pay		Clicks Club Card	
Vitality Clicks		Dischem Loyalty Programme	
Other FMCG loyalty programme			
If other, please name			

How many Loyalty Programmes do you belong to with respect to FMCG retailers? (In other words only include retailers that sell perishable products such as food, cleaning products and toiletries).			
Only one		4-5	
2-3		More than 5	

3.1 From the list below please select one particular retail loyalty programme that you belong to, on which you wish to base your responses to this questionnaire. [you will note that these are all FMCG retailers]

Please indicate the name of the programme that you have selected			
My School Card		Pick n Pay Smart Shopper	
Vitality Woolworths		Woolworths W Rewards	
Vitality Pick n Pay		Clicks Club Card	
Vitality Clicks		Dischem Loyalty Programme	
Other FMCG loyalty programme			
If other, please name			

3.2 With respect to the programme chosen above.

How long have you been a member of the Loyalty Programme that you have selected?			
Less than a year		1-2 years	
3-4 years		5 years or more	

4. Indicate your level of agreement that you receive the following benefits when using your selected loyalty program. Use the scale which ranges from 1 = Strongly disagree to 7 = Strongly agree

Benefit	S D						S A
	1	2	3	4	5	6	7
4.1 I am able to save money							
4.2 I spend less							
4.3 I can accumulate reward points							
4.4 I can redeem rewards							
4.5 I can get better prices than some customers							
4.6 I feel that I am getting good deals.							
4.7 I feel that I am getting good value							
4.8 I get cash back							
4.9 I get prizes and gifts.							
4.10 I get discounts or special deals that non-members don't get							
4.11 I can help others							
4.12 I can contribute to social good							
4.13 I can give back to the community							
4.14 I can help a good cause							
4.15 I can be socially responsible							
4.16 I can help those less fortunate							
4.17 I can help to make the community a better place for everyone							
4.18 I can improve my own well-being							
4.19 I'm treated with more respect							
4.20 It makes me feel good							
4.21 I get recognition for my purchase decision							
4.22 I get rewarded for my investment in this relationship							

4.23. The retailer takes better care of me							
4.24 I feel more distinguished than other customers							
4.25 I belong to a community of people who share the same values							
4.26 This LP makes me feel special.							
4.27 Doing the right thing makes me feel self-satisfied.							

Please complete the following sections by rating your agreement with respect to your feelings and buying behaviour towards the retailer where you use your chosen loyalty programme:

	S						S
	D						A
	1	2	3	4	5	6	7
5.1 I trust this retailer							
5.2 I think that this retailer acts in my best interests							
5.3 This retailer is honest							
5.4 This retailer usually keeps its promises							
5.5 This retailer is just as concerned with my welfare as it is in making a profit							
5.6 Whenever the retailer advises me of any issue, I know that they are making use of their best judgement							
5.7 I have confidence in this retailer.							

	S						S
	D						A
	1	2	3	4	5	6	7
6.1 As a regular customer, I have a high quality relationship with this retailer							
6.2 I am happy with the efforts that this retailer is making with customers like myself.							
6.3 I am satisfied with the relationship I have with this retailer.							
6.4 I am satisfied with my decision to purchase from this retailer.							

6.5 I get exactly what I need from this retailer.							
6.6 This retailer meets my expectations.							
6.7 This retailer is close to my ideal.							
6.8 Buying from this retailer has been one of the best decisions I have made.							
6.9 I have enjoyed purchasing from this retailer.							

	S D						S A
	1	2	3	4	5	6	7
7.1 I am interested in the success of this retailer.							
7.2 I keep buying from this retailer because I appreciate it.							
7.3 I feel committed to this retailer.							
7.4 I am willing to put in extra effort to buy from this retailer.							
7.5 I feel emotionally attached to this retailer.							
7.6 I have a strong sense of identification with this retailer.							
7.7 Regardless of competitors' offers, I will always shop at this retailer.							
7.8 I would never consider switching to another retailer.							
7.9 I always choose this retailer over others.							
7.10 It would be very difficult for me to stop buying from this retailer right now, even if I wanted to.							
7.11 I feel like part of the family with this retailer.							

	S A						S D
	1	2	3	4	5	6	7
8.1 I consider myself a regular customer of this retailer.							
8.2 I consider myself loyal towards this retailer.							
8.3 This retailer is my first choice when it comes to purchasing in the category of goods it represents.							

8.4 I will continue to do business with this retailer in the future.							
8.5 I find myself consistently buying from this retailer.							
8.6 I make most of my FMCG purchases from this retailer.							
8.7 I often recommend this retailer to someone who seeks my advice.							
8.8 I often find myself telling people about the positive experiences I have had with this retailer.							
8.9 Because of my experiences with this retailer, I try to convince friends, family and colleagues to switch to this retailer.							

SECTION C.

This section is designed to gather some characteristics about yourself and your buying habits. Please tick the sections that are applicable to you:

Age			
18-29		50-59	
30-39		60-69	
40-49		Over 70	
Gender			
Male		Female	
Race			
White		Indian/Asian	
African		Coloured	
Declined to respond			
ANNUAL HOUSEHOLD Income			
Less than R42 000		R132 001-R360 000	
R42 001-R72 000		R360 001-R1 200 000	
R72 001- R132 000		More than R1 200 000	
Declined to respond			

MANY THANKS FOR COMPLETING THIS QUESTIONNAIRE. YOUR CONTRIBUTION IS APPRECIATED

APPENDIX A3.2: Questionnaire Consent

Retail loyalty programmes: relationship quality and customer loyalty between the card-holder and the retailer

This questionnaire has been designed in order to answer questions on buying behaviour in the FMCG retail environment, when a Loyalty Programme is involved. FMCG stands for Fast Moving Consumer Goods which would include most household items that are perishable such as food, toiletries and cleaning items. These would be mostly available at supermarkets, although a number of other stores might sell categories of these products.

As explained in the covering letter, your answers will be totally anonymous.

Please can you indicate your agreement with the declaration below, before commencing with the questionnaire?

DECLARATION

I understand the content of the document and the nature of the research project. I hereby consent to participate in this research project. Furthermore, I understand that can withdraw from this questionnaire at any stage should I so desire.

I agree *goes to first question*

I disagree *thanks and end*

APPENDIX A3.3: Email Letter for On-Line Questionnaire

Retail loyalty programmes: relationship quality and customer loyalty between the card-holder and the retailer

I am currently working towards my Doctorate in Management Science at Durban University of Technology, and have commissioned Lodestar Marketing Research to host a survey on Loyalty Programmes. I am particularly interested in buying behaviour in the FMCG retail environment when a Loyalty Programme is involved. Your contribution to this study will be truly appreciated.

The survey should take no longer than 15 to 20 minutes to complete.

A donation of R5.00 will be paid to the Ethelbert Child and Youth Care Centre (<http://www.ethelbert.co.za>), for each completed questionnaire. NPO number: 002-283.

Participation is voluntary and you are free to withdraw from the study at any time without giving reasons and without prejudice or any adverse consequences. The information you give will only be used for research purposes. Your name, personal details and responses will remain confidential, only aggregated results will be reported. Should you wish to discuss this further please feel free to contact me on the email address below.

Please note that this research is conducted on a first-response basis. Once we have received sufficient responses to make the results significant and meaningful, the link will no longer be available.

Please click here to start the survey

<http://www.lodestar-research.co.za/surveys/index.php/369884/lang-en>

Thank you for your participation.

Karen Corbishley

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APPENDIX A3.4: Source and Reliability of Statements for Questionnaire – Prior to Pilot Study and Elimination

	Participating in this loyalty programme enables me to:	Source	Cronbach's Alpha α
Consumeristic	C. Shop at a lower financial cost	Mimouni-Chaabane and Volle 2010: 33	0.87
	C. Spend less		
	C. Save money		
	C. Enjoy the accumulation of reward points	Kreis and Mafael 2014: 599	0.81
	C. The programme enables me to get free rewards.		
	C. Enjoy the redemption of rewards		
	C. Get better prices than most customers	Kreis and Mafael 2014: 599	0.79
	C. I am able to get discounts or special deals that non-members don't get		
	C. This programme is good value for money	Winters and Ha 2012: 378	0.94
	C. This programme is economical		
	C. Get prizes and gifts.	Focus Groups	
Altruistic	A. I can help others	Feiler <i>et al.</i> 2012	
	A. I can contribute to social good		
	A. I can give back to the community		
	A. I can help a good cause	Amos, Holmes and Allred 2015: 361.	0.87
	A. It's good to give back		
	A. Any tangible rewards I receive are not necessary.	Focus Group	
	A. The rewards that I receive are not quantifiable.		
	A. Social responsibility is important to me.		
Egoistic	E. I'm treated better than other customers	Focus group	
	E. I maximise the outcome to myself	Feiler <i>et al.</i> 2012	
	E. It makes me feel good		
	E. I want to be recognised for my purchase decision		
	E. If I don't participate I miss out on important benefits	Kreis and Mafael 2014: 599	0.71
	E. I'm treated better than other customers		
	E. I'm treated with more respect	Mimouni-Chaabane and Volle 2010: 33.	0.88
	E. They take better care of me		
	E. I can improve my own well being		
	E. I feel more distinguished than other customers		

	E. I belong to a community of people who share the same values		
	E. I think that I deserve to be rewarded for my purchases from this retailer	Mimouni-Chaabane and Volle 2010: 33	0.96
	E. I feel better about myself	Kreis and Mafael 2014: 599	0.81
	E. I think that this LP makes me feel more special compared to others		
	E. I feel good when I do the right thing		
	E. Doing the right thing makes me feel self-satisfied.	Focus group	

Please complete the following sections with respect to your feelings and buying behaviour towards the store where you use the loyalty programme you have chosen:

TRUST	SOURCE	CA α
This retailer gives me a feeling of trust	Mimouni-Chaabane and Volle 2010: 37	0.95
I trust this retailer		
This retailer gives me a trustworthy impression		
I think that this retailer acts in my best interests	Garcia-Gomez <i>et al.</i> 2012: 555	0.78
This store is just as concerned with my welfare as it is in making a profit		
The store is honest and keeps its word		
This retailer usually keeps their promises.	Vesel and Zabkar 2010: 213-235.	0.82
Whenever they advise me of any issue, I know that they are making use of their best judgement		

SATISFACTION	SOURCE	CA α
As a regular customer, I have a high quality relationship with this retailer	Mimouni-Chaabane and Volle 2010: 37	0.95
I am happy with the efforts that this retailer is making towards customers like myself.		
I am satisfied with the relationship I have with this retailer.		
I am satisfied with my decision to purchase from this retailer.	Vesel and Zabkar 2010: 213-235	0.82
I get exactly what I need from this retailer.		
This retailer meets my expectations.	Magi 2003	0.84
This retailer is close to my ideal.		

COMMITMENT	SOURCE	CA α
I am interested in the success of this retailer	Mimouni- Chaabane and Volle 2010: 37	0.95
I keep buying from this retailer because I appreciate it.		
I feel loyal towards this retailer	Garcia-Gomez <i>et al.</i> 2012: 555	0.70
I usually recommend this store to my family and friends		
I intend to purchase at this store in the future.		
Even if this retailer was more difficult to reach I would still keep buying there	Evanschitzky <i>et al.</i> 2011: 12	
I am willing to go "the extra mile" to remain a customer of this retailer.		
Even if this retailer was more difficult to reach, I would still keep buying from it	Bridson <i>et al.</i> 2008: : 372	0.82
Regardless of competitors offers. I will always shop from this retailer		
I would never consider switching to another retailer		
Even if another retailer had a sale, I would still buy from this retailer		
If this retailer was closed, I would find it difficult to find a substitute.		
It would be very difficult for me to stop purchasing from this retailers stores	Vesel and Zabkar 2010: 213-235	0.80
I would feel deprived if I could not buy from this retailer		
I enjoy discussing this retailer with others	Vesel and Zabkar 2010: 213-235	0.77
I really feel as if this retailers problems were my own		
This retailer has a lot of personal meaning for me.		

LOYALTY TO THE RETAILER	SOURCE	CA α
I feel very loyal to this retailer	Bridson <i>et al.</i> 2008: : 372	0.89
I consider myself a regular customer of this retailer		
I feel loyal towards this retailer		
I consider this retailer to be my first choice when shopping for fast moving consumer goods such as groceries and toiletries.		
I intend to do more business with this retailer in the future		
I always find myself consistently buying from this particular retailer		
I make most of my purchases from this retailer		
I often find myself telling people about the positive experiences I have had with this retailer	Bridson <i>et al.</i> 2008: : 372	0.90
Because of my experiences with this retailer, I try to convince friends, family and co-workers to switch to this retailer		
I often recommend this retailer to someone who seeks my advice		
I encourage others to do business with this retailer		
I will continue to purchase products from this retailer		0.80

I would recommend this retailer to friends and family	Evanshitzky <i>et al.</i> 2011: 637	
This retailer is my first choice when it comes to purchasing in the category of goods it represents		
I don't consider offers from competing retailers that sell similar products	Radder <i>et al.</i> 2015: 100 0.90	0.90
I buy more from this retailer than other retailers		
I exclusively buy my household products from this retailer		
I say positive things about this store to my friends	Kang <i>et al.</i> 2015	0.87
I encourage friends and family to shop at this store		
I am very committed to this retailer.	Kreis and Mafael 2014: 599	0.71
I would be prepared to shop at this retailer even if the prices were higher than other retailers.		
I will buy at the participating retailer on my next shopping trip.	Kreis and Mafael 2014: 599 0.90	0.90
I intend to keep purchasing from this retailer		
I plan to do most of my shopping in the future at this store.	Kim <i>et al.</i> 2013: 104 (adapted)	0.90
I spend more than 50% of my grocery budget with this retailer	Kim <i>et al.</i> 2013: 104 (adapted)	0.90
I plan to do most of my future household shopping at this store		
I recommend this retailer to my friends, neighbours and relatives		
I plan to use this retailer the next time I carry out my household shopping		
It is likely that I would use this retailer for more of my shopping needs in the next 12 months.	Winters and Ha 2012: 378	0.92
It is likely that I would continue to shop at the retailer that offers this programme.		
I visit this store more frequently than other retail stores	Omar <i>et al.</i> 2015: 151	0.91
I expect to stay with this retailer for a long time	Kumar and Eshgi 2013: 450	0.81
I plan to still purchase from this retailer in the future		

APPENDIX A3.5: Comments from the Pilot Study (Italics indicates researcher's response to comment)

NO	COMMENTS
1.*	Completed! Well-structured questionnaire – trust it is in line with your objectives.
2.*	I have participated in the pilot study. I think the age category question, specifically 41-60 covers a rather broad group. You should split this group into say 41-50 and 51-60. <i>Point taken – will consider.</i> I chose the non-member option (which is the truth!). You may need to ask more Likert scaled questions (based on the theoretical framework) to get a deeper understanding of non-usage of loyalty cards. <i>Not the main objective of the study.</i>
3.	I just filled in your questionnaire. I think it is great! Nothing to fault it on, and I think you have asked all the right questions.
4.*	Intro page: Are those examples of perishables?? I thought they were non-perishable? <i>Take out words "that are perishable"</i> ".....I understand that I can withdraw....." <i>Rectify - add in "I"</i> Questions: Some of the questions may appear to be very similar to each other, not sure if I was giving them the same attention because of this. <i>Discuss.</i> Perhaps you could give an estimated time for completion (me, about 10 mins). <i>Done.</i>
5. *	I have completed the pilot and it reads very well. The questions are clear, succinct, well-structured and your dimensions are very interesting. Just out of curiosity are you not interested in any other demographic information like income levels or race perhaps to run any statistical tests to see if there are significant relationships within these dimensions; this information is also helpful when you are reporting on your data and perhaps there might be some significant relationships between income and the use of loyalty programs (just my thoughts). <i>Valid comment – demographics is rather sparse. Suggestion (Statistician) that we add income and race. The only thing is that people are sometimes averse to these questions. If we put income right at the end and make it an answer that does not prevent submission should they leave it out? If we decide to do it, I will just have to come up with some income categories. Generally LPs are aimed at LSM 6 and up. So I would probably have to start at about an LSM 5 level and upwards.</i> Just a minor typo on your declaration page the last sentence the word "I" is missing in the statement "I can withdraw..." <i>Done.</i> But otherwise well done and good luck!
6.	It looks good...
7.*	I completed and submitted the form - the sections I completed was fine. I said I don't have a loyalty card and gave my reasons.

	<p>Maybe just as a control question add a list of reasons/conditions that will convince me to join a loyalty programme.</p> <p><i>Ignore – not part of the objectives</i></p>
8.	<p>Thanks for including me in your survey. I have answered and submitted it.</p> <p>I struggled to discern the difference between several of the questions. It seemed to me, like you were asking the same thing in different ways.</p> <p>In the first section on helping communities (sorry, I didn't write down the heading) it seemed that there were 7 questions all asking the same thing;;-</p> <p>I can help others</p> <p>I can contribute to social good and give back to communities</p> <p>I can help make communities better</p> <p>I can help those less fortunate</p> <p>I can help a good cause</p> <p>I am socially responsible.</p> <p><i>Noted – for discussion.</i></p>
9. *	<p>It was quick and easy, though I did get confused about the W Rewards card question – I don't actually have one but to the best of my knowledge I get the same benefits from the My School card – except that the saving goes to someone else.</p>
10.	<p>All done! Hoping you get lots.</p>
11. *	<p>I have completed the one arm of the Q – where I do have an LP card.... it seems fine. I wanted to do the other arm but since I had already done one, I was refused... So I have not checked the arm where the response is NO to an LP...</p>
12.	<p>I had just a few comments to help with your feedback:</p> <ol style="list-style-type: none"> 1. On the intro page, I would state that all questions with a * are compulsory & must be answered in order to submit. <i>Please Comment.</i> 2. On the top of the next page it says Questions: 1, which I think might be a spelling mistake, but I'm not sure as you refer to a new area of questioning as a section? <i>Please note – rectify if required.</i> 3. In terms of format, would it be possible to make each section a new page? I've noticed people like to feel like they are completing things & doing well by clicking through each new page & seeing the progress bar move rather than just scrolling down - but's totally just a suggestion:) And people like to know roughly how long it is going to be & they can get that from the progress bar) 4. I personally did not understand option number 2 on the first section of numbered choices - 'I can spend less.' Perhaps explain what this means? Like when I use the loyalty card or just generally? <i>Change to "I spend less"</i> 5. When you ask about giving back to community/ social responsibility, I felt like 2 of the questions were really really similar to 2 other questions and could maybe be

	<p>condensed (but I do understand they are answering slightly different questions, but as a person answering them, they felt way too similar) ie:</p> <ol style="list-style-type: none"> 1. 'I can help to make the community a better place' I felt was the same/ similar to 'I can give back to the community'. 2. 'I can contribute to social good' was similar to 'I can be socially responsible' <p>6. I Felt the questions regarding Loyalty & Commitment were very similar & actually scrolled back to the sections above several times to make sure they were not the same questions.</p> <p>7. I felt that the questions were a little long winded & that by the end of the sentence I had forgotten what I was supposed to be doing.</p> <p>Overall it is great & I think that the questions (other than the ones mentioned above) are relevant & I found them easy to answer. I was able to identify with them, which suppose it what you are looking for.</p>
13.	<p>I have completed your question. I t took me under 10 minutes to finish it so the timing is perfect.</p> <p>I just noticed the inconsistency with FMCG fmcg – just upper case in most places and sentence case in others. <i>Please note and change if necessary.</i></p>
14.	<p>The questionnaire is well constructed, simple and easy to complete.</p> <p>Took me less than 10 minutes to complete.</p> <p>To enhance the questionnaire and to add value I suggest a few open ended questions at the end of each section so that the respondent could comment on anything that was not addressed by the set questions.</p>
15	*Editor
	<p>Check that your spelling and capitalisation of 'Loyalty Programme' are consistent throughout: there is a 'program' and some small letters used. <i>Rectify where required</i></p> <p>These statement are all so similar. Either use fewer of them or spread them amongst the other statements otherwise the respondent will simply answer the same for all. <i>Note additional comments section.</i></p> <p>Put FMCG in brackets after your first use of the full term <i>Agreed</i>.</p> <p>Statememnts:</p> <p>I am happy with the efforts that this retailer is making to customers like myself'.</p> <p>'.....is making with....'</p> <p><i>Agreed</i></p> <p>'I have truly enjoyed purchasing from this retailer'.</p> <p>Take out 'truly' <i>Agreed – make it "I enjoy purchasing from this retailer"</i>.</p> <p>'This retailer has a lot of personal meaning for me'.</p> <p>'I really feel as if this retailers problems were my own'.</p> <p>I'm not sure what you are meaning by 'personal meaning' or the idea that the retailer's problems are 'my own'</p>

	Additional Comments after meeting with supervisors.
	<ul style="list-style-type: none"> • Because of the similarities of answers that seem to confuse respondents, it is suggested that we now randomise the statements WITHIN THEIR RESPECTIVE CATEGORIES. i.e. 1. Perceived benefits; then relationship quality (trust, commitment and satisfaction) and lastly customer loyalty. • We need to remove the headings of trust, satisfaction etc. and just have the instruction. • Some respondents felt that there were many statements, but obviously they are not statisticians. Do we stay with the current amount? I realise that some of them will fall away when you carry out your analysis.

APPENDIX A3.6: Letter from Research House re Ownership of Data

This is to confirm that Lodestar Marketing Research will provide research support to Karen Corbishley for her Doctoral research:

- Database of relevant consumers
 - The rental fee included in the cost allows Karen Corbishley to use the database for the purposes of her research
- Online scripting, email invitation to database (including two reminder emails) and hosting of the research survey
- Excel tables

The data gathered will be the property of Karen Corbishley and Durban University of Technology.

Database description

Email addresses for over 500 000 of SA's economically active upmarket consumers.

Select by:

- Geographic Location
- Income Group
- Gender
- Ethnic Group
- Age Group

APPENDIX B: ADDITIONAL TABLES AND FIGURES

Table B1.1: Significance of participation in LP statistics

	Category	N	Observed Prop.	Test Prop.	Asymp. Sig. (2-tailed)
Do you participate in an LP Group 1 at a retailer where you Group 2 purchase FMCG products? Total	No	80	.14	.50	.000 ^a
	Yes	479	.86		
	Total	559	1.00		

a. Based on Z Approximation.

Table B1.2: Binomial test for significance of LP membership

		Category	N	Observed Prop.	Asymp. Sig. (2-tailed)
B2.1 My School/ Planet/ Village Card	Group 1	Yes	219	.46	.067 ^a
	Group 2	No	260	.54	
B2.2 Pick n Pay Smart Shopper	Group 1	Yes	405	.85	.000 ^a
	Group 2	No	74	.15	
B2.3 Vitality Woolworths	Group 1	Yes	114	.24	.000 ^a
	Group 2	No	365	.76	
B2.4 Woolworths W Rewards	Group 1	Yes	265	.55	.022 ^a
	Group 2	No	214	.45	
B2.5 Vitality Pick n Pay	Group 1	Yes	104	.22	.000 ^a
	Group 2	No	375	.78	
B2.6 Clicks Club Card	Group 1	Yes	333	.70	.000 ^a
	Group 2	No	146	.30	
B2.7 Vitality Clicks	Group 1	No	396	.83	.000 ^a
	Group 2	Yes	83	.17	
B2.8 Dischem Loyalty Programme	Group 1	Yes	267	.56	.014 ^a
	Group 2	No	212	.44	

Table B2.1: Disagreement: significant perceived benefit statements

	n	Mean	Std Dev	t	df	Sig. (2-tailed)
B4.2 I spend less	479	3.88	2.005	-1.344	478	.179
B4.12 I can contribute to social good	479	3.83	1.966	-1.929	478	.054
B4.14 I can help a good cause	479	3.86	2.008	-1.502	478	.134
B4.15 I can be socially responsible	479	3.89	2.037	-1.166	478	.244

Table B2.2: Loading of four factors – total variance explained

Factor	Initial Eigenvalues			Rotation Sums of Squared Loadings ^a
	Total	% of Variance	Cumulative %	Total
1	9.427	47.137	47.137	7.568
2	3.737	18.683	65.820	6.729
3	1.299	6.497	72.317	7.001
4	.932	4.662	76.979	3.240
5	.620	3.102	80.081	
17	.103	.517	100.000	

Extraction Method: Alpha Factoring. a. When factors are correlated, sums of squared loadings cannot be added to obtain a total variance.

Table B2.3: Loading of three factors – total variance explained

Factor	Initial Eigenvalues			Rotation Sums of Squared Loadings ^a
	Total	% of Variance	Cumulative %	Total
1	8.839	51.994	51.994	7.353
2	3.307	19.456	71.450	5.877
3	.951	5.596	77.045	6.452
4	.626	3.680	80.726	
17	.104	.611	100.000	

Extraction Method: Alpha Factoring.

a. When factors are correlated, sums of squared loadings cannot be added to obtain a total variance.

Table B2.4: KMO and Bartlett's test for perceived benefits

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.949
Bartlett's Test of Sphericity	Approx. Chi-Square	7783.2
		49
	df	136
	Sig.	.000

Table B2.5: Factor correlation mix for ‘perceived benefits’

Factor	1	2	3
1	1.000	.358	.595
2	.358	1.000	.677
3	.595	.677	1.000

Extraction Method: Alpha Factoring.

Rotation Method: Promax with Kaiser Normalization.

Table B2.6: Reliability of ‘perceived benefits’ constructs

Constructs	Cronbachs Alpha	N of items
Consumeristic	0.897	6
Altruistic	0.973	7
Egoistic	0.887	4

Table B2.7: Significance of combined perceived benefits relationship with trust

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.731	.153		11.309	.000
CONSUMERISTIC	.401	.040	.444	9.980	.000
ALTRUISTIC	.111	.030	.149	3.740	.000
EGOISTIC	.196	.044	.227	4.473	.000

Table B2.8 Significance of combined ‘perceived benefits’ relationship with satisfaction

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.833	.153		11.966	.000
EGOISTIC	.132	.044	.151	3.011	.003
ALTRUISTIC	.148	.030	.197	4.981	.000
CONSUMERISTIC	.444	.040	.487	11.035	.000

Table B2.9: Significance of combined ‘perceived benefits’ relationship with commitment

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.582	.183		3.186	.002
	EGOISTIC	.379	.052	.378	7.247	.000
	CONSUMERISTIC	.278	.048	.265	5.794	.000
	ALTRUISTIC	.127	.036	.147	3.580	.000

Table B2.10: Significance of combined ‘perceived benefits’ relationship with loyalty

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.492	.194		12.837	.000
	EGOISTIC	.041	.055	.044	.731	.465
	CONSUMERISTIC	.443	.051	.459	8.704	.000
	ALTRUISTIC	.077	.038	.096	2.027	.043

Table B3.1: KMO and Bartlett’s Test for RQ constructs

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.978
Bartlett’s Test of Sphericity	Approx. Chi-Square	13770.433
	df	300
	Sig.	.000

Table B3.2: Factor correlation mix for RQ constructs

Factor Correlation Matrix			
Factor	1	2	3
1	1.000	.704	.673
2	.704	1.000	.784
3	.673	.784	1.000

Extraction Method: Principal Axis Factoring.

Rotation Method: Promax with Kaiser Normalization.

Table B4.1: KMO and Bartlett's Test for CL

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.979
Bartlett's Test of Sphericity Approx. Chi-Square	16680.401
df	435
Sig.	.000

Table B5.1: Statements retained/deleted after the EFA, CFA and SEM analyses

Construct and statements	Label	Retained/ Deleted
Consumeristic Benefits		
I am able to save money	B4.1	
I spend less	B4.2	
I can accumulate reward points	B4.3	Deleted
I can redeem rewards	B4.4	Deleted
I can get better prices than some customers	B4.5	
I feel that I am getting good deals.	B4.6	
I feel that I am getting good value	B4.7	
I get cash back	B4.8	Deleted
I get prizes and gifts.	B4.9	Deleted
I get discounts or special deals that non-members don't get	B4.10	
Altruistic Benefits		
I can help others	B4.11	
I can contribute to social good	B4.12	
I can give back to the community	B4.13	
I can help a good cause	B4.14	
I can be socially responsible	B4.15	
I can help those less fortunate	B4.16	
I can help to make the community a better place for everyone	B4.17	
Egoistic Benefits		
I can improve my own well-being	B4.18	Deleted
I'm treated with more respect	B4.19	Deleted
It makes me feel good	B4.20	Deleted
I get recognition for my purchase decision	B4.21	Deleted
I get rewarded for my investment in this relationship	B4.22	Deleted
The retailer takes better care of me	B4.23	Deleted
I feel more distinguished than other customers	B4.24	Deleted
I belong to a community of people who share the same values	B4.25	Deleted
This loyalty programme makes me feel special	B4.26	Deleted

Loyalty		
I consider myself a regular customer of this retailer	LOY1	
I consider myself loyal towards this retailer	LOY2	Deleted
This retailer is my first choice when it comes to purchasing in the category of goods it represents	LOY3	
I will continue to do business with this retailer in the future	LOY4	
I find myself consistently buying from this retailer	LOY5	
I make most of my FMCG purchases from this retailer	LOY6	
I would recommend this retailer to someone who seeks my advice	LOY7	Deleted
I often find myself telling people about the positive experiences I have had with this retailer	LOY8	Deleted
Because of my experiences with this retailer, I try to convince friends, family and colleagues to switch to this retailer	LOY9	Deleted
Trust		
I trust this retailer	TRST1	
I think that this retailer acts in my best interests	TRST2	
This retailer is honest	TRST3	
This retailer usually keeps its promises	TRST4	
This retailer is just as concerned with my welfare as it is in making a profit	TRST5	
Whenever the retailer advises me of any issue, I know that they are making use of their best judgement	TRST6	
I have confidence in this retailer	TRST7	
Satisfaction		
As a regular customer, I have a high quality relationship with this retailer	SAT1	Deleted
I am happy with the efforts that this retailer is making with customers like myself	SAT2	Deleted
I am satisfied with the relationship I have with this retailer	SAT3	
I am satisfied with my decision to purchase from this retailer	SAT4	
get exactly what I need from this retailer	SAT5	
This retailer meets my expectations	SAT6	
This retailer is close to my ideal	SAT7	
Buying from this retailer has been one of the best decisions I have made	SAT8	
I have truly enjoyed purchasing from this retailer	SAT9	
I enjoy my shopping experience at/with this retailer	SAT10	
Commitment		
I am interested in the success of this retailer	COM1	
I feel committed to this retailer	COM2	
I am willing to put in extra effort to buy from this retailer	COM3	

I feel emotionally attached to this retailer	COM4	
I have a strong sense of identification with this retailer	COM5	
Regardless of competitors' offers, I will always shop at this retailer	COM6	
I would never consider switching to another retailer	COM7	
I always choose this retailer over others	COM8	Deleted
It would be very difficult for me to stop buying from this retailer right now, even if I wanted to	COM9	
I feel like part of the family with this retailer	COM10	

APPENDIX C: ABSTRACT

Extended abstract of a paper presented at the 7th Annual Global Business Conference. Zagreb, Croatia

Sept 28 – Oct 1, 2016

Loyalty Programme Benefits, Relationship Quality and Customer Loyalty in South Africa (an Exploratory Study)

Key Words: Loyalty Programme; Relationship Quality; Customer Loyalty; Fast Moving Consumer Goods

Conference Track: Marketing

Introduction

The Fast Moving Consumer Good (FMCG) retail marketplace is highly competitive and in order to succeed, retailers need to differentiate their offerings to their target markets. One of the main marketing methods used to achieve this is by making use of customer relationship management instruments. The main objective of a relationship marketing strategy is the retention of customers by making offerings that serve to benefit both parties within the relationship. One popular method is the issuing of, or connecting with, a loyalty programme (LP) (Meyer-Waarden, Benavent & Castéran, 2013). A LP is defined as a programme that is run over the long term, allowing members to gather some form of currency as they purchase goods. This can then be redeemed in exchange for cash or other rewards and gifts (Liu & Yang, 2009).

Literature Review

The frequency and ease with which FMCG customers can switch from one retailer to another is challenging (Meyer-Waarden & Benavent, 2009). Relationship building would be one way in which to make this less tempting to customers. Relationship strength is often measured by means of Relationship Quality (RQ) which consists of three elements, namely trust, satisfaction and commitment (Vesel & Zabkar, 2010). Trust is described as the consumer placing his/her confidence in the fulfilment of needs by the retailer concerned (Liu, Guo & Lee, 2011), whereas commitment is the belief that the relationship between the retailer and the customer is important enough to pursue indefinitely (Morgan and Hunt 1994). Satisfaction is the result of contentment, as customer expectations are met or exceeded (Van Vuuren, Roberts-Lombard & van Tonder, 2012). All of these elements contribute towards loyalty. Loyalty programmes have increased in number in South Africa, with the focus on obtaining loyal customers (eNCA, 2014). This is emphasised by environmental transformation and informed and demanding customers. As major retailers make significant investments in loyalty programmes, the question arises whether this is worthwhile. Some researchers state that LPs are unnecessary (Kreis & Mafael, 2014), whilst those in favour believe that they serve to both alter and encourage shopping behaviour (Kearney, 2013).

A study was proposed to investigate the benefits inherent in these programmes in South Africa and their impact on RQ and customer loyalty between the cardholder and the retailer. LP benefits come in various formats, with varying effects on RQ and loyalty. The study focused on three forms of benefits that are evident in LPs in South Africa. The first one is tangible and probably the most common. Described as consumeristic, this type of benefit is exemplified in rewards such as cash-back, discounts, free product and prizes (Eason, Bing & Smothers, 2015), and sometimes termed as monetary or economic. An additional two categories of benefits could be viewed as intangible have been identified, despite the fact that there could be some tangible items that are exchanged within the transaction. One is described as egoistic which is more personal and self-serving with resulting emotions such as pride, status and belonging (Feiler, Tost & Grant, 2012). Alternatively altruistic rewards revolve around more selfless feelings that would usually be attached to rewards that are donated to another party such as a school or charity (Kareklas, Carlson & Muehling, 2014). Tangible rewards in this transaction do not serve to enrich the card-holder. The card holder will potentially experience an intangible reward associated with the act of benevolence.

Despite LPs becoming more popular with retailers and research more prolific, there are still gaps that remain in the understanding of LPs, the benefits thereof, and customers' relationships with them (Meyer-Waarden, Benavent & Castéran, 2013). Although much research has been conducted in first-world countries, less has taken place in South Africa. To this end, this study seeks to investigate how different forms of LPs contribute towards RQ and customer loyalty between the consumer and the retailer. This would contribute towards the growing body of research that has both theoretical and practical significance in the field of LPs in the South African marketplace.

It will examine the factors of trust, commitment and satisfaction which make up RQ, and in turn, customer loyalty. Furthermore, it will question whether different types of loyalty programme benefits might have a greater effect on RQ, with particular emphasis on altruistic, egoistic and consumeristic types. This will assist business in isolating which types of benefits would be more likely to resonate with customers. It has been noted that although a number of prominent FMCG retailers in South Africa have adopted or accept loyalty cards, others have not yet adopted, or have no intention of ever adopting a loyalty programme. Any research on this topic should be of both academic interest and provide answers to retailers who are still questioning the usefulness of loyalty programmes.

Methodology

This was an exploratory study, carried out prior to a larger quantitative study. It was made up of two focus groups, used to gauge attitudes and opinions of individuals that held membership of LPs linked to FMCG retailers.

The sample was a convenience one. Participants were obtained by means of emails to university staff, business contacts and associates. Nevertheless a broad selection of both race, gender and age ended up taking part. Fifteen individuals participated in the groups. Each focus group session was audio recorded and then transcribed into a Word document. Transcripts were read and common themes were highlighted. The volume of data did not warrant the use of analysis software.

Results

Results from the focus groups showed that most respondents preferred an immediate and tangible reward where they were able to associate the purchase with the benefit. Loyalty did not appear to be a foregone conclusion when consumers were in possession of a loyalty card, despite the positive experience of receiving a reward.

A number of respondents spoke of the problems that they experienced with understanding the workings of the programme, redeeming rewards and a lack of information about what was actually available to them as programme members.

Considering the benefits linked to the programmes, respondents' attitudes toward altruistic programmes were also mixed. Possibly exacerbated by the difficult economic times in South Africa, respondents felt that prices were already too high and that it was the retailer's responsibility to donate to charity. Despite this, they did understand the good that could come from such a programme and appreciated it when they were seen to be associated with this type of contribution. In particular this was apparent when the respondent was closely associated with the charity (for example their children's school).

Programmes that were sponsored by major medical aids, and linked with the retailer, rewarded members for making healthy purchasing decisions. Respondents enjoyed being recognised for their exemplary purchasing habits, as well as enjoying the monetary rewards. However, this did not necessarily translate to loyalty, as members stated that they often compartmentalised their shopping, preferring to shop for price or other factors when they purchased the remainder of their products.

With respect to satisfaction, trust and commitment, responses varied between different programme types. Some respondents were satisfied with their programmes. This was mainly towards programmes where the cardholder was kept well informed and could clearly link purchases with their rewards. In contrast, when they felt that they had to do all the work and programmes were difficult to understand, less satisfaction was apparent. The element of trust was connected to the same issues. Clients felt more trusting when communication was clearly part of the programme. Expiration of points before they could be redeemed affected trust, with cardholders feeling that they had been deceived. Commitment was heightened when cardholders felt that benefits from the programme exceeded costs incurred. Loyalty to a retailer can be described as the customer patronising that store regularly and making recommendations to others (Cant & du Toit, 2012) Although some programme members felt that they were loyal to the retailer, they stated that this was not necessarily a direct result of the loyalty programme, and sometimes viewed the programme as an additional bonus that came after the fact. Customers who felt that all the programme contributed to was an increase in prices were more promiscuous, hopping from one retailer to the other as they searched for good offers.

Conclusion and Discussion

This qualitative research was a pre-cursor to a larger quantitative study that will follow. Results gleaned from the focus groups will be used to substantiate the choice of material for the questionnaire. The focus groups have indicated that opinions differ with respect to programme types, relationship quality and customer loyalty. The results have shown that communication is key in order to establish relationships and loyalty. Furthermore, programmes need to be uncomplicated and clearly defined in order to promote satisfaction and trust. Cardholders should feel that they are receiving the

points that they have earned and that redemption is simple and clearly connected with expenditure. Rewards should be seen to be providing the customer with value in return for costs incurred.

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EDITING CERTIFICATE

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**Doctoral thesis: RETAIL LOYALTY PROGRAMMES: RELATIONSHIP
QUALITY AND CUSTOMER LOYALTY BETWEEN THE CARD-
HOLDER AND THE RETAILER IN SOUTH AFRICA**

I confirm that I have edited this thesis and the references for clarity, language and layout. I am a freelance editor specialising in proofreading and editing academic documents. My original tertiary degree which I obtained at UCT was a B.A. with English as a major and I went on to complete an H.D.E. (P.G.) Sec. with English as my teaching subject. I obtained a distinction for my M.Tech. dissertation in the Department of Homeopathy at Technikon Natal in 1999 (now the Durban University of Technology). During my 13 years as a part-time lecturer in the Department of Homeopathy I supervised numerous Master's degree dissertations.

Dr Richard Steele

15 January 2017

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