

**Exploring factors that influence South African tertiary students to participate in  
retail loyalty programmes**

by

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**Master of Commerce**

in the subject of

**Business Management**

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## **DECLARATION**

I declare that “Exploring factors that influence South African tertiary students to participate in retail loyalty programmes” was submitted in fulfilment of the requirements for the degree of Master of Commerce in the subject of Business Management with specialisation in Marketing and Retail Management, at the University of South Africa (Unisa), is my own work and that all sources utilised within this research study have been acknowledged by means of complete references.



.....  
Zandri le Roux

February 2019

## **DEDICATION**

This master's dissertation is first and foremost dedicated to Father God, my creator who gave me the strength to complete my studies. To my fiancé, Ruan Olivier who stood by me, encouraged me and never stopped believing in me. To my loving mother, Riana le Roux who prayed with me through every chapter and who instilled the values of hard work, determination and faith in our loving Father in me. To my wonderful sister, Ridré le Roux for her unconditional love and support and for always being there with whatever I need throughout the completion of my studies. Lastly, to my father that is in heaven, André le Roux, who believed in the power of education, thank you for instilling the hunger for knowledge in me. I am proud to submit this dissertation in your memory.

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*“For nothing is impossible with God.”*

- Luke 1:37 -

## ABSTRACT

The average South African tertiary student spends more than the average South African individual each month, making them a valuable market to be understood by retailers. One technique retailers use to differentiate themselves from the increased competition is by relationship marketing through loyalty programmes.

Research on the topic of loyalty programmes increased rapidly over the last decade. The problem, however, is that the majority of past research on the subject of loyalty programmes only focused on what happens after customers have already joined a loyalty programme. Little research exists regarding the factors that influence subject participation in loyalty programmes. Furthermore, to date no research study has investigated factors that might influence loyalty programme participation among South African students.

The purpose of this study was to understand the tertiary student market by building on the research of De Wulf *et al.* (2013:69-83) as a vital study to explore factors that might influence them to participate in retail loyalty programmes. An exploratory study was conducted, in which data was collected from students studying at Pearson Institute of Higher Education/ CTI Pretoria by means of self-administered questionnaires. The study followed a quantitative research approach, in order to satisfy the research objectives.

The results of the study indicate that the top four characteristics most likely to influence students to participate in a retail loyalty programme, include: a loyalty programme where you receive immediate discounts on certain items at purchase; a loyalty programme that allows you to use your loyalty card at more than one retailer; a loyalty programme with unlimited duration on the usage of benefits or rewards; a loyalty programme that rewards you by giving immediate benefits.

### **Key terms**

Loyalty programmes, retail loyalty programmes, South African retail trade industry, retailers, loyalty programme participation factors, South African tertiary students

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## **CHAPTER 1.**

### **INTRODUCTION TO THE STUDY**

#### **1.1 INTRODUCTION**

The retail trade industry is the largest industry in most countries; it is estimated that this sector employs 10 to 15 per cent of the job market in most countries, and at least 142 million workers are employed in the retail trade industry in developing countries (IFC, 2018). According to Statistics South Africa (2018:14), the retail trade industry is a vital player in the South African economy by generating up to R135 984 billion of the South African Gross Domestic Product (GDP) and by employing 2.12 million workers. Moreover, in 2016, the retail trade industry employed 56 000 more people in the December quarter than in the September quarter, which accounted for 70 per cent of new jobs created (Laing, 2018). It is therefore vital to explore possible means of improving the performance of South African retailers.

In order to remain competitive, South African retailers are continuously implementing aggressive strategies to improve their offerings and increase sales (Passport 2, 2015:1). The competitiveness among retail organisations places pressure on them to provide customers with more value (Meyer, 2012:164). Many retailers differentiate themselves through marketing strategies, such as relationship marketing, by offering more than just products, and adding services like loyalty programmes and targeted offerings (Marketing Profs, 2016). Tanford and Malek (2015:314) suggest that retailers can improve the success of their loyalty programme by segmenting their customer base and providing loyalty programme rewards and offerings according to the characteristics and needs of each segment.

Corbishley (2018:1) states that South African retail loyalty programmes are being compared to international standards in the past three years. South African retail loyalty programmes still lack in the differentiation of their offerings to consumer groups. By understanding how different customer groups perceive different loyalty programme structures and benefits,



retailers can create loyalty programmes that can assist them in differentiating themselves from competitors (Corbishley, 2018:1).

Student Village (2017:6) reported that the average South African tertiary student spends more than the average South African individual each month, making them a valuable market to be understood by retailers. With the known spending power of this market, there is still little data available on their buying behaviour and possible suggestions as to the best way for an organisation to build a relationship with them (Student Village, 2017:6). Unlike South African retailers, South African banks have realised the benefits of capturing students as clients, and targeting them through exclusive student accounts with lower fees than that of a normal cheque or current account (Wheretobank, 2016). Okpara and Onuoha (2013:18) state that by catering to the current needs of students, banks can ensure long-term relationships that will result in increased profits. Although the lower priced student accounts offered by banks are not an example of using a loyalty programme, it shows how South African banks' attempts to give students an exclusive offer with the aim of building a long-term relationship with them (Okpara & Onuoha, 2013:18). Dis-Chem is the first among the major South African retailers who implemented a loyalty programme that especially target young adults between the age of 18-25, the typical tertiary student age, called FOR YOUth programme (Marketing Spread, 2018). Sandeen (2018:12) suggests that loyalty programmes can be used effectively to target students by treating them 'special' compared to other consumers.

This chapter serves as an introduction to the study by addressing several elements. The background sketch introduces the South African retail trade industry, highlighting the importance of retailers to the South Africa economy, followed by an explanation of customer loyalty and loyalty programmes. The background sketch ends with a brief overview of the South African tertiary student population. The problem statement, reason for the study, and the objectives of the study are discussed, followed by the research methodology and an orientation of the main components of the study.

## **1.2 BACKGROUND TO THE STUDY**

The following section provides insight into the three major concepts of this study, namely retailers, loyalty and loyalty programmes, and the South African tertiary student population.

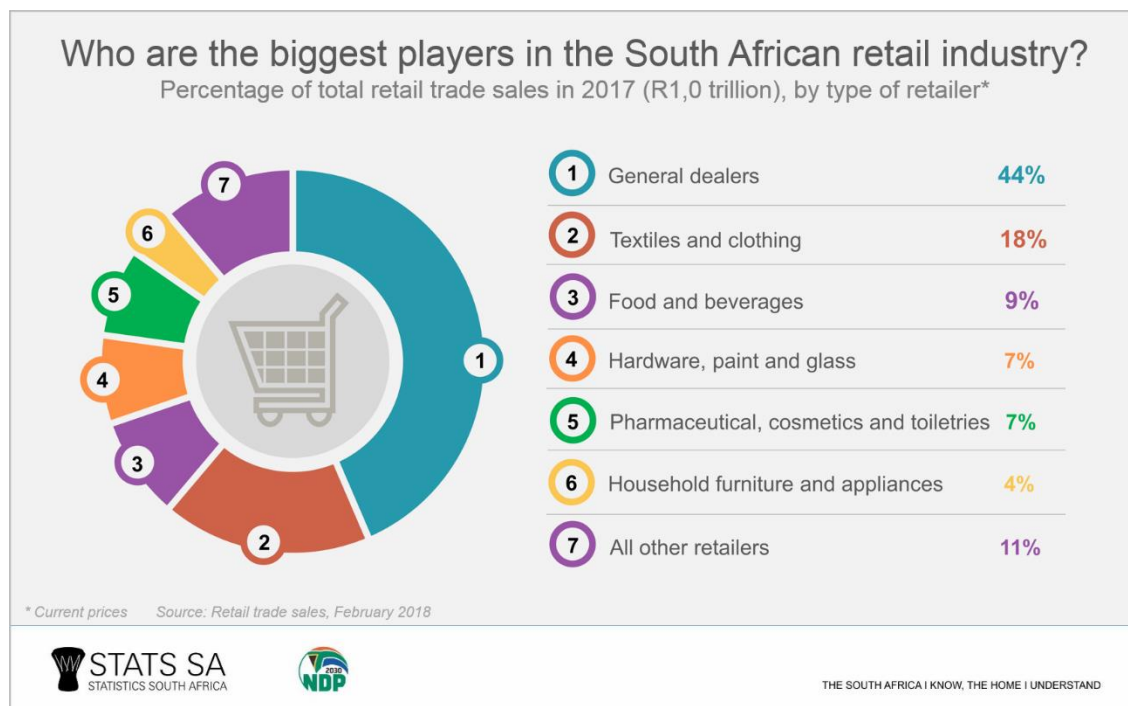
### **1.2.1 South African Retail Trade Industry**

As stated by Statistics South Africa (2010:1) the retail trade industry is defined by the reselling of new and used goods, without any transformation, to the public. Consequently, a retailer is defined as an enterprise that sells goods to the final consumer. A retailer typically buys in bulk and sells in smaller quantities suitable for the end consumers, while directing all their marketing activities at those consumers (Cant, 2013:3). According to Statistics South Africa (2010:1), an enterprise is considered to be a retailer if the enterprise obtains more than 50 per cent of its revenue from the sale of goods to the public for household use.

The Provincial Treasury of the Republic of South Africa (2012:24) categorises the retail trade industry into seven groups as illustrated in Figure 1.1:

- General retailers;
- Retailers in textiles, clothing, footwear and leather goods;
- Retailers of food and beverages;
- Retailers in hardware, paint and glass;
- Retailers in pharmaceutical and medical goods, cosmetics and toiletries;
- Retailers in household furniture, appliances and equipment; and
- All other retailers.

**Figure 1.1: Composition of Retail Trade Sales 2017**



Source: Statistics South Africa (2018:4)

Figure 1.1 illustrates the composition of retail trade sales by category of retailers for 2017. The retail and trade industry, as indicated in Figure 1.1, is dominated by general dealers, which contribute to 44 per cent of the total retail trade sales (Statistics South Africa, 2018:4). The high sales of general retailers can be explained by the dominance in numbers of general dealer stores, therefore featuring as key players in the South African retail trade industry (Provincial Treasury of the Republic of South Africa, 2012:10). Textiles, clothing, footwear and leather retailers make up the second largest share of the trade sales at 18 per cent (Statistics South Africa, 2018:4).

Statistics South Africa (2018) conducts monthly retail trade sales reports to conclude the composition of retail trade sales by type of retailer, for the purpose of compiling estimates for the Gross Domestic Product (GDP). The GDP is essential as it presents the economic production and growth of South Africa. Statistics South Africa explains the importance of the GDP by stating “[w]hen GDP growth is strong, firms hire more workers and can afford to pay

higher salaries and wages, which leads to more spending by consumers on goods and services” (Statistics South Africa, 2013).

The retail trade sector is also the third largest contributor to the nation's economy (Statistics South Africa, 2018:11). In 2018, the retail trade industry generated up to R161 561 million of the South African GDP, which is 14.5 per cent of the total value added by industry to the GDP (Statistics South Africa, 2018b:11). Furthermore, retailers in South Africa have the ability to employ unskilled workers (Provincial Treasury Republic of South Africa, 2012:24). South African retailers currently employ 2 127 000 workers, which is 21.6 per cent of the total economically active workforce (South African Market Insights, 2018).

As a result of the size and importance of retailers to the South African economy, generating excellence in retailers will result in a positive outcome for consumers, retailers, shopping centres, service providers and ultimately the South African economy (Provincial Treasury Republic of South Africa, 2012:3).

As the importance and number of retailers' increase, so does the competitiveness among retailers, which places pressure on them to provide customers with more value (Meyer, 2012:164). Various retailers attempt to differentiate themselves by offering more than just a product (Armstrong, Adam, Denize & Kotler; 2012:236). One technique retailers use to differentiate themselves is by relationship marketing, through the use of loyalty programmes. Retailers around the world are increasingly using loyalty programmes in an effort to strive for excellence, to differentiate themselves from competitors and provide customers with more value (Corstjens & Lal, 2014). The following section will discuss the use of loyalty programmes by South African retailers.

### **1.2.2 South African Retailers and Loyalty Programmes**

The retail trade industry is a highly competitive industry in South Africa, with many retailers turning to loyalty programmes as a way to retain customers and increase customer loyalty (Demoulin & Zidda, 2008:391). Another reason for retailers turning to loyalty programmes can be contributed to the increased use of loyalty programmes among consumers (Supermarket.co.za, 2013). In 2013, an estimated 10 million South Africans participated in

at least one out of the 70 to 80 loyalty programmes in operation (Supermarket.co.za, 2013). Loyalty programme usage among South Africans has since increased, according to Nielsen (2016), Canada has the highest retail loyalty programme participation, with 85 per cent of Canadians indicating that they belong to one or more retail loyalty programmes. South Africa, the U.S. and New Zealand show for the second highest participation rate, with 84 per cent of South Africans, Americans and New Zealanders indicating that they belong to one or more retail loyalty programme.

The leading South African retail loyalty programme providers, in terms of loyalty programme members, are Pick n Pay with the Smart Shopper programme; Edgars with the Thank U card; Woolworths with the WRewards; The Foschini Group with the TFG card; Clicks with the Clicks ClubCard Programme; Dis-Chem with the Dis-Chem Benefits Programme; and Exclusive Books with their Fanatics Card (Passport, 2018). Pick n Pay, Edgars, The Foschini Group and Woolworths form part of the general, and textile and clothing retailer groups, where Clicks and Dis-Chem form part of retailers in pharmaceutical and medical goods, cosmetics and toiletries (Provincial Treasury Republic of South Africa, 2012:3).

According to Figure 1.1 under Section 1.21, general retailers, retailers in textiles and clothing footwear and leather goods; retailers in food and beverages, and retailers in pharmaceutical and medical goods, cosmetics and toiletries, are part of the top five retail groups that contribute the most to the sales of the retail trade industry. These retailers are also the front-runners in terms of loyalty programme participation, with the programmes with the most participating loyalty card members classified as either general dealers, retailers in pharmaceutical and medical goods, cosmetics and toiletries or retailers in textiles, clothing, footwear and leather goods (Provincial Treasury Republic of South Africa, 2012:3). This study will therefore consider retailers who own well-established loyalty programmes in terms of participation, and who contribute considerably to the South African economy in terms of retail and trade sales. These retailers include Pick n Pay, Edgars, The Foschini Group, Woolworths, Clicks and Dis-Chem. The following section provides a short discussion on loyalty and loyalty programmes.

### **1.2.3 Loyalty and Loyalty Programmes**

The concept of loyalty, and how to define it, has been the topic of debate among marketing researchers for more than 60 years (Watson, Beck, Henderson & Palmatier, 2015). Some researchers, such as Keller (1993), see customer loyalty as a favourable attitude of a customer towards a retailer; while most researchers, such as Leenheer, Van Heerde, Bijmolt and Smidts (2007), Kreis and Mafael (2014), Tanford and Malek (2015), and Rowley and Dawes (2002), agree that for loyalty to be defined comprehensively, the definition must include two dimensions, namely: attitude and behaviour. This is in line with the primary research of Dick and Basu in 1994 that states that attitudinal loyalty refers to trust in, and an emotional commitment to a company. Behavioural loyalty refers to the intention of buying behaviour, or actual repeat buying behaviour to a given organisation, and the act of spreading positive word-of-mouth (Tanford & Malek, 2015:315).

This study agrees with the primary research of Dick and Basu (1994:110) that found that true loyalty exists when both attitudinal and behavioural loyalty are present, as a comprehensive definition of loyalty. Therefore, in the context of retailing, this study defines loyalty as a situation where a customer deliberately repurchases from any given retailer over time, even when alternatives exist, and recommends the retailer to others based on an emotional attachment to the retailer, which in return helps to build on the success of the retailer (Kamran-Disfani, Mantrala, Kamran-Yusta, & Martinez-Ruiz, 2017:14). Some marketers believe that using loyalty programmes is the answer to creating loyal customers (Jamal, Radzi, Sumarjan & Bakhtiar, 2015). Loyalty programmes are discussed below.

A loyalty programme is defined as a structured and rule-based programme designed by a company, business or retailer in an effort to reward participating customers for their loyal buying behaviour, build customer relationships and enhance customer loyalty (Meyer-Waarden, 2015:23; Morgan, Parish & Deitz, 2015:105). The rewards offered include any concrete or abstract reward. Concrete rewards refer to a tangible reward such as discounts or points on purchase, while abstract rewards refer to intangible rewards such as sense of community or recognition, provided by a loyalty programme (Meyer-Waarden, 2015:23). The

original idea behind loyalty programmes is to reward customers who are showing repetitive buying behaviour and encourage loyalty by providing rewards for loyal buying behaviour (Jamal *et al.*, 2015:91). The programme is built on the belief that both the company and its customer can benefit from this agreement. Retailers and other companies pursue loyal customers as they make frequent purchases, are more profitable, and spread positive word-of-mouth (De Wulf *et al.*, 2013:197). Loyalty programmes also allow companies to obtain information about their customers and use this information to build a better relationship with the customer (Demoulin & Zidda, 2008:387).

The use of loyalty programmes around the world in all industries, are increasing, because many companies see the benefits of a loyalty programme. The use of retail loyalty programmes worldwide has grown by 15 per cent from 2016 to 2017 (Colloquy, 2017). The United States (U.S.) has 3.8 billion loyalty programme memberships across all sectors, with the retail sector accounting for 1.6 billion loyalty programme memberships (Colloquy, 2017). In 2016, Truth (2017) investigated retail loyalty programme usage around the world and reported that South African retailers are quickly catching up with global retailers in terms of number of loyalty programmes and number of memberships.

With the use of loyalty programmes increasing each year, many studies have investigated benefits associated with having a loyalty programme, the most popular includes (Meyer-Waarden, 2015:23):

- Increased share-of-wallet;
- Customer advocacy;
- Reduce costs on promotion and advertising;
- Build personal relationships;
- Increase Customer Lifetime Value;
- Obtain information about customers and use this information to build a better relationship with the customer;
- Increased repeat-purchase rates; and
- Customer retention.

While the different benefits associated with having a loyalty programme remains a debatable topic among researchers, the prospect of experiencing these benefits lead to ongoing research on the topic of loyalty programmes (McCulloch, 2016:15). While many research studies have focussed on the topic of loyalty programmes, the majority of past research on the subject of loyalty programmes focused on what happens after customers have already joined a loyalty programme. The majority of loyalty programme research focused on customer lifetime and retention, share-of-wallet, loyalty and repeat purchase behaviour, profitability, and the effectiveness of loyalty programmes (Lall & Bell, 2003; Leenheer *et al.*, 2007; Mueller, 2007; Kim, Lee, Bu & Bu, 2009; Schijns & Daams, 2007; Yuping, 2007; Demoulin & Zidda, 2008; Mimouni-Chaabane & Volle, 2010).

With the majority of past research focusing on what happens after consumers have already joined a loyalty programme, limited research has, however, focused on what influences customers to become loyalty programme participants in the first place (Gomez, Arranz & Cillan, 2012:492; Esmark, Nobe & Bell, 2016:770). The limited research that have been done on factors that influence subject participation in loyalty programmes generally investigated the differences between loyalty card holders and non-card holders, suggesting the differences as possible factors that may influence loyalty programme participation (Gomez *et al.*, 2012:493; Demoulin & Zidda, 2008:393). De Wulf *et al.* (2013:72) suggest that the concept of the equity theory can be used in order to understand which factors might influence customers to participate in loyalty programmes.

### **The equity theory**

De Wulf *et al.* (2013:72) suggest that the equity theory, as one of the prevalent theories of motivation developed by Adams (1965), can be used to understand which factors might influence customer participation in loyalty programmes. Adams (1965:267) suggested that parties involved in an exchange relationship compare the ratio of their perceived inputs with perceived outputs. When two parties engage in an exchange relationship there is a possibility that one, or both parties may feel that the exchange was inequitable. This happens when one or both parties feel that perceived inputs and perceived outputs are not in balance. The experience of perceived inequity will lead to the feeling of under- or over-rewarded, anger or resentment. Perceived inequity will lead to one or both parties to



change behaviour in order to change inputs, and this may result in uncertainty and mistrust in the exchange relationship. In contrast, when both parties in an exchange relationship feel that perceived inputs and perceived outputs are fair, satisfaction is achieved and that is referred to as equity (Adams, 1965:267). Equity in the exchange relationship creates assurance that both parties are concerned with each other's wellbeing and will not attempt to take advantage of one another. The equity theory suggests that if the exchange process between two parties is understood, behaviour can be predicted (De Wulf *et al.*, 2013:72).

De Wulf *et al.* (2013:72) suggested that the equity theory is applicable in determining the factors that might influence consumers to participate in loyalty programmes. When a consumer decides to participate in a loyalty programme, an exchange relationship appears where both the loyalty programme participant and loyalty programme provider will offer something (input) and expect a return (output). The participant will give personal information such as contact details, and endure any participation effort (that is explained further in Section 3.6.1 and Section 3.6.5) while expecting the benefits offered by the loyalty programme. The programme provider will offer programme benefits and expects the benefits that results from a long-term relationship, as explained in Section 3.3 and 3.4 (De Wulf *et al.*, 2013:72). The following section briefly describes the factors that might influence consumers to participate in loyalty programmes.

### **Factors that might influence consumer participation in loyalty programmes**

Previous research identified numerous factors such as attitude toward loyalty programmes, education, gender, urban vs. suburban, age, shopping frequency, privacy concerns, age, income, customer distance to the store and customer perceived complexity of the new loyalty card, that can be identified as either inputs or outputs, that might influence consumer participation in loyalty programmes (Leenheer *et al.*, 2007; Mueller, 2007; Demoulin & Zidda, 2008; Gomez *et al.*, 2012:493).

De Wulf *et al.* (2013:73) built upon previous research, and identified eight factors, which can be classified as either consumer inputs or outputs, that might influence Belgian consumers to participate in loyalty programmes.

As consumer inputs De Wulf *et al.* (2013:73) identified:

- Personal data release
- Purchase frequency
- Participation exclusivity
- Participation effort
- Participation cost

As consumer outputs De Wulf *et al.* (2013:73) identified:

- Programme benefits
- Number of programme providers
- Programme duration

While the correct application of the above listed factors will not guarantee that customers will become active users, getting customers to participate in a loyalty programme is the first step towards building a successful loyalty programme (De Wulf *et al.*, 2008:75).

The factors identified by De Wulf *et al.* (2013:73) have not been tested on different market segments, nor have they been tested on South African consumers. Steyn *et al.* (2010:355) state that it cannot be assumed that what makes a loyalty programme effective in one country will also work for the next. The current study will seek to build on research of De Wulf *et al.* (2013:69-83) by using the foundation of the equity theory to explore factors that might influence South African tertiary students to participate in South African loyalty programmes.

By building upon previous research, De Wulf *et al.* (2013:73) identified programme benefits as a loyalty programme participation factor, and explored how likely a consumer is to join a loyalty programme based on hard, soft, immediate or postponed rewards, as explained in Section 3.6.3. However, De Wulf *et al.* (2013:73) did not consider other structural aspects of a loyalty programme, such as whether consumers prefer a points reward system, or rather prefer a free product after a pre-determined amount of products bought, reward system. The current study will therefore also explore the structure of the loyalty programme and the structure of the rewards, as a factor that might influence loyalty programme participation.

The South African retail trade industry is different from that of many global retailers, the airline industry, and the South African banking industry, in that none of the major South African retail loyalty programmes charges participation cost (French, 2014; Personal Finance, 2013). As South African retail loyalty programmes do not currently charge a monetary price to participate, 'participation cost' will not be investigated by the current study.

Therefore, by building on the research of De Wulf *et al.* (2013:69-83), as a vital study to participation factors, the current study attempts to explore factors that influence South African tertiary students to participate in South African loyalty programmes, while specifically exploring the effect of the following factors:

- Personal data release
- Purchase frequency
- Participation exclusivity
- Participation effort
- Structure of the loyalty programme and structure of rewards
- Programme benefits
- Number of programme providers
- Programme duration

The following section briefly discusses the above-mentioned factors.

### **Personal data release**

Personal data release refers to the information that consumers are asked to provide to the loyalty programme provider when joining (De Wulf *et al.*, 2013:73). De Wulf *et al.* (2013:73) differentiate between two levels of personal data, namely basic and extended that is expected from a participant to join a loyalty programme. Basic personal data include participants providing the programme provider with their name and address, whereas extended personal data includes participants providing the programme provider with information such as relationship status, race, age and income. Pick n Pay's Smart Shopper, Edgars' Thank U points, The Foschini Group's TFG Rewards and Woolworths' WRewards all require prospective participants to provide their names, Identity number (ID) number,

contact number, email address, postal and physical address (Pick n Pay, 2019; Thank-u-rewards, 2017; TFG, 2018).

While De Wulf *et al.* (2013:73) differentiate between these two levels of personal data, it has not yet been investigated what South African tertiary students see as basic and extended data release, nor what type of personal data release influence them to participate in retail loyalty programmes.

### **Purchase frequency**

Purchase frequency is defined as “the number purchases a consumer made at the company offering the loyalty programme within a specific period of time” (De Wulf *et al.*, 2013:74). According to De Wulf *et al.* (2013:74) consumers are more likely to join a loyalty programme of a business where they purchase on a frequent basis. Johansson and Carlson (2015:41) agree by stating that loyalty programmes do not necessarily attract new customers as they are more appealing to existing customers and therefore focus on customer retention. De Wulf *et al.* (2013:74) suggest that purchase frequency can be categorised in two levels, namely high frequency and low frequency, where high frequency refers to stores that are visited on a regular basis and low frequency to stores visited on an irregular basis. With no research indicating which retailers students frequently purchase at, Student Village (2012) indicated that the second most common expenditure for South African tertiary students are toiletries and cosmetics, followed by food and groceries, and cellular airtime (as explained in Section 1.2.4, and illustrated in Table 1.2). This study aims to explore purchase frequency as a possible factor that influences students to participate in retail loyalty programmes.

### **Participation exclusivity**

De Wulf *et al.* (2013:74) define participation exclusivity as “the extent to which participation to the loyalty programme is restricted to a specific group of consumers”. Loyalty programmes that restrict participation is called closed or exclusive loyalty programmes, a loyalty programme without any participation restrictions is called an open or non-exclusive programme (Kumar & Reinartz, 2012:194; De Wulf *et al.*, 2013:75). Arbore and Estes (2013:440) believes that a loyalty programme that restricts participation can create the feeling of being special or superior among members, which makes the programme more

attractive. A closed or exclusive loyalty programme ensures that participants fit within the details of the target market that the company wishes to serve. In contrast, an open or non-exclusive loyalty programme enables the company to learn more about a diverse market (Esmark *et al.*, 2016:789; Kumar & Reinartz, 2012:194). Dis-Chem is the first among the considered retailers who implemented a loyalty programme that specifically target young adults between the age of 18 to 25, called FOR YOUth programme (Marketing Spread, 2018). None of the major South African retailers considered by the study offer exclusivity through their loyalty programme to students, therefore the current study aims to explore whether exclusivity influences retail loyalty programme participation amongst students.

### **Participation effort**

Participation effort refers to both the financial and non-financial costs that are expected from a consumer to participate in a loyalty programme (Dorotic, Bijmolt, & Verhoef, 2012:220). Before enrolling in a loyalty programme, a customer reviews the potential benefits of participation compared to the cost of participation (Meyer-Waarden, 2015:23; Dorotic *et al.*, 2012:220). Sharp (in De Wulf *et al.*, 2013:75) suggests that the activities expected from the consumer reduce perceived value of the benefits that the programme offers. Participation effort also includes the required process the participant has to go through to redeem earned benefits, cost paid to redeem benefits, and any feelings of stress due to the programme. From the retail loyalty programmes considered by the study, the Edgars Thank U programme is the only loyalty programme where customers must join in store, and not via any other method. All programmes, however, offer participants the option to monitor their rewards via a smart phone application (app). The current study aims to explore if participation effort influences South African tertiary students to participate in retail loyalty programmes.

### **Structure of the loyalty programme and structure of rewards**

Leenheer (2007:12), McCall and Voorhees (2010:35), and Meyer-Waarden (2015:23), consider the structure of a loyalty programme and the structure of rewards to be an important factor for loyalty programme participation. There are two general loyalty programme structures, based on either customer purchase frequency or customer tiers (Troilo,

2015:324). Annirroot (2015:9) suggests that the design of a loyalty programme does not only determine customer participation, but also impacts customer retention.

- In a programme based on purchase frequency, consumers are rewarded based on their purchase, without any restrictions, and all members are equally eligible to earn rewards (Troilo, 2015:324). For example, Pick n Pay's loyalty programme is based on purchase frequency.
- Within a programme based on tiers, consumers are divided into groups called tiers, based on pre-set requirements and earn rewards specific to that tier (Troilo, 2015:324). Woolworths' WRewards and Clicks' ClubCard are examples of tiered loyalty programmes (Mather, 2013). Both retailers group consumers according to the amount of money they spend at the retailer, and earn rewards based on that tier (Mather, 2013).

Previous research suggested that the effectiveness of a loyalty programme depends on the design of the rewards, although little is known about customer's perceptions of reward structures (Meyer-Waarden, *et al.*, 2013:202). Berman (2006:124) explains that there are four broad categories of loyalty programmes based on the rewards they offer:

- Reward type 1: Members receive discount at their purchase.
- Reward type 2: Members receive one free product or service after purchasing X amount of products.
- Reward type 3: Members receive points based on their collective purchase.
- Reward type 4: Members receive targeted offerings.

According to Omar, Wel, Aziz and Alam (2013:35) it is essential for the structure of the loyalty programme and structure of the rewards to be easily understood by the customer, easily communicated to customers, and identified and achieved with ease by customers.

With no available data on South African students' preferences of the structure of a loyalty programmes and the structure of rewards, the current study aimed to explore if the structure of a loyalty programme and the structure of rewards influence retail loyalty programme participation amongst students.

## **Programme benefits**

Consumers participate in loyalty programmes to redeem some kind of benefit; these benefits are called programme benefits or rewards (De Wulf *et al.*, 2013:75). Programme benefits refer to any concrete rewards (such as discounts or points) or abstract rewards (such as sense of community or recognition) provided by a loyalty programme (Meyer-Waarden, 2015:23; Meyer-Waarden, Benavent, & Casteran, 2013:203). De Wulf *et al.* (2013:79) and Meyer-Waarden *et al.* (2013:203) suggest that by categorising different programme benefits researchers can identify those benefits that influence subject participation in loyalty programmes.

De Wulf *et al.* (2008:75) states that loyalty programme benefits can be categorised into two broad categories of loyalty programme benefits, namely hard benefits and soft benefits. Hard benefits are the actual tangible reward that the customer receives for participating in a loyalty programme such as reduced prices or free products (De Wulf *et al.*, 2013:75). Soft benefits refer to additional benefits like providing a customer with a product or any other additional information, invitations to special member-only events, or members-only communication (Morgan *et al.*, 2015:107; De Wulf *et al.*, 2013:76).

All of the major retail loyalty programmes considered by this study, incorporates both soft and hard benefits. For example, Woolworths WRewards uses a tiered programme, giving members with the soft benefit of exclusive members-only specials. Members also get hard benefits by receiving instant savings at purchase on selected items (Marketing Spread, 2018). The current study aims to explore if the option of hard or soft benefits influence tertiary students to participate in retail loyalty programmes.

## **Number of programme providers**

Some loyalty programmes allow consumers to obtain benefits by shopping at more than one vendor. This is referred to as a multi-vendor loyalty programme or partnership loyalty programme, where others can only be used at one vendor, referred to as a single-vendor programme (De Wulf *et al.*, 2013:76).

A multi-vendor loyalty programme can either be owned by one organisation or brand and participating members can gain benefits by shopping at participating partners, or all participating partners can have equal ownership in the loyalty programme. In both cases, the loyalty programme uses a shared currency, such as obtaining points. Customers obtain benefits or points by shopping at any of the pre-determined partners (Dawkhar, 2016:3). Clicks ClubCard uses a multi-vendor programme by allowing customers to obtain points by shopping at Courtyard, The Body Shop, Net Florist, Musica, Sorbet, Spec Savers and Claire's, staying at City Lodge and Town Lodge hotels, buying fuel at Shell service stations, hiring a car Europcar, and buying movie tickets at NuMetro (Clicks ClubCard, 2016). Dis-Chem's loyalty programme members can only obtain points by shopping at Dis-Chem, making use of a single-vendor programme structure (Dis-Chem, 2017). The current study aims to explore if the number of programme providers influence South African tertiary students to participate in retail loyalty programmes.

### **Programme duration**

De Wulf *et al.* (2013:76) define programme duration as “the period of time during which the programme benefits are available to consumers”. To reduce the cost spent on loyalty programme benefits, some programme providers have an expiration date on the redemption of programme benefits. The result is that some members lose rewards by not redeeming them on time (Dorotic, Verhoef, Fok & Bijmolt, 2014:3). Out of the major South African retailers considered by this study, Dis-Chem is currently the only retailer who has not placed a limitation on their loyalty programme benefits collection (Dis-Chem, 2017).

The current study seeks to explore if retail loyalty programme duration influence South African tertiary students to participate in retail loyalty programmes. The following section will indicate why the student market is a viable market to be considered by retailers.

### **1.2.4 South African Tertiary Education Student Population**

The Department of Higher Education and Training (DHET) categorises Post-School Education and Training (PSET) programmes into two main groups, namely Higher Education Institutions (HEIs), and Colleges. The two groups are then subcategorised as



indicated in Table 1.1 below. HEIs are categorised into public and private. Colleges are subcategorised into Technical and Vocational Education and Training (TVET) colleges, Community Education and Training (CET) colleges and private colleges.

**Table 1.1: Overview of post-school education and training institutions and student enrolment for 2017**

	HEIs			Colleges				Total PSET
	Public	Private	Total	TVET	CET	Private	Total	
<b>Number of institutions</b>	26	123	149	50	9	279	338	<b>487</b>
<b>Number of students enrolled</b>	975 837	167 408	1 143 245	705 397	273 431	168 911	1 147 739	<b>2 290 984</b>

Source: Department of Higher Education and Training (2018:6)

Table 1.1 indicates that the student population in South Africa is considerably large, with approximately 2 290 984 students studying at 487 post-school education and training institutions in South Africa in 2017 (Department of Higher education and Training, 2018:6). These students were in the process of empowering themselves to either enter the job force or to improve their current position in the job force. These students represented a considerable market in their own right, with the majority of them not employed yet (Student Village, 2012:4). The immense buying power of this market has exceptional implications for the economy, and their spending behaviour is of crucial importance to marketers (Student Village, 2012:4 & Noble, Haytko & Phillip, 2009: 617).

Although many of these students may still be dependent on their parents and family for income, accommodation and other types of support, they were increasingly in charge of spending the income they receive, incurring debt in the form of store accounts and credit cards, and even taking on jobs to earn their own income (Student Village, 2017:4).

The following section notes that students are a valuable market segment to be considered by South African retailers as a target market.

### **1.2.5 Income, credit use and spending of students studying in Public Higher Education Universities in South Africa**

Student Village investigated the income and expenditure patterns of students enrolled at Public Higher Education Universities in South Africa in 2010, 2012, 2015 and 2017. The following section is based on the data collected by Student Village (2012 & 2017). The discussion serves to show that students are a valuable market segment to be considered by South African retailers as a target market.

The average South African student spent approximately R2 714 per month resulting in an annual spending of R32 568 per student, which was a higher spending than the average South African citizen per annum, of R31 215 (Student Village, 2017:35).

In addition to their income, students also have access to credit use. Today it is easier than ever before to get a credit card, and students all around the world are taking advantage of this (Robb, 2011:960). Credit card companies are willing to give credit to students, arguing that although they do not earn much now, they will potentially earn a high income in the near future (Robb, 2011:960). Robb (2011:691) suggested that the availability of a credit card may serve as a motivation to spend, prompting consumers to spend more than they would if a credit card was not available.

Studies among students living in the United States of America suggested that 84 per cent of undergraduate students have credit cards, with an average balance of \$3 173 and the average number of credit cards owned per student is 4.6 cards (Brougham, Jacobs-Lawson, Hershey & Trujillo, 2010; Palan, Morrow, Trapp & Blackburn, 2011; Robb, 2011).

South Africa is following this trend of credit being granted to students. In 2010 only 16.5 per cent of South African students indicated that they had store account debt, and 9.2 per cent had credit card debt. This number dramatically increased in 2012 with 44.5 per cent of students indicating that they had store account debt, and 43.1 per cent have credit card debt

(Student Village, 2012:41). In 2017 46 per cent of students reported to have both a credit card and store account debt, 57 per cent of students indicated that they have store accounts, and 30 per cent of students have a credit card (Student Village, 2017:4). Edgars holds the top spot for highest store account holders among students; with 39 per cent, Truworths is in second place with 32 per cent of students having a store account; in third place is Mr Price with 27 per cent; and Foschini is in fourth place with 25 per cent of students owning a store account (Student Village, 2017:4).

According to Student Village (2017:5) students played a prominent role in South Africa's GDP. Table 1.2 is a summary of the most popular student expenditures, that shows that the South African student population possess the power to spend, based on the 2012 study. The first column in Table 1.2 describes the average student expenditure and column two indicates the average amount for that expenditure across the sample of 1 219 students. Column three gives the relative expenditure to all the expenses. The second last column indicates the percentage of students that pay for the given expense, and the last column indicates the average expenditure only for students that indicated that they pay for that specific expenditure. For instance, the average expenditure for food and groceries was R482.00, while the average expenditure for participating students was R947.00, due to 77.6 per cent of students indicating that they pay for food and groceries.

**Table 1.2: Monthly expenditure by South African students**

<b>Expenditure items (Rank order)</b>	<b>Average expenditure for all students (R)</b>	<b>Relative expenditure in percentage terms across all items</b>	<b>% of participating students</b>	<b>Average expenditure for participating students (R)</b>
Rent or board	500	17.1	25.9	1934
Food and groceries	482	15.5	77.6	621

<b>Expenditure items (Rank order)</b>	<b>Average expenditure for all students (R)</b>	<b>Relative expenditure in percentage terms across all items</b>	<b>% of participating students</b>	<b>Average expenditure for participating students (R)</b>
Clothing and footwear	247	8.4	54.3	455
Eating out and snacks	231	7.9	85.7	270
Toiletries and cosmetics	164	5.6	82.4	199
Entertainment	138	4.7	54.0	256
Public transport costs	126	4.3	49.3	256
Mobile telephone costs	118	4.1	75.2	158
<b>TOTAL</b>	<b>2919</b>	<b>100%</b>		

Source: Adapted from Student Village (2012:23)

As seen in Table 1.2, the most common expenditure items for South African students according to Student Village (2012:23) were eating out and snacking, with 85.7 per cent of students indicating that they paid for this expense. The second most common expenditure was toiletries and cosmetics (82.4%), followed by food and groceries (77.6%), and cellular airtime (75.2%). It is interesting to note that according to Student Village (2012:23), in 2010 only 51.1 per cent of students indicated that they paid for food and groceries, while 77.6 per cent of students paid for this expense in 2012.

Student Village (2017:17) did not report on student spending in the same manner as Student Village (2012:23), and only reported on the average spend per student, per item, as seen in Table 1.3 below.

**Table 1.3: Student average spending per item comparison from 2012 to 2017**

<b>Expenditure items (Rank order)</b>	<b>Average expenditure for students in 2012 (R)</b>	<b>Average expenditure for students in 2017 (R)</b>
Rent or board	500	2399.76
Food and groceries	482	564
Clothing and footwear	247	467.03
Eating out and snacks	231	220.49
Toiletries and cosmetics	164	183.56
Entertainment	138	226.36
Public transport costs	126	297.96
Mobile telephone costs	118	314.05

Source: Student Village (2017:36)

As seen in Table 1.3, the average expenditure per item increased for all items from 2012 to 2017, except for eating out and snacks. Student Village (2017:26) added student expenditures that were not investigated, these items and the average spend per item included:

- Stationery and supplies – R207.11
- Jewellery and watches – R189.01

- Contraception – R110.58
- Mobile data costs – R314.05

What can be drawn from Table 1.2 and Table 1.3, is that South African students were spending money at retailers, among others, who sell food, toiletries, cosmetics and clothing.

This study therefore focused on South African tertiary students as the target population. By focusing on this one market this study was able to make recommendations to a tailored market and no resources are wasted by over-satisfying less profitable customers, and under-satisfying more valuable customers (McCall & Voorhees, 2010:50; Jones in De Wulf *et al.*, 2013). Most importantly, this study focused on students due to the fact the average student spent more than the average South African citizen, and is therefore an important market segment to be considered by retailers (Student Village, 2017:23). The following section will explain the formulation of the research problem.

### **1.3 FORMULATION OF THE RESEARCH PROBLEM AND PURPOSE OF THE STUDY**

Research on the topic of loyalty programmes increased rapidly from 2000 - 2012 (García-Gómez, Arranz & Gutiérrez-Cillán, 2012:492). The problem, however, is that the majority of past research on the subject of loyalty programmes only focused on what happens after customers have already joined a loyalty programme (García-Gómez *et al.*, 2012:492). McCall and Voorhees (2010:35) pointed out that there is a lack of knowledge about what drives loyalty programme participation. A simple search on Google Scholar on the topic of loyalty programmes reveals numerous articles concerning the impact of loyalty cards on store loyalty, share-of-wallet, sales performance, purchasing behaviour and customer satisfaction (García-Gómez *et al.*, 2012:492).

With the current body of knowledge focusing on what loyalty programmes can do for a business, the problem is that little research has been done regarding the factors that influence subject participation in loyalty programmes (Demoulin & Zidda, 2008:391; McCall & Voorhees, 2010:36). Furthermore, no research to date have investigated factors that may influence loyalty programme participation among South African tertiary students, as

searched on Google Scholar and databases such as Emerald, EBSCOhost, ScienceDirect and SAGE. This is despite students forming a substantial part of the South African population and contributing to the GDP of South Africa (Student Village, 2017).

The current study seeks to understand the tertiary student market, to know which factors influence them to participate in retail loyalty programmes. This knowledge can possibly help retailers to better serve this segment of the population, as well as to adapt their offerings to this segment, which owns a significant amount of spending power as shown in the background sketch. As discussed in Section 1.2.3 the study will build on the research of De Wulf *et al.* (2013:69-83), to explore factors that influence students to participate in retail loyalty programmes.

The specific objectives that the study aims to achieve will be discussed next.

### **1.3.1 Objectives of the Study**

The primary objective of the study was to:

- Explore factors that influence South African tertiary students to participate in retail loyalty programmes.

The secondary objectives of the study were to:

- Determine the proportion of South African tertiary students who participate in retail loyalty programmes.
- Explore personal data release as a factor that influences South African tertiary students to participate in retail loyalty programmes.
- Explore purchase frequency as a factor that influences South African tertiary students to participate in retail loyalty programmes.
- Explore participation exclusivity as a factor that influences South African tertiary students to participate in retail loyalty programmes.
- Explore participation effort as a factor that influences South African tertiary students to participate in retail loyalty programmes.

- Explore the structure of the loyalty programme and the structure of rewards as a factor that influences South African tertiary students to participate in retail loyalty programmes.
- Explore loyalty programme benefits as a factor that influences South African tertiary students to participate in retail loyalty programmes.
- Explore number of programme providers as a factor that influences South African tertiary students to participate in retail loyalty programmes.
- Explore programme duration as a factor that influences South African tertiary students to participate in retail loyalty programmes.

## **1.4 RESEARCH METHODOLOGY**

This section will provide a brief discussion about the methodology used in this study. A more detailed discussion can be found in Chapter 4.

### **1.4.1 Research design**

For the purpose of this study, the researcher opted to follow an exploratory research approach. Exploratory research is used to explain uncertain situations or to notice ideas that may be potential business opportunities (Zikmund & Babin 2010:50). Exploratory research can also create an understanding into the proposed research problem and increase understanding of customer behaviour (Hair, Bush & Ortinau, 2009:51). This research approach therefore does not attempt to propose definite evidence, but to present suggestions and insight into the proposed objectives (Wiid & Diggins, 2013:199).

The study further utilised a quantitative research method. A quantitative study seeks to assign numbers to data to explain a research question (Zikmund & Babin, 2013:96). The researcher started with the outlined objectives that explain the research phenomenon and then tested these objectives to provide a better understanding of the research problem (Rubin & Babbie, 2010:42).



### **1.4.2 Population of the Study**

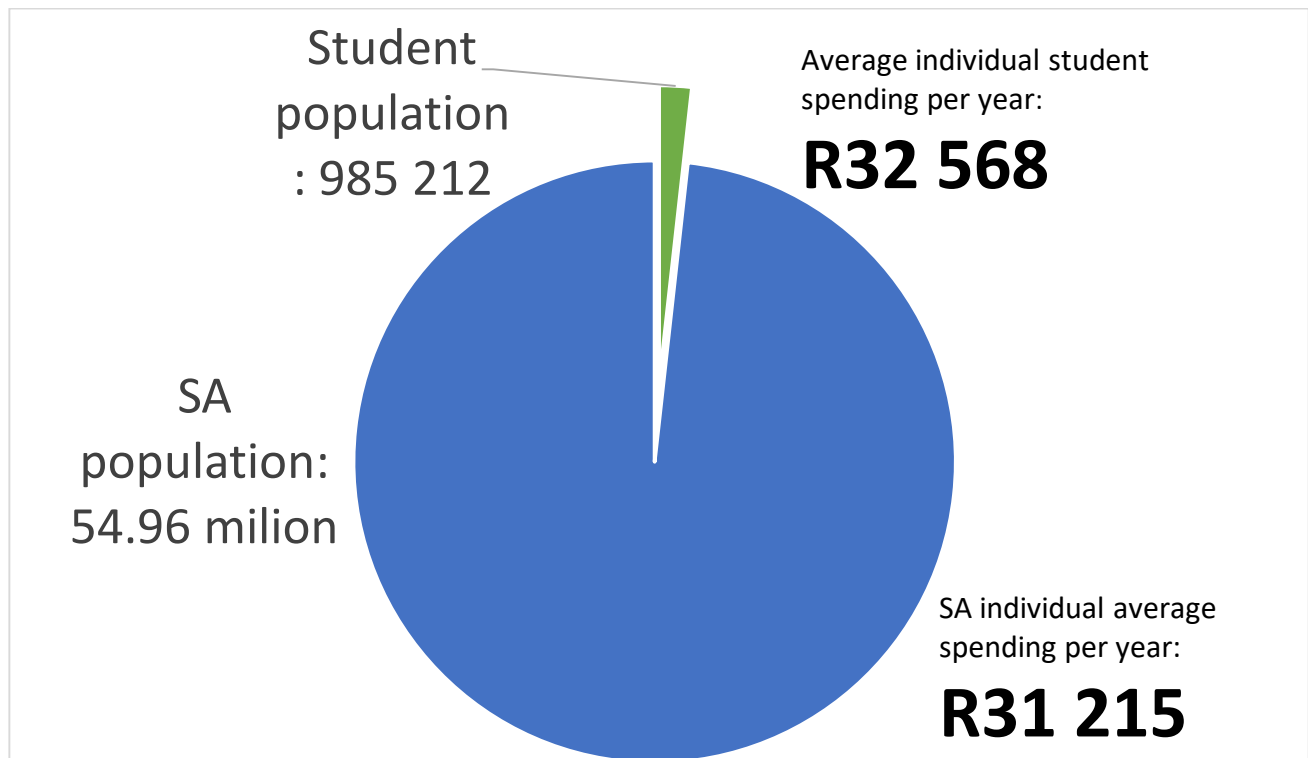
According to Zikmund and Babin (2013:347) the population can be defined as the total collection of potential elements that the researcher wants to make a conclusion about, and the population element is the individual participant or object on which the measurement is taken.

For the current study, the target population is defined as students registered at Pearson Institute of Higher Education/ CTI Pretoria (Degree, Higher Certificate and Pre-Degree students). This institution was chosen due to the accessibility of the target market to the researcher. Furthermore, only one institution was chosen as the purpose of the study is not to be representative, but rather to use the insight gathered for a better understanding on the topic at hand. The individual students studying at the above-mentioned institution was chosen as the unit of analysis due to their buying power as discussed above.

### **1.4.3 Unit of Analysis**

The unit of analysis will be the individual students from Pearson Institute of Higher Education/ CTI Pretoria. Students are chosen as the target population since students enrolled at tertiary institutions spent R32 billion annually in 2017 (Student Village, 2017). The average spending per student, using their disposable income, is actually more than the average spending of a South African citizen, using their disposable income, per year (as shown in Figure 1.2).

**Figure 1.2: Spending in South Africa**



Source: Student Village (2017)

#### **1.4.4 Sampling**

A non-probability, convenience sampling method was used for the purpose of the study. This technique entails respondents chosen based on accessibility (Zikmund & Babin, 2010:423). One of the main disadvantages of using non-probability sampling is that the results cannot be used as a rule to the larger population (Iacobucci & Churchill, 2010:285). However, seeing that this is an exploratory study the purpose is not for the results to be representative of the larger population, but rather to use the results to form a better understanding of the target population.

Based on the total population size of Pearson Institute of Higher Education/ CTI Pretoria, which is approximately 1000 students, a sample size of 278 respondents (over the age of 18 and below 65), at a confidence level of 95 per cent is considered sufficient for the current study (Clow & James, 2014:240). The researcher increased the sample size to 350 in anticipation of possible incomplete questionnaires.

#### **1.4.5 Data Collection**

Data was collected using self-administered questionnaires, particularly a central-location intercept. A self-administered questionnaire is a survey method whereby the respondent is responsible for reading, interpreting and answering the questions set out by the researcher (Zikmund & Babin, 2013:171). This approach enables speedy data collection at a low cost, without needing a sample frame (Cooper & Schindler, 2013:250). Students were approached by the researcher at densely populated areas such as the cafeteria and outside classrooms, and respectfully asked them to voluntarily fill in hard copies of questionnaires. Those who accepted the request to complete the questionnaire voluntarily, returned the questionnaire to the researcher, immediately after completion. This approach allowed for a high response rate. The questionnaire took no more than 10 minutes to complete. The questionnaire included both closed-ended and open-ended questions.

The preliminary questionnaire was pre-tested among ten students registered at the Pearson Institute of Higher Education/ CTI Pretoria to determine clarity and ease of answering the questions. A pre-test is defined as small scale study done for the purpose of assisting the researcher with the research design (Zikmund & Babin, 2010:54). The pre-test allowed the researcher to identify any errors in the questionnaire that may cause confusion or difficulty for respondents. Once the questionnaire was revised and edited according to the pre-test, the final questionnaires were distributed to students at Pearson Institute of Higher Education/ CTI Pretoria, over a period of two days. Students who agreed to participate in the study were required to fill in the questionnaire and return it immediately after completion.

#### **1.4.6 Data Processing and Analysis**

The data was analysed using the Statistical Package for the Social Sciences 20 (SPSS 20). Due to the explorative nature of the study, the data was analysed using basic descriptive statistics and frequencies to describe the findings of this study and the results were presented through referring to the actual question numbers in the questionnaire in Appendix A. Frequencies and percentages were used to provide a robust graphic breakdown of the data. Independent samples t-tests and Analyses of Variance (ANOVA) were conducted in order to statistically compare the different groups. A t-test is used to determine the statistical difference between two means, where an ANOVA test is used to determine the statistical

difference between three or more means (Zikmund, D'Alessandro, Winzar, Low & Babin, 2017:453). The findings are presented in Chapter 5.

#### **1.4.7 Ethical Implications**

Ethical aspects applied and permission was obtained from both Unisa and Pearson Institute of Higher Education/ CTI. Ethical clearance was required from the Research Ethics Committee of Unisa, and the ethical clearance committee of Pearson Institute of Higher Education.

### **1.5 LIMITATIONS OF THE STUDY**

One of the main disadvantages of using non-probability sampling is that the results cannot be used as a rule to the larger population (Iacobucci & Churchill, 2010:285). However, seeing that this is an exploratory study the purpose is not for the results to be representative of the larger population, but rather to use the results to form a better understanding of the target population.

### **1.6 ORIENTATION OF THE STUDY**

The following is an outline of the chapters presented in this study.

#### **Chapter 1: Introduction**

This chapter served as an introduction to the study. First, the problem statement was described, followed by a brief summary of the South African retail industry, loyalty programmes and South African tertiary students. Lastly, the research objectives and methodology were outlined.

#### **Chapter 2: South African Retail Trade Industry**

In this chapter the importance of retailers to the South African economy is explained, followed by a detailed literature review of the retail industry. The chapter ends with an insight into the different loyalty programmes offered by South African retailers.

### **Chapter 3: Loyalty and Loyalty Programmes in Retail**

This chapter discusses the concept of loyalty and loyalty programmes in detail. The benefits of a loyalty programme to customers, as well as the benefits for retailers are explained, followed by a detailed description of drivers for loyalty programme participation. This serves as the theoretical background to the study.

### **Chapter 4: Research Methodology**

This chapter describes the research methodology followed by this study in detail, in order for the reader to understand how the research problem will be examined.

### **Chapter 5: Research Results**

This chapter explains the research findings. Findings are presented for each question in the research instrument. Lastly, the reliability and validity of the research instrument is discussed.

### **Chapter 6: Conclusion and Recommendations**

The last chapter is a summary of the main findings, followed by recommendations for future research. This chapter also highlight the limitations, as well as the contribution to South African retailers.

## **1.7 SUMMARY**

This chapter provided an overview of the research study and highlighted what it aimed to achieve. Firstly, a background sketch on the importance of retailers to the South African economy, loyalty and the use of loyalty programmes. The South African tertiary student population was then explored to indicate their value to retailers. The research problem, purpose of the study, objectives and methodology were then discussed, followed by the limitations of the research study. In the next chapter the South African retail trade industry is explored in more detail by means of a comprehensive literature study.

## **CHAPTER 2.**

### **THE SOUTH AFRICAN RETAIL TRADE INDUSTRY**

#### **2.1 INTRODUCTION**

The retail trade industry, as introduced in Chapter 1, is defined as the reselling of new and used goods, without any transformation, to the public (Statistics South Africa, 2010:1). Consequently, a retailer is defined as an enterprise that sells goods to the final consumer (Hudson, 2018). A retailer typically buys in bulk and sells in smaller quantities suitable for the end consumers, while directing all their marketing activities at these consumers (Cant *et al.*, 2013:3). According to Statistics South Africa (2010:1) an enterprise is considered to be a retailer if the enterprise obtains more than 50 per cent of its revenue from the sale of goods to the public for household use.

The retail trade industry is the largest industry in most countries; it is estimated that this sector employs 10 to 15 per cent of the job market in each country, and at least 142 million people work in the retail trade industry in developing countries. (IFC, 2018). According to Statistics South Africa (2018b:14), the retail trade industry is a vital player in the South African economy by generating up to R135 984 billion of the South African GDP and by employing 2.12 million workers. Moreover, in 2016, the retail trade industry employed 56 000 more people than in the previous quarter, which accounted for 70 per cent of new jobs created (Laing, 2018). It is therefore important to discuss retailing in more detail to establish context for this study. In this chapter, the concept of retailing will be discussed first, followed by an analysis of the South African retailing industry. This is followed by a discussion of the composition of the South African retail trade industry and highlighting the sales value of each type of retailer. The purpose of analysing the South African retail trade industry, and discussing the sales value of each type of retailer in South Africa, is to indicate the importance of the retail trade industry to the South African economy. The chapter ends with a discussion of the marketing strategies used by retailers and introducing the use of loyalty programmes by retailers.

## 2.2 RETAILING

Previous research differs on the details of who the first retailer was and when the first retail store opened (Jackson, 2015:no page). The world's first supermarket was opened in 1950 in Manhattan by Vincent Astor, called the Astor Market (Jackson, 2015:no page). At the Astor's market, customers had to queue at different sections of the store for different items (Jackson, 2015:no page). Since then the dynamic nature of retailing has brought about changes in the macro-environment, increased competition and changes in the characteristics of the consumer (Gielens & Gijsbrechts, 2018; Kimmel, 2013:1). In the early years of retailing, retailers were mainly product driven, with consumers having no or minimal influence over the development of products, the availability or price of products, or how product information was communicated (Gielens & Gijsbrechts, 2018; Kimmel, 2013:1). Since then, marketing and management of retailers have changed, and consumers play a vital role in retailing (Pereira, 2017; Azkurt, 2010:v). Retailers make strategic choices with the consumer as the focus point, in order to gain a competitive advantage. (Zkurt, 2010:v). According to Cant (2010:7), a successful retailer is constantly working on finding the balance between filling the customer's merchandise needs and achieving set performance standards, like profit margins. Donnelly and Ebbinghaus (2015:2) suggest that retailers need to understand their buyers to focus on all levels of customer service that is required by customers. One way of satisfying customer needs, and an important role that retailers play, is to provide customers with merchandise in smaller quantities (Levy & Weitz, 2012:7).

A retailer buys in bulk and sells in smaller quantities to the final consumer, forming the channel that links the manufacturer and the final consumer in the supply chain (Reddigari, 2018). A typical supply chain includes the manufacturer who produces the product, the wholesaler or distributor who buys in bulk from the manufacturer, and the retailer who sells to the final consumer (Supply chain management, 2014; Dunne & Lusch, 2008:139). In previous years, producers or manufacturers, especially the producers of fast-moving consumer goods, had the power in the relationship between the retailer and producer (Mathur, 2010:17). Koster and Delfmann (2006:76) explain "A exercises power over B when A affects B in a manner contrary over B's interest". Today, retailers tend to be the dominant link in the supply chain (Bakker, 2015:239; Mathur, 2010:17). Manufactures and producers

fight for the best shelf space of retailers due to the vast availability of different products (Mathur, 2010:17).

Retailers are different from other members in the supply chain and should be managed differently from other businesses in the supply chain. Retailers sell to final consumers in small quantities, as opposed to manufacturers who sell in bulk to other businesses (Reddigari, 2018). This means that the value of the average retail transaction is smaller than that of any other business in the supply chain (Du Toit, 2012:31). These final consumers who the retailer sell to, often make unplanned and impulsive purchases (Johnson, 2017:932). This is in direct contrast to business-to-business transactions (for example where a retailer buys from a manufacturer) where they tend to plan buying decisions well in advance (Chopra & Meindl, 2010:25). Final consumers primarily shop at physical stores, compared to online and telephone purchases. In 2015, it was found that more than 36 per cent of consumers worldwide went to a physical store at least once a week. (PWC, 2015:1). In contrast, transactions in the business-to-business market often occur over the internet or phone (Muda, Choo, Abraham & Srihari, 2014:64).

As discussed above, retailers are distinctive and unique in the supply chain, but they can still be grouped according to a variety of classifications. The following section will discuss the classification methods applicable to retailers.

### **2.3 CLASSIFICATION OF RETAILERS**

Retailers can commonly be classified according to the following criteria (Juneja, 2018; Lamb, Hair, McDaniel, 2011:514; Du Toit, 2012:32):

- Store and non-store retailers: Store retailers have a tangible building from which they operate and come in all sizes. Non-store retailers operate from a distance with customers through telephone, catalogues or the internet (Cant, 2010:6; Du Toit, 2012:32). Checkers, Pick n Pay and Spar are all examples of store-based retailers (Cant, 2010:66). Runway Sale, Spree and Zando are examples of non-store retailers (Passport 1, 2015:3).



- Level and type of service provided: This classification consists of three types of retailers, namely self-service retailers, limited-service retailers and full-service retailers (Boone & Kurtz, 2015:501; Cant, 2010:6). In a self-service retailer consumers are not provided with assistance in finding, selecting and carrying their products (Boone & Kurtz, 2015:501; Cant, 2010:6). Most general dealers like Pick n Pay, Checkers and Spar are examples of self-service retailers (Cant, 2010:6). Limited-service retailers provide assistance only where needed, and full-service retailers assist consumers through every step of the buying process, including after-sale support (Boone & Kurtz, 2015:501; Cant, 2010:6). Speciality stores, such as Browns Jewellery, assist consumers in choosing and purchasing products, and offer after sale support like cleaning products (Browns, 2015).
- Size and variety of merchandise: This approach categorises retailers based on the size of the store and merchandise available (Juneja, 2018; Boone & Kurtz, 2015:501). Retailers are categorised as either department, supermarket, convenience stores, superstore, or hypermarket (Du Toit, 2012:32). Department stores offer a diversity of products with the availability of customer service such as Foschini and Edgars (Cant 2011:314). Supermarkets are large, mostly self-service general retailers, like Pick n Pay (Cant 2011:314). Convenience stores are smaller in size and tend to ask higher prices, such as Woolworths Food Stop at Engen (Engen, n.d.; Cant 2011:314). Hypermarkets only differ from supermarkets in size, for example Pick n Pay supermarkets are bigger than a Pick n Pay hypermarkets (Cant 2011:314).
- The pricing strategy used: Retailers can be categorised according to the price they ask for merchandise and their gross margin, which is the profit that the retailer makes as a percentage of sales, after cost of goods sold is subtracted (Lamb et al., 2011:228). The price level and level of gross margin are generally similar. For example, a typical jewellery store like Browns Jewellery, will have high prices accommodated with a high profit margin (Lamb et al., 2011:229).
- Type of ownership: Retailers can be classified as independent, part of a chain, or a franchise (Juneja, 2018). Independent retailers are owned and operated privately and do not belong to a chain of stores. Chain stores are owned by a single organisation with multiple outlets. The home organisation takes control of major administrative duties (Juneja, 2018). Franchises are owned and licensed by the franchisor and the

franchisee operates according to brand producers (Hudson, 2018; Du Toit, 2012:32). Edgars is an example of a retail chain store. Franchising is popular among fast food retailers like Steers and King Pie (Du Toit, 2012:32).

Since the current study has a South African focus, the retail trade industry in South Africa will now be discussed below, by looking at the importance of retailers to the South African economy.

## **2.4 THE SOUTH AFRICAN RETAIL TRADE INDUSTRY**

Statistics South Africa (2018) conducts monthly retail trade sales to conclude the composition of retail trade sales by the type of retailer for the purpose of compiling estimates for the GDP, as the GDP presents the economic production and growth of South Africa. Statistics South Africa (2013:16) explained the importance of the GDP by stating that “[w]hen GDP growth is strong, firms hire more workers and can afford to pay higher salaries and wages, which leads to more spending by consumers on goods and services” (Statistics South Africa, 2013). In 2016, it was reported that the South African retail trade industry was by far the largest in the sub-Saharan region and is also the 20th largest retail market in the world. Moreover, total retail sales in South Africa surpassed R1 trillion for the first time ever in history, back in 2011 (University of Pretoria, 2016).

The retail trade industry is categorised, according to Statistics South Africa (2013:16), under the tertiary sector (which include wholesale and retail trade, tourism and communications) and further categorised as part of the wholesale and retail trade sub-sector, also called the trade sub-sector (South African Market Insights 2018). Since the 1990s, the tertiary sector has been the main contributor of the South African economic growth (Wholesale & Retail SETA, 2014-2015:26). Specifically, the wholesale and retail trade sector is among the key sectors that contribute to the GDP and keep the economic growth going, as shown in Table 2.1 (Wholesale & retail SETA, 2014-2015:26).

**Table 2.1: Value added by industry to the GDP in quarter two of 2018 at current 2018 prices (R million)**

	<b>2018 Quarter 2 Value added (R million)</b>	<b>% o of value added from industry out of total value added to GDP</b>
Agriculture, forestry and fishing	41 221	3.7
Mining and quarrying	82 805	7.4
Manufacturing	140 797	12.6
Electricity, gas and water	48 898	4.3
Construction	47 084	4.2
Wholesale, retail, motor trade and accommodation	161 561	14.5
Transport, storage and communication	104 166	9.4
Finance, real estate and business services	222 004	20
General government services	198 369	17.8
Personal services	64 879	5.8
Total value added at basic prices	1 111 784	100

Source: Adapted from Statistics South Africa (2018:11)

Table 2.1 shows that the wholesale, retail, motor trade and accommodation (also called the retail trade sector) are the third largest contributors to the nation's economy (Statistics South Africa, 2018:11). Table 2.1 highlights that the retail trade industry generated up to R161 561 million of the South African GDP, which is 14.5 per cent of the total value added by industry to the GDP (Statistics South Africa, 2018b:11). In 2013, the retail trade sector contributed to about 12.5 per cent of the total GDP (Wholesale & retail SETA, 2014-2015:26).

The importance of retailers is also seen in their ability to employ unskilled workers (Provincial Treasury Republic of South Africa, 2012:24). The retail trade industry is among the top industries in terms of employment figures, as shown in Table 2.2.

**Table 2.2: Employment in the formal business sector by industry**

Industry	Number of employees from first quarter (Q1): Jul- Sep 2018	% Contribution to total employment
Community and social services	2 688 470	27.3
Finance and other business services	2 235 565	22.7
Retail trade	2 127 071	21.6
Manufacturing	1 198 707	12.2
Construction	609 571	6.2
Transport	465 229	4.7
Mining	450 429	4.5
Utilities	63 062	0.6
Total*	9 838 104	100

Source: Adapted from South African Market Insights (2018)

\*Due to rounding, numbers do not necessarily add up to totals.

South Africa currently has 30 000 tax-registered retail enterprises in the trade sector, and as seen in Table 2.2, this sector employs 2 127 071 workers, which is 21.6 per cent of the total economically active workforce (South African Market Insights, 2018). Table 2.2 highlights that the retail trade sector is the third largest contributor to the South African employment rate, which is bypassed by Finance and other business services with 1.1 per cent and contributes 22.7 per cent to the South African employment rate (South African Market Insights, 2018).

South African retailers compare well with global retailers, according to Deloitte's 'Top 250 retailers' list (Deloitte, 2015:16). Five South African retailers featured on the list, namely Shoprite Holding LTD, Pick n Pay, The Spar Group, Woolworths Holdings, and Steinhoff

International Holdings (known to South Africans as the JD Group, which includes Bradlows, TimberCity, Hi-Fi Corporation, Morkels, Incredible Connection, etc.) (Deloitte, 2015:16; Wholesale & Retail SETA, 2014-2015:27). Each one of these South African retailers contributed towards the \$4.3 trillion in total global revenues generated by the 250 largest retailers in the world between June 2012 and June 2013 (Wholesale & retail SETA, 2014-2015:27). The above-mentioned retailers are also the retailers that feature in the list of top South African retailers in terms of retail value as presented in Table 2.4, and their dominance are seen in Figure 2.2 below, where Shoprite Holdings, Pick n Pay, The Spar group and Woolworths form part of general dealers. The following section discusses trends in the South African retail trade industry for further insight into the industry.

#### **2.4.1 Trends in the South African retail trade industry**

Despite current economic challenges such as inflation, labour strikes and the cost of fuel, it is expected that general retailers (also called grocery dealers) will continue to be the most dynamic retailers in South Africa. The value of general retail sales grew by 2.9 per cent from 2016 to 2017 to reach a retail sales value total of R1 trillion, which is 44 per cent of all retail sales as seen in Figure 2.1 below (Statistics South Africa, 2018).

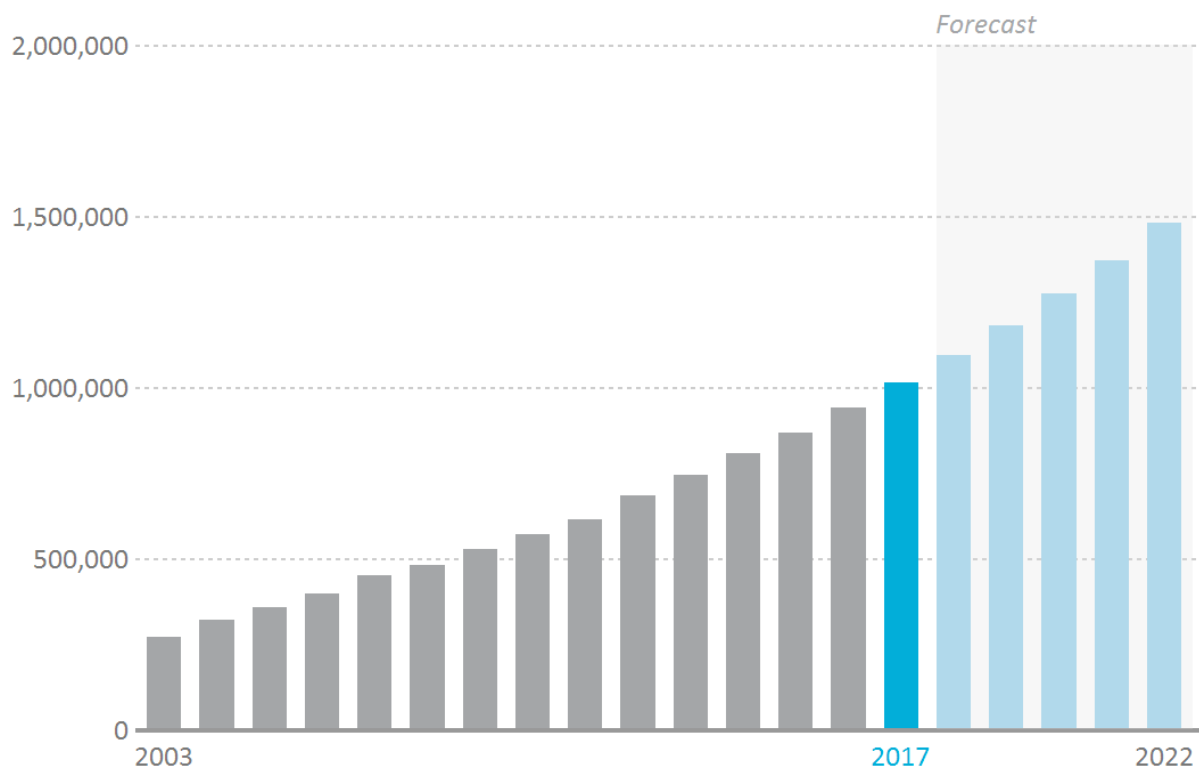
According to Boyle (2018) and Standard Bank (2018) the following are the key retail trade industry forecast trends in South Africa:

- Although tough economic times will proceed due to the rising cost of fuel, labour, electricity, transport and the decreasing value of the rand, the retail sale price (RSP) is still foreseen to increase. As seen in Figure 2.1, the 2017 RSP value was R1,011,523.2, and is expected to be R1,478,051.1 by the year 2020.
- Consumers will become more price sensitive and demand more value for money.
- Online shopping and predictive apps: Predictive apps that proactively engage with consumers in a personal way to make their lives easier, are steadily finding their way into the retail trade industry. Furthermore, artificial intelligence (AI) has begun shaping the shopping experience with AI technology learning to build smart shopping baskets for consumers (Boyle, 2018). More retailers will lean towards using the internet-of-things, thereby providing their customers with convenience. For example, Spree and

Foschini's online shopping. Woolworths Holdings, Massmart, Pick n Pay, The Foschini Group and the Mr Price Group are all continuously investing in their online presence. The number of internet users are foreseen to grow in South Africa. This is expected to have a positive effect on the South African retailing environment. (Standard Bank, 2018).

- Internet retailing is expected to increase with 15 per cent at constant 2017 prices, due to reach sales value of R19.9 billion in 2022.
- Experiential retail: To entice and retain customers, a retailer needs to consistently create a shopping experience that is calm and authentic, which can be heightened through in-store radio and customer service. Only one in five consumers feel that retail stores are enjoyable places to shop. Moreover, a recent study revealed that 78 per cent of Millennials would rather spend their cash on a desirable experience than on the goods they require (Boyle, 2018).
- Credit consumption increases: Many South African consumers are turning to store credit accounts due to the limited availability of other credit offerings. Higher-priced retailers are expected to be influenced negatively by rising consumer debt. Lower-priced retailers, however, are expected to benefit from this as consumers move to more affordable retailers.
- Living ethically: This growing trend involves products that are 'free from' or 'made with' and are also widened to include the motives of local communities and employees. Ethical retailing includes businesses offering, recycling bins, improved working conditions and ethical employment practices.
- Retailers change strategies as competition increases: Since 2011, multinational retailers such as Wal-Mart (through the acquisition of Massmart), Zara, H&M and Waltons have entered the South African retailing environment. This, along with the socio-economic changes in the country such as raising inflation, have intensified retailing competition. Retailers are forced to continuously rethink their current strategies. Retailers are offering a wider product offering and value-added services to increase loyalty. One value-added offering is retail loyalty programmes. Loyalty has become something that retailers have to continuously work on to retain customers. In today's market, loyalty is given to retailers who give the best and most consistent customer experience (Standard Bank, 2018).

**Figure 2.1: Retail Trade Value RSP excl. Sales Tax - ZAR million % Y-O-Y Growth**



Source: Passport (2018)

With the current importance of the retail trade industry to the South African economy discussed and the foreseen growth seen in Figure 2.1, the following section will discuss the composition of the South African retail trade industry.

## **2.5 COMPOSITION OF THE SOUTH AFRICAN RETAIL TRADE INDUSTRY**

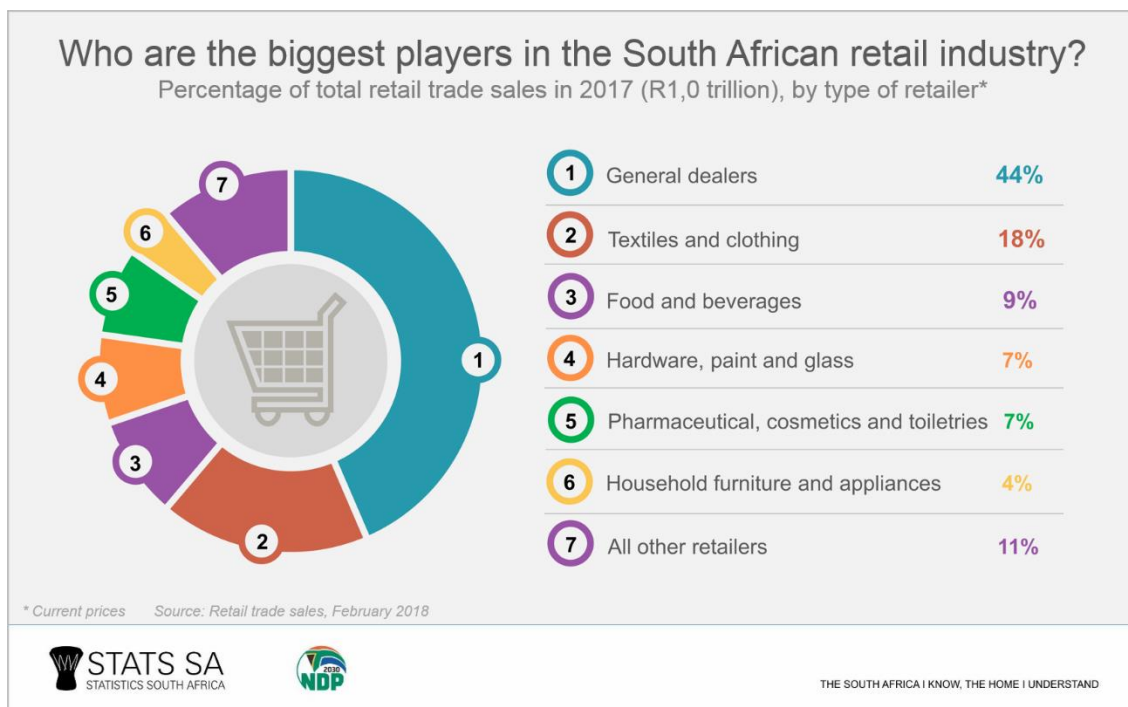
As discussed above, Statistics South Africa (2018) conducts monthly retail trade sales reports to determine the composition of retail trade sales by type of retailer, for the purpose of compiling estimates for the GDP.

Statistics South Africa (2018:24) categorises the South African retail trade industry into seven groups as illustrated in Figure 2.2:

- General retailers who trade in non-specialised stores with food, beverages and tobacco;

- Retailers in textiles, clothing, footwear and leather goods;
- Retailers of food, beverages and tobacco in specialised stores; including retailers of fresh fruit, meat and meat products, baked products, beverages and tobacco;
- Retailers in hardware, paint and glass;
- Retailers in pharmaceutical and medical goods, cosmetics and toiletries;
- Retailers in household furniture, appliances and equipment; and
- All other retailers including retailers of books and stationery, jewellery, watches, and clocks, retailers in sports goods and entertainment, retailers trading in second hand goods and non-store retailers.

**Figure 2.2: Composition of Retail Trade Sales 2017**



Source: Statistics South Africa (2018:4)

Figure 2.2 illustrates the composition of retail trade sales by category of retailers for 2017 (Statistics South Africa, 2018:4). The retail trade industry, as indicated in Figure 2.2, is dominated by general dealers, which contribute to 44 per cent of the total retail trade sales (Statistics South Africa, 2018:4). The high sales of general retailers can be explained by the dominance in numbers of general dealer stores, featuring as key players in the South African retail industry, also seen in their strong contribution to the retailing selling value, as shown



in Table 2.3 below (Statistics South Africa, 2018). Textiles, clothing, footwear and leather retailers make up the second largest share of the trade sales, at 18 per cent (Statistics South Africa, 2018). The dominant South African retailer organisations will be discussed below.

Table 2.3 shows that the South African retail trade industry is dominated by ten retailer organisations: Shoprite, Pick 'n Pay, Spar, Walmart, Woolworths, Steinhoff International, Edcon Holdings (Edgars), Mr Price Group, The Foschini Group, and Clicks (Passport, 2018b). These retailers accounted for 52.3 per cent of the total retail value at selling price excluding value added tax (VAT) (Passport, 2018b). The top 14 retailers, in terms retail trade sales for 2018, are presented in Table 2.3.

**Table 2.3: Retail trade value and percentage of total retail value at selling price excluding value added tax (VAT) for 2018**

<b>Company</b>	<b>Retail Value in Rand</b>	<b>% Share</b>
Shoprite Holdings Ltd.	136 420,2	12,6
Pick 'n' Pay Stores Ltd.	93 363,5	8,6
Spar Group Ltd.	72 265,5	6,7
Walmart Inc.	52 433,8	4,8
Woolworths Holdings Ltd. (South Africa)	51 094,1	4,7
Steinhoff International Holdings Ltd.	43 130,8	4,0
Edcon Holdings Ltd. (Edgars)	28 825,9	2,7
Mr Price Group Ltd.	21 931,6	2,0
Foschini Group Ltd.	20 176,6	1,9
Clicks Group Ltd.	19 432,4	1,8
Fruit & Veg City Holdings (Pty) Ltd.	11 985,0	1,1

<b>Company</b>	<b>Retail Value in Rand</b>	<b>% Share</b>
Truworths Group Pty Ltd.	8 668,2	0,8
Cashbuild Ltd.	6 647,4	0,6
Dis-Chem Pharmacies (Pty) Ltd.	2 512,9	0,2
Others	515 112,6	47.5
Total	1 084 000,5	100

Source: Adapted from Passport (2018b)

As seen in Table 2.3, the total retail value at selling price, excluding value added tax (VAT) for 2018 is R1 084 000.5, which is a 6.6 per cent increase from 2017 (Passport, 2018b). The value of retail sales is a vital indicator of what the upcoming GDP will be (Leading Markets, 2015). As explained before, the GDP reflects the economic production and growth of South Africa (Statistics South Africa, 2013:16). Additionally, retail sales provide economists, investors and politicians with an overall look at how the economy and individual companies are doing at present, and where they might be headed in the future (Leading Markets, 2015). When consumers are spending money at retail organisations, it indicates that the GDP will probably show growth (Leading Markets, 2015). When consumers are not buying, GDP growth will probably slow down, or go down (Leading Markets, 2015).

With the importance of the retail trade industry established, it can be assumed that by generating higher sales by these top retailers the results will provide a positive outcome for consumers, retailers, shopping centres, service providers and ultimately the South African economy (Provincial Treasury Republic of South Africa, 2012:16; Du Toit, 2012:2).

In order to remain competitive, South African retailers are continuously implementing aggressive strategies to improve their offerings and increase sales (Passport 2, 2015:1). The competitiveness among retail organisations places pressure on them to provide customers with more value (Meyer, 2012:164). Many retailers differentiate themselves

through marketing strategies that offer more than a product and adding services like loyalty programmes and targeted offerings (Marketing Profs, 2016). The marketing strategies used by retailers will be discussed in the next section.

## **2.6 MARKETING STRATEGIES USED BY RETAILERS**

When retailers initially emerged, the limited number of retailers caused little need for marketing (Sullivan & Adcock, 2002:x). The twentieth century, however brought about sophisticated shoppers and a competitive retail trade environment. As the number of retailers and the competition among them increased, so did the need for marketing (Sullivan & Adcock, 2002:x). Marketing by retailers is more than advertising and promotions; it is defined as any activity taken by the retailer to satisfy the wants and needs of consumers (Sullivan & Adcock, 2002:6).

Due to the intense competition in the retailing environment, retailers have to differentiate themselves (Lusch, Dunne & Carver, 2011:72). A retailer differentiates itself by standing out from their competitors (Zentes, Morschett & Klein, 2011:179). One way for a retailer to differentiate itself from the competitors is to provide superior customer value and customer satisfaction (Lusch *et al.*, 2011, 2011:72). Customer satisfaction is achieved when the shopping experience of the customer meets, or exceeds, the pre-determined expectations (Lusch *et al.*, 2011:72). Retailers use their specific retail marketing communication mix to create customer satisfaction, make customers aware of their merchandise and ultimately create a relationship with customers in order to create customer loyalty (Erdis & Cant, 2015:115; Lusch *et al.*, 2011:61). The retail marketing communication mix is a combination of the merchandise offered, the price of merchandise, customer service and selling, location, store layout and design, and advertising and promotions (Lusch *et al.*, 2011:61). The following section will discuss the advertising and promotion element of the retail marketing communication mix as a possible way for retailers to differentiate themselves from competitors, encourage sales and create a relationship with customers. Relationship marketing, and the use of loyalty programmes in the form of relationship marketing, is discussed in Section 3.4.

### **2.6.1 Retail marketing communication mix**

Retailers use their specific retail marketing communication mix to create customer satisfaction, make customers aware of their merchandise and ultimately create a relationship with customers to create customer loyalty (Sheshanna, 2015:). The combination of tools used to communicate value offered to customers are called the marketing communication mix (Erdis & Cant, 2015:115). A marketing communication mix consists of a combination of advertising, sales promotion, publicity, direct marketing and personal selling (McCloskey, 2018:4). Each marketing communication mix tool will now be discussed, with the use of Pick n Pay as an example.

- Advertising is any paid form of non-personal communication by a retailer about its products, services or ideas (Erdis & Cant, 2015:115; Lusch et al., 2011:388). Retailers primarily use advertising to inform potential customers of their available merchandise and prices through internet, newspaper, radio, television and printed mediums, with the goal of developing consumer preference for the given retailer (Lusch et al., 2011:389). Advertising is one-way communication from the retailer directed at customers and potential customers (Erdis & Cant, 2015:116). Pick n Pay has an advertising department which ensures that all television, radio, newspaper, magazine and digital advertising platforms convey the exact same message. Figure 2.3 is an example of a magazine advertisement for Pick n Pay.

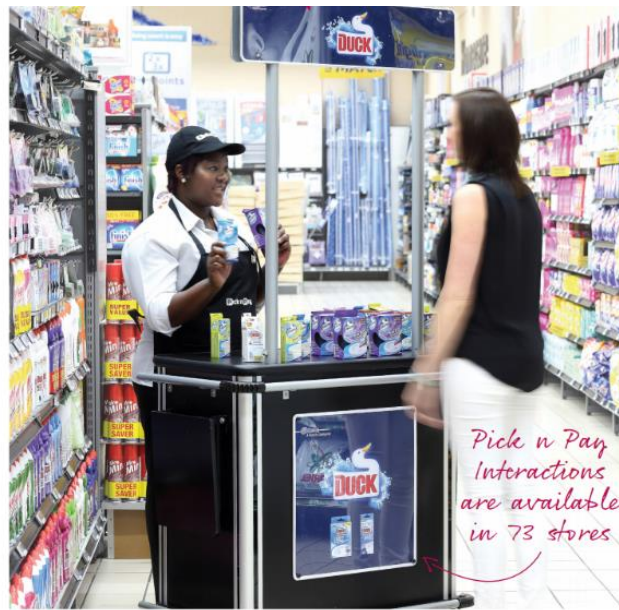
Figure 2.3: Pick n Pay magazine advert



Source: Guzzle, (2018)

- Personal selling is the face-to-face presentation of a product or idea by means of a representative of the product/brand (Erdis & Cant, 2015:119). Retailers often use personal selling to assist customers in obtaining product information while attempting to persuade the customer to buy a retailer's particular product (Lusch et al., 2011:389). Pick n Pay uses personal selling in the form of employee promoting, explaining and sometimes sampling a product in store, as seen in Figure 2.4 below.

**Figure 2.4: Pick n Pay Personal selling**



Source: Pick n Pay Media Guide (2018:20)

- Public relations is the process of building a good relationship with the retailer's various communities to obtain positive publicity, to build up a good image, and to deal with any unfavourable stories or events, should the situation arise, by the use of press releases and sponsorships (Kotler & Armstrong, 2010:421). An example of Pick n Pay's use of public relations is their support offered to small business and farms by providing them with suitable auditing procedures, for example Health and Safety audits for food production companies, and by providing knowledge and guidance on how to develop labels, barcodes and packaging. Pick n Pay also offers direction with their finances and cash flow (Pick n Pay, 2019).
- Direct marketing is the use of direct communication with targeted customers, to obtain a direct response and develop customer relationships (Kotler & Armstrong, 2010:421). Pick n Pay utilises direct marketing through personalised messages in the form of emails, direct mail and SMSs. These messages are mostly sent to their loyal customers to inform them of specials and their Smart Shopper balance (Pick n Pay Media Guide, 2018:36)
- Sales promotions are marketing activities, other than advertising, personal selling and public relations where incentives are used to motivate buyers to purchase

goods or services, by either lowering cost or adding value (Lamb, Hair & McDaniel, 2015:307). Sales promotions can strengthen loyalty by rewarding consumers for repeat purchases (Lamb, Hair & McDaniel, 2015:307). The most popular forms of sales promotions a retailer can choose from include (Erdi & Cant, 2015:123):

- Aisle display, referring to information about merchandise offered, situated where consumers queue to pay. See Figure 2.5 (A).
- Banners and streamers on the walls or ceiling of the retailer to attract the attention of the customer. See Figure 2.5 (B).
- A coupon system that offers customers the opportunity to pay less for a product by handing in a coupon. Pick n Pay offers coupons that can be found and redeemed in-store, accommodating the Pick n Pay Smart Shopper loyalty programme (Pick n Pay 1, 2016). See Figure 2.5 (C).
- Competitions are used as a popular sales promotion tool used by retailers to attract attention. In September 2016, Pick n Pay ran a promotion where one consumer stood the chance to win Pick n Pay products worth R30 000 by using their Smart Shopper card (Pick n Pay 2, 2016) See Figure 2.5 (E).
- Demonstrations are used to showcase the advantages of a particular product or to show consumers how a product works. An example of Pick n Pay making use of demonstrations, is their use of in-store chefs (Pick n Pay Media Guide, 2018:19). See Figure 2.5 (D).
- Free gifts offered when a customer buys a certain quantity of products or price value of products. Pick n Pay makes use of this strategy on a regular basis, for example offering a free Colgate toothpaste when two Colgate toothbrushes are bought (Pick n Pay Media Guide, 2018:19).
- Gifts in the form of pens, calendars, diaries or notebooks with the retailer's name or logo printed to enhance top-of-mind awareness. Retailers such as Pick n Pay often offered free branded calendars to consumers at the beginning of the year.
- Consumers are offered a sample, a small portion of a product, to try out a product. Pick n Pay often hand out tasters of food products, or sample of beauty products for consumers to try.

- Loyalty or frequent buyer programmes where consumers are rewarded for their purchase, such as Pick n Pay Smart Shopper.

Figure 2.5: Pick n Pay sales promotions examples



Source: Pick n Pay Media Guide (2018:20)



Retailers use loyalty programmes in an attempt to build a relationship with customers and create customer loyalty. A loyalty programme is defined as a programme designed by a company, business or retailer in an effort to reward its customers for their loyal buying behaviour, and enhance customer loyalty (De Wulf *et al.*, 2013:71). The programme is built on the belief that both the company and its customer can benefit from this agreement. Retailers pursue loyal customers, because loyal customers make more frequent purchases, they are more profitable and they spread positive word-of-mouth (Fabio 2014:90).

Despite the fact that loyalty programmes are becoming an important part of the retail marketing communication mix, the classification of loyalty programmes is not agreed upon by all researchers. Erdis and Cant (2015:123), as well as Egwuonwu, Adeniran and Egwuonwu (2017:20), classify the use of loyalty programmes as a sales promotion tool. On the other hand, Korkeamaki (2014:45) sees the use of loyalty programmes as a public relations tool. Corbishley (2017:9) state that the importance lies in using loyalty programmes to build a relationship with customers, not the classification. Loyalty programmes as part of relationship marketing is discussed in more detail in Section 3.4.

## **2.7 SUMMARY**

The purpose of this chapter was to highlight the importance of retailing to the South African economy, and to introduce the use of loyalty programmes as this study considered retailers who own well-established loyalty programmes in terms of participation members, and who contribute considerably to the South African economy in terms of retail and trade sales. These retailers include Pick n Pay, Edgars, The Foschini Group, Woolworths, Clicks and Dis-Chem. The loyalty programmes of each of these retailers are discussed in detail in Section 3.6.

The following chapter will discuss customer loyalty, loyalty programmes and the use of loyalty programmes by South African retailers, by specifically referring to Pick n Pay's Smart Shopper programme, Edgars' Thank U points, Clicks' ClubCard, The Foschini Group's TFG Rewards, Dis-Chem's benefits, and Woolworths' WRewards.

## **CHAPTER 3.**

### **LOYALTY, RELATIONSHIP MARKETING, AND LOYALTY PROGRAMMES**

#### **3.1 INTRODUCTION**

In the current competitive business environment, organisations are increasingly offering comparable products, competitive prices and aggressive promotions (Morgan *et al.*, 2015:105). Businesses are motivated to stand out from the clutter and build relationships with customers to increase customer value and to ultimately gain a competitive advantage. Many organisations are turning to loyalty programmes to build relationship with customers and retain loyal customers to create this much needed competitive advantage (Morgan *et al.*, 2015:105-108).

This chapter first explores the concept of loyalty through a literature review of the current marketing literature on the definition and importance of loyalty to any organisation. Secondly, relationship marketing is discussed as a medium to obtain loyalty. Thirdly, loyalty programmes are discussed as a tool to build customer relationships and ultimately retain loyal customers. The chapter ends off by exploring factors that might influence subject participation in loyalty programmes.

#### **3.2 LOYALTY**

The study of loyalty has received much attention in the past, with researchers defining loyalty in various ways. Some definitions focus on the behavioural element of loyalty, some on an attitudinal element (Lett, 2011:300), and others on both (Demoulin & Zidda, 2008:386; Tanford & Malek, 2015:315; Oni & Fatoki, 2013:85). The Oxford dictionary (2016) defines loyalty as "...the quality of being faithful [act] in your support of somebody or something [object]". When a customer is seen as loyal, the customer might be loyal towards an organisation, brand, a loyalty programme, channel intermediaries, or the employees (Evanschitzky, Ramaseshan & Woisetschlager, 2012:626). Researchers have formulated definitions for the various above-mentioned elements attached to the noun "loyalty" (Du Toit, 2012:13). In defining each of these elements, the concept of loyalty remains, but the object

to whom loyalty is directed towards changes (Du Toit, 2012:13). Therefore, in understanding the definition of loyalty, all elements attached to the concept loyalty (such as customer loyalty and brand loyalty) must be understood (Du Toit, 2012:13).

The concept of loyalty, and how to define it has been the topic of debate among marketing researchers for more than 60 years (Watson, Beck, Henderson & Palmatier, 2015). Most researchers, such as Leenheer *et al.* (2007), Kreis and Mafael (2014), Tanford and Malek, (2015), and Rowley and Dawes (2002), agree that, for loyalty to be defined comprehensively, the definition must include two dimensions, namely attitude and behaviour, agreeing with the primary research of Dick and Basu in 1994 (Tanford & Malek, 2015:315). Attitudinal loyalty refers to trust in, and an emotional commitment to a company. Behavioural loyalty refers to the intention of buying behaviour, or actual repeat buying behaviour to a given organisation, and the act of spreading positive word-of-mouth (Tanford & Malek, 2015:315).

Dick and Basu (1994:101) proposed the use of a loyalty matrix, categorising loyalty into four categories according to both attitude and behaviour as seen in Figure 3.1, to understand loyalty (Tanford & Malek, 2015:315).

**Figure 3.1: Dick and Basu loyalty matrix**

		<b>Repeat patronage</b>	
		High	Low
<b>Relative attitude</b>	High	True loyalty.	Latent loyalty
	Low	Spurious loyalty	No loyalty

Source: Dick & Basu (1994:101); Rai (2014:57)

As indicated in Figure 3.1, a consumer's loyalty can be measured by both their relative attitude and their repeat patronage (Dick & Basu, 1994:101). According to Dick and Basu (1994:101), relative attitude refers to either a positive or negative emotion, feeling or mood

towards a given brand or store. Repeat patronage, according to Dick and Basu (1994:101), refers to the behaviour of the consumers, the act of repeating purchases and the willingness to spread positive word-of-mouth. As seen in Figure 3.1, no loyalty exists where customer's relative attitude is low and there is no indication of repeat purchase behaviour (Hollensen, 2014:618). According to Hollensen (2014:618), when a customer shows repeated buying behaviour with low relative attitude, it is seen as spurious loyalty. In this case, repeated purchase is not based on a preference for the given organisation or brand compared to alternatives, but rather due to availability or convenience. Latent loyalty exists when customers show high relative attitude, without the supported behavioural loyalty. This situation may be due to situational influences like inconvenience of location. True loyalty exists when a customer repurchases from a given organisation or brand on a regular basis due to emotional commitment (Hollensen, 2014:618).

In 2006, Richfield suggested that loyalty can be measured in a more simplistic manner than using the loyalty matrix. He proposed the NPS system (Net Promoter Score) as a loyalty metric (Richfield, 2006). According to this metrics, loyalty can be measured by asking consumers one question: "How likely is it that you would recommend this company to your friend or colleague?". Other researchers such as Grisaffe (2007) has criticised this measure. The two most popular critiques against the NPS system is that there is no scientific evidence that suggests that the answer to the question is proven as an outcome of loyalty, a measure of loyalty or a cause of loyalty; and that it is not accurate to assume that one metric can predict a concept as complicated as customer loyalty (Zaki, Kandeli, Neely & McColl-Kennedy, 2016:2; Stoop, 2009; Grisaffe, 2007). Grisaffe (2007) suggest that the NPS should not be used as a measurement of loyalty but rather seen as a dashboard light that indicates that something is wrong. When the light flickers, the light should not be fixed, but the underlining problem causing the light to flicker should be investigated. In this way Grisaffe (2007) suggest that the NPS should be used as a diagnostic measurement. Richfield (2006b) responded to the critique by stating that, although it is true that loyalty can be measured more accurately by asking customers more than one question, customers are not always willing to answer lengthy questionnaires, and that the NPS is an effective way to receive customer feedback. Watson *et al.* (2015) suggests that when true loyalty exists within a customer (high relative attitude and repeat patronage, as seen in Figure 3.1), that

customer will be willing to recommend the company to a friend or colleague. Watson *et al.* (2015) suggests that the NPS and the loyalty matrix (seen in Figure 3.1) are similar loyalty metrics.

This study will follow the primary thoughts of Dick and Basu (1994:110), i.e. that true loyalty exists when both attitudinal and behavioural loyalty are present, as a comprehensive definition of loyalty. Therefore, in the context of retailing, this study defines loyalty as a situation where a customer deliberately repurchases from a given retailer over time, even when alternatives exist, and recommends the retailer to others based on an emotional attachment to the retailer, which in return helps to build on the success of the retailer (Kamran-Disfani *et al.*, 2017:14).

The benefits of having loyal customers will now be discussed in more detail.

### **3.3 THE BENEFITS OF LOYAL CUSTOMERS**

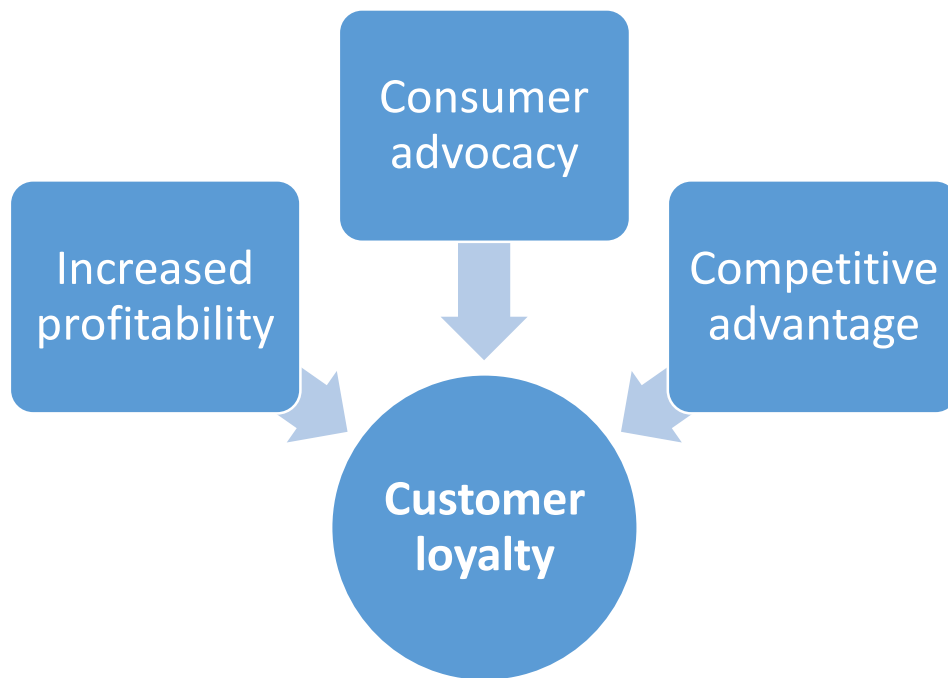
Heskett, Jones, Loveman, Sasser and Schlesinger (1994) investigated the importance of loyal customers and introduced the Service Profit Chain. The Service Profit Chain suggested that organisations need to develop an environment where “carefully selected, highly capable, engaged employees interact with customers to create customer value far superior to that offered by the competition” (Heskett *et al.*, 2008:3). Heskett *et al.* (1994) suggest that by applying the Service Profit Chain concept, the likelihood of customers remaining loyal improves. According to the Service Profit Chain, loyal customers are valuable as they:

- buy more products;
- increase profitability by buying more products;
- spread positive word-of-mouth;
- act as advocates; and
- suggest ways to improve customer experience by complaining about unsatisfactory experiences.

Qiu, Ye, Bai and Wang (2015:90) agree with the original research of the Service Profit Chain, in that loyal customers provide numerous benefits to an organisation, and summarise the

benefits of loyal customers as indicated in Figure 3.2. According to Qiu *et al.* (2015:90), the benefits of perusing loyal customers can be summarised under three main benefits, namely loyal customers increase profitability, they act as advocates and create a competitive advantage.

**Figure 3.2: Benefits of customer loyalty**



Source: Qiu *et al.* (2015:90); Du Toit (2012:16)

Each customer loyalty benefit, as mentioned in Figure 3.2, will now be discussed in more detail.

### **3.3.1 Increased profitability**

Researchers often use customer lifetime value (CLV) to determine the profit generated from a customer (Kotler, Burton, Deans, Brown & Armstrong, 2013:42; Trivedi, 2014:21). CLV measures how much the consumer is worth to the organisation in terms of profitability over time, referring to both current and potential purchases (Kotler *et al.*, 2013:42; Trivedi, 2014:21). When a company aims to increase loyalty, they also aim to increase CLV (Kotler

*et al.*, 2013:42; Trivedi, 2014:21). By increasing customer loyalty (and CLV) a company can increase profitability in the following ways (Du Toit, 2012:17):

- Reduced marketing costs: Research suggests that it costs five to seven times more in promotions to obtain a new customer than it does to keep an existing customer (Wiid, Cant & le Roux, 2016:103; Buttle & Maklan, 2015:364).
- Lower transaction costs and increased cross selling: Loyal consumers are easier to convince of additional purchases, and require no extended negotiations on price, delivery and packaging as loyal customer tend to be less price-sensitive (Sgroi, 2014:21).
- Reduced failure costs and reduced consumer turnover expenses: By building long-term relationships, organisations learn what customers expect to reduce errors. When errors do occur, loyal customers tend to give the benefit of doubt and do not change providers due to small errors (Rai, 2014:146).
- Increased word-of-mouth. As discussed, loyal customers recommend the organisation to others. Positive word-of-mouth can lead to new customers without additional marketing costs (Tanford & Malek. 2015:315).

Creating and maintaining loyal customers makes financial sense to a business as they can increase their profit by 25-125 per cent through more frequent purchases, reduced marketing costs, less price sensitivity and spreading positive word-of-mouth (Qiu *et al.*, 2015:90). The second element in Figure 3.2, indicating the importance of consumer loyalty to an organisation, customer advocacy, is discussed below.

### **3.3.2 Customer advocacy**

Customer advocacy is defined as "...the willingness of customers to give strong and positive recommendations, and praise to other consumers on behalf of a product or service supplier" (Wali, Wright & Uduma, 2015:48). When customers speak positively about an organisation to friends, family and co-workers they spread positive word-of-mouth, and act as customer advocates (Wali *et al.*, 2015:48; Morgan *et al.*, 2015:115). This is in agreement with the original research by Richfield (2006) who created the Net Promoter Score (NPS), as discussed in Section 3.2. The NPS is used by many organisations to monitor and manage

customer relationships by stating that the most useful way to measure consumer loyalty is to ask the question: “How likely are you to recommend this organisation to a friend or colleague?” (Capodagli & Jackson, 2016:68; Blasberg, Vishwanath & Allen, 2008:16). Customer advocacy and positive word-of-mouth are important to organisations because (Du Toit, 2012:21):

- Customer advocacy allows for two-way communication about the organisation.
- A positive referral from a non-paid source is more trusted by consumers than organisation-sponsored marketing communication.
- Customer advocacy can lead to a trail of referrals without spending any additional cost on marketing.
- In a technology driven environment, word-of-mouth is no longer spread from person-to-person but can be spread from person-to-millions.

The last reason that consumer loyalty is important to an organisation as indicated in Figure 3.2, is that having loyal consumers can be a source of competitive advantage. Consumer loyalty as a competitive advantage is discussed below.

### **3.3.3 Competitive advantage**

Rai (2014:67) explains that customer loyalty is a source of competitive advantage, and it is referred to as the new marketplace currency of the twenty-first century. A competitive advantage is “a condition or circumstance that puts a company in a favourable or superior business position” (Oxford 2016: competitive advantage). In 1979, Michael Porter investigated forces that determine the competitiveness of an industry. According to Porter, customer loyalty gives an organisation a competitive advantage as loyal customers are less likely to switch to competitors, and by hindering new entrants into the market due to customers being unmotivated to switch (Plunkett, Allen & Attner, 2013:119). Cossío-Silva, Revilla-Camacho, Vega-Vázquez and Palacios-Florencio (2016:1621) build on the research of Porter and added that loyal customers also create a competitive advantage by generating more profits for the organisation as their relationship with the organisation lengthens. This long-term relationship cannot easily be copied or taken by competitors (Cossío-Silva *et al.*, 2016:1621). Due to the long-term relationship, loyal customers have trust in an organisation, which allows a company time to respond to a competitors’ offering before the customer



considers switching (Du Toit, 2012:20). To retain customers is a clear advantage in establishing future revenue as it is estimated that the average organisation will lose 20 to 40 per cent of their consumers every year (Rai, 2013:66; Du Toit, 2012:20).

Customer loyalty as a source of competitive advantage is important to an organisation for the following reasons (Tu, Li & Chih, 2013:472):

- Loyal customers are more willing to try new products.
- Loyal customers buy on a regular basis contributing largely to organisational profits.
- Loyal customers recommend the organisation to others.
- Loyal customers are willing to give recommendations on how to improve and build on the long-term relationship.

From the discussion based on Figure 3.2, the benefits of loyal customers and why this is important to an organisation has been highlighted. What is uncertain is how consumers become loyal (Curran & Healy, 2014:367). Some marketers believe that relationship marketing is the answer to creating loyal customers (Christopher, Payne & Ballantyne, 2013:5; Jamal *et al.*, 2015). Relationship marketing is discussed below.

### **3.4 RELATIONSHIP MARKETING**

For any business to be considered as successful, they have to have customers (Saleh, 2013:2). In the past marketing was seen as a tool that can help a business to sell products to customers, focusing purely on acquiring customers (Berry, 1995:236; Burrow & Fowler, 2015 29; Saleh, 2013:2). In 1980 Schneider (1980:54) noticed that nearly no academic papers were published on the retention of consumers (specifically in service industries), while multiple studies investigated how to attract consumers. Modern marketing has realised the importance of retaining customers to the success of their business (Saleh, 2013:2). Marketing is defined as the process of building profitable customer relationships by creating value for customers, and capturing value in return (Kurosu, 2015:154).

The marketing process involves the following four steps (Armstrong, Adam, Denise & Kotler, 2015:30):

- Step one is to understand the market place, customer needs and customer wants.
- Step two is to design a customer-driven marketing strategy based on the information gathered in step one.
- Step three entails designing a marketing programme that delivers superior customer value.
- Lastly in step four, marketers attempt to build a profitable relationship with customers and create customer delight.

The goal of marketing is therefore to build and maintain customer relationships through relationship marketing (Saleh, 2013:2). Relationship marketing is an important concept to the current study of exploring factors that influence participation in retail loyalty programmes, since relationship marketing is used as the foundation to create successful loyalty programmes (Tanford & Malek, 2015:314; Morgan *et al.*, 2015:22). Relationship marketing therefore needs to be understood first before discussing loyalty programmes.

Relationship marketing is defined as a marketing strategy with the purpose of creating long-term relationships with customers who will continue to buy from the business over a period of time, in essence to create loyalty (Burrow & Fowler, 2015:29). The increased use of relationship marketing was led by the economic recession of the 1980s, where interest rates and inflation increased without any economic growth (Morgan *et al.*, 2015:104). The impact of the recession and other macro-economic factors such as increased global competition and improved production processes, created an intensive competitive market which led to the change of marketing objectives (Morgan *et al.*, 2015:1). Marketing objectives have shifted from traditionally focusing on once-off individual transactions between a company and its customer, to a long-term view of relationships between the company and customers (Du Toit, 2012:9). This has led to the need to research and understand the advantages of long-term relationships, loyal customers and strategic partnering with customers (Morgan *et al.*, 2015:1). The goal of relationship marketing is to build a profitable relationship with customers, retain customers, maximise the lifetime value of that customer, and foster customer loyalty (Christopher *et al.*, 2013:5; Jamal, Radzi, Sumarjan & Bakhtiar, 2015:91).

One of the arguments in support of relationship marketing is built upon the economic argument that it costs five to seven times more to win over a new customer than it costs to retain an existing one (Proctor, 2014:287).

Berry introduced relationship marketing to marketing literature in 1983, by suggesting five relationship marketing principles that should be used in the development of a relationship marketing plan to build long-term customer relationships and create customer loyalty (Morgan *et al.*, 2015:18; Berry, 1995:236):

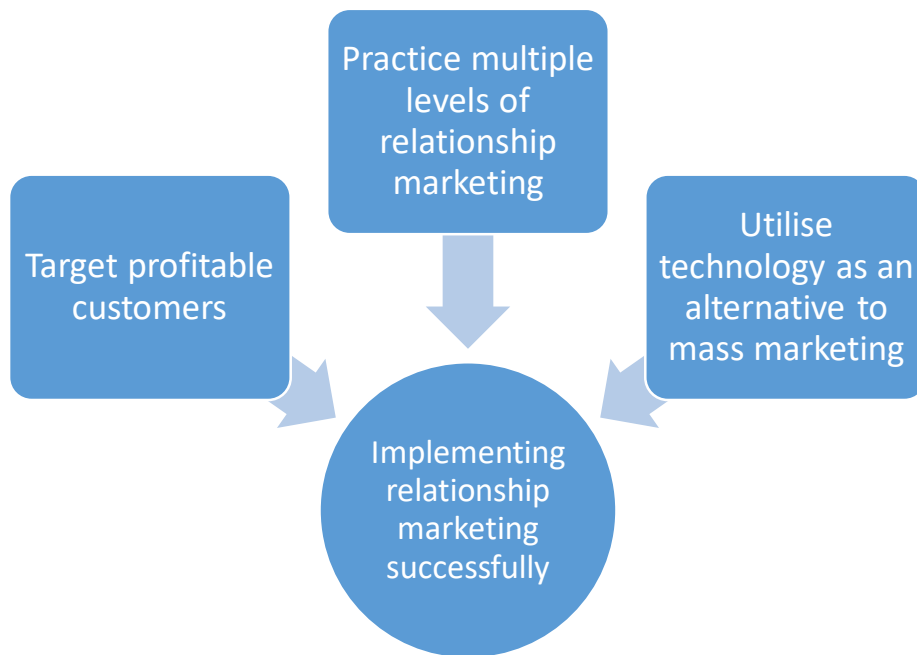
- Core services: The first principle is to develop a core service based on customer needs to attract new customers and lay the foundation to build customer relationships. This will serve as a base to offer additional services over time. The core service for a retailer can include offering high-quality products or services, extended operating hours, or offering customers a variety of options to choose from (Dobosz, 2012).
- Relationship customisation: The second principle is to capture individual data to create personalised offerings in order to create relationships. Relationship customisation can include the offering of time saving options to customers who indicated that they need it, such as deliveries, or offering services not available to other customers, such as online shopping (Berenguer-Contrí, Molina & Saura, 2009).
- Service augmentation: The third principle entails expanding the core offering with extra service offerings to encourage loyalty. These extras need to be valued by the customer and not easily matched by competitors. This can include free gifts offered to chosen customers (Morgan *et al.*, 2015:18).
- Relationship pricing: The fourth principle is to offer customers a quantity discount, or price incentive to merge all their spending at the given business, rewarding loyalty with rewards. This can be achieved through loyalty programmes (Morgan *et al.*, 2015:18).
- Internal marketing: The fifth and last principle suggests using marketing activities to not only encourage external customers to buy, but to build relationships with internal customers (employees) that motivates performance. This can be achieved through enhancing employee skills and providing incentives for high performance (Morgan *et al.*, 2015:18).

These principles should not be used exclusively, but rather simultaneously for effective relationship marketing (Morgan *et al.*, 2015:17). Since relationship marketing is the foundation of a successful loyalty programme, it is important that retailers first develop a relationship marketing plan based on the five relationship marketing principles, before practically implementing a relationship marketing strategy such as a loyalty programme (Tanford & Malek, 2015:314; Morgan *et al.*, 2015:22). Berry in Morgan *et al.* (2015:21), suggests three guidelines for implementing a relationship marketing strategy successfully, as discussed below.

### **3.4.1 Implementing relationship marketing successfully**

Retailers are increasingly using loyalty programmes as a way of practising relationship marketing (Kuhn, 2016). In order to successfully implement relationship marketing, Berry (1995:236) suggest three guidelines for implementing relationship marketing strategies successfully. As indicated in Figure 3.3, the guidelines to successfully implementing relationship marketing is to target profitable customers, practice multiple levels of relationship marketing, and utilising technology as an alternative to mass marketing (Morgan *et al.*, 2015:17).

**Figure 3.3: Guidelines for implementing relationship marketing strategies successfully**



Source: Developed from Morgan *et al.* (2015:21)

In order for relationship marketing to be implemented successfully the following three guidelines, as indicated in Figure 3.3, needs to be followed:

- The first guideline for successful relationship marketing, as indicated in Figure 3.3, is targeting profitable customers (Morgan *et al.*, 2015:21). A company should identify who their loyal customers are, which customers have the potential to be loyal customers, and investigate what creates value for these customers (Morgan *et al.*, 2015:21). In Chapter 1, the current study indicated that students studying at tertiary institutions in South Africa are a potential market to be considered by retailers. In Chapter 5 and 6 the study will reveal the findings of which factors of a loyalty programme students considered as important.
- The second guideline is to practice multiple levels of relationship marketing, both on a monetary and social level (Morgan *et al.*, 2015:21). The first level of relationship marketing entails proving monetary incentives to create loyalty, such as a reduced price or free products. To secure a strong relationship with the targeted consumer loyalty has to be motivated beyond monetary incentives, and motivated on level two, creating social bonds with consumers (Morgan *et al.*, 2015:21). Social bonds are formed through personalised and two-way communication. This is done by the use of

a customer name in communication, communicating regularly, and enabling customers to talk to the same employee during multiple transactions. While social bonds cannot overcome unsatisfactory core products and create loyalty, it may make customers more tolerant to service failures (Morgan et al., 2015:22). Level three of relationship marketing entails attaching the consumer to the business through the operational design of the service provided and the product itself (Morgan et al., 2015:22). The current study explored whether all three levels of relationship marketing, both on a monetary and social level are considered to be important by students. The findings will be discussed in Chapter 5 and Chapter 6.

- The third guideline is to utilise technology as an alternative to mass marketing. In order to successfully implement relationship marketing marketers should use technology advancements to decrease the cost of getting to know customers. This can be achieved by using technology to track customer buying patterns, personalise and enhance communication and developing customised promotions and pricing (Morgan et al., 2015:22). The current study explored whether students considered the use of technology for retail loyalty programmes as important. The findings will be discussed in Chapter 5 and Chapter 6.

The topic of relationship marketing, although introduced in 1983, is applicable today, as strong customer relationships can lead to improved customer satisfaction, customer loyalty and customer referrals (Kuhn, 2016:49). Retailers use loyalty programmes as a relationship marketing strategy. By implementing a loyalty programme according to the guidelines discussed above, retailers can build long-term customer relationship, obtain customer information, improve customer satisfaction and create customer loyalty (Kuhn, 2016:49). Loyalty programmes as a relationship marketing tool is discussed below.

### **3.5 LOYALTY PROGRAMMES**

As introduced in Chapter 2, many organisations, including retailers, use loyalty programmes to retain loyal customers (Tanford & Malek, 2015:314).

The first basic loyalty programme was introduced in the United States in the 1960s when a supermarket awarded customers with food stamps depending on how much a customer

spent. The stamps were recorded in a booklet and once the booklet was filled, customers could exchange that for free products. This technique was soon followed by multiple supermarkets and other stores, which resulted in no competitive advantage, and the programme was quickly discontinued (Kotler, 1999). After that, the first official loyalty programme, AAdvantage, was introduced in the 1980s by American Airlines as a relationship marketing tool (Morgan *et al.*, 2015:3). Today loyalty programmes are used in numerous industries ranging from retailers, airlines, hotels, car manufactures, restaurants, department stores, pet stores, beauty stores and hair salons (Morgan *et al.*, 2015:1). Loyalty programmes are especially popular in the service and retail industries where they are used to develop and maintain customer relationships and loyalty (Morgan *et al.*, 2015:104; Jamal *et al.*, 2015). Previous researchers have used many terms to refer to loyalty programmes (Dorotic *et al.*, 2012:218). The most popular terms include frequent-shopper programmes, reward programmes, loyalty cards, frequency reward programmes, points cards, advantage cards and frequent-flyer programmes. These terms are used as synonyms for the term loyalty programme (Meyer-Waarden, 2015:22; Dorotic *et al.*, 2012:218).

The current study will use the following definition to define a loyalty programme. A loyalty programme is defined as a structured and ruled base programme designed by a company, business or retailer in an effort to reward participating customers for their loyal buying behaviour, build customer relationships and enhance customer loyalty (Meyer-Waarden, 2015:23; Morgan *et al.*, 2015:105). The rewards offered include any concrete reward or abstract reward. Concrete rewards refer to tangible rewards such as discounts or points on purchase, while abstract rewards refer to intangible rewards such as a sense of community or recognition provided by a loyalty programme (Meyer-Waarden, 2015:23). The original idea behind loyalty programmes is to reward customers who are showing repetitive buying behaviour and encourage loyalty by providing rewards for loyal buying behaviour (Jamal *et al.*, 2015:91). The most popular form of loyalty programmes is where participants earn points for buying from the loyalty programme provider (Dorotic *et al.*, 2012:219). These points can be traded for gifts, free products, discounts or, in some cases, the option of belonging to a higher tier (Dorotic *et al.*, 2012:219). The programme is built on the belief that both the company and its customer can benefit from this agreement. Retailers and other companies pursue loyal customers because, as discussed under Section 3.3, loyal customers make

more frequent purchases, they are more profitable, and they spread positive word-of-mouth (De Wulf *et al.*, 2013:197). Loyalty programmes also allow companies to obtain information about their customers and use this information to build a better relationship with the customer (Demoulin & Zidda, 2008:387). Programme providers believe that the closer the participating member perceives themselves to be to obtain rewards such as points or free products, the more likely they are to make more purchases to obtain these rewards (Dorotic *et al.*, 2012:218). The rewards act as an influencer of both buying behaviour and attitude. Participating loyalty programme members' buying behaviour is influenced as participants might be more driven to make a purchase in order to receive rewards. Participating loyalty programme members' attitudes are influenced after rewards are obtained by forming a level of emotional attachment to the organisation providing the rewards (Dorotic *et al.*, 2012:218).

Loyalty programmes are distinguished from other marketing activities by focusing on the long-term effect (Morgan *et al.*, 2015:107). Sales promotions, for example is a popular marketing tool used by grocery retailers by giving customers free samples of food with the purpose of increasing short-term sales. Loyalty programmes, on the other hand, is focused on building long-term customer relationships and increase purchase frequency per customer (Morgan *et al.*, 2015:107). A variety of companies all around the world like airlines, hotels, car manufactures and retail stores, are increasingly using loyalty programmes for this reason. As many companies see the benefits of a loyalty programme, the use of retail loyalty programmes worldwide have grown by 15 per cent from 2016 to 2017 (Colloquy, 2017). The United States (U.S.) has 3.8 billion loyalty programme memberships across all business sectors, with the retail trade sector accounting for 1.6 billion loyalty programme memberships (Colloquy, 2017). In 2010, Mimouni-Chaabane and Volle (2010:4) reported that South African retailers have not reached the same heights in loyalty programme membership numbers as the U.S. In 2016 however, Truth (2017) reported that South African retailers were quickly catching up with global retailers in terms of number of loyalty programmes and memberships. In 2016 Nielsen (2016) surveyed 63 countries, and over 30 000 consumers, to determine the retail loyalty programme participation in each country. According to Nielsen (2016), Canada reported the highest retail loyalty programme participation with 85 per cent of participants indicating that they belong to one or more retail loyalty programme. South Africa, the U.S. and New Zealand are combined for the second



highest participation rate, with 84 per cent of South African, U.S. and New Zealand participants indicating that they belong to one or more retail loyalty programme. The lowest levels of retail loyalty programme participation were found in Europe with 66 per cent, China with 61 per cent, and Latin America with 44 per cent (Nielsen, 2016). As the current study has a South African focus, the following section will focus on South African retail loyalty programmes

### 3.5.1 South African retail loyalty programmes

As discussed in Section 1.2.2, South African retailers are increasingly using loyalty programmes as a way to retain customers and increase customer loyalty (Demoulin & Zidda, 2008:391). Table 3.1 below is a summary of the most popular retail loyalty programmes in South Africa in terms of the number of members. The leading South African retail loyalty programme providers in terms of loyalty programme members are Pick n Pay with the Smart Shopper programme, Edgars who offers the Thank U card, Clicks who offers the Clicks ClubCard Programme, The Foschini Group who offers the TFG card, Dis-Chem who offers the Dis-Chem Benefits Programme, and Woolworths who offers WRewards (Truth, 2018).

**Table 3.1: South African Retail loyalty programmes**

<b>Retailer</b>	<b>Loyalty programme</b>	<b>Number of members</b>
Pick n Pay	Smart Shopper programme	10.7 million*
Edgars	Thank U points	8.70 million
Clicks	Clicks ClubCard	7.8 million
The Foschini Group	TFG Rewards	7.6 million
Dis-Chem	Dis-Chem benefits	4.3 million
Woolworths	WRewards	3.4 million

Source: Tarrant (2017); Edcon Holdings Proprietary Limited (2018:9); Clicks Group Limited (2018:3); Woolworths Holdings Limited (2018:35); Dis-Chem (2018:4)

\* Pick n Pay no longer discloses the number of cardholders in its financial results; the last confirmed number from the group is 9 million as at March 2015, but recent estimates have put this at 10.7 million.

The number of participating members as indicated in Table 3.1, are drawn from each retailer's updated financial records, unless indicated differently. According to these records, as seen in Table 3.1, Pick n Pay's Smart Shopper programme is the most popular retail loyalty programme in South Africa, with 10.7 million participants (Tarrant, 2017), and Edgars' Thank U points is the second most popular, with 8.70 million participants (Edcon Holdings Proprietary Limited, 2018:9). Clicks' ClubCard programme is the third most popular programme with 7.8 million members (Clicks Group Limited, 2018:3). The Foschini Group's TFG Rewards programme came in fourth with 7.6 million participants (Tarrant, 2017). Dis-Chem's benefits is currently in fifth place with 4.3 million members (Dis-Chem, 2018:4). In sixth place is Woolworths' WRewards with 3.4 million members (Woolworths Holdings Limited, 2018:35).

Truth (2018) used their dataset built on a sample of more than 25 000 South African respondents who answered 200 questions relating to loyalty programmes to draw conclusions on South African loyalty programmes. The findings of the study are reported using percentages of South African consumers participating in each retail loyalty programme, as seen in in Figure 3.4 below.

**Figure 3.4: Five most used retail loyalty programmes in South Africa**



Source: BusinessTech (2018)

As seen in Figure 3.4, the results from Truth (2018) differ slightly as compared to Table 3.1. Both Table 3.1 and Figure 3.4 include Pick n Pay, Clicks, Woolworths, Dis-Chem and Edgars as the top retail loyalty programme owners. The only differences being that Table 3.1 includes Foschini, and that the order of programme popularity differs.

The South African retailers with the leading retail loyalty programmes (Pick n Pay, Edgars, The Foschini Group, Clicks, Woolworths and Dis-Chem) are also part of the top 14 retailers in South Africa, in terms of retail value, as discussed under Section 2.5. Pick n Pay, Edgars, The Foschini Group and Woolworths form part of the general or textile and clothing retailer group, where Clicks and Dis-Chem form part of retailers in pharmaceutical and medical goods, cosmetics and toiletries. As indicated in Figure 2.2, they are part of the top five biggest players in the South African retail industry. While focusing on students, this study will also consider retailers who own well-established loyalty programmes in terms of participation members, and who contribute considerably to the South African economy in terms of retail and trade sales. These retailers include Pick n Pay, Edgars, The Foschini Group, Woolworths, Clicks and Dis-Chem. The loyalty programmes of each of these retailers are discussed in detail in Section 3.6.

Eighty20 (2018:3) identified five other popular retail loyalty programmes among South African consumers that are not listed in Table 3.1 or Figure 3.4. (These programmes are not considered by the current study, due to not having large enough participation numbers or starting after the start of the current study):

- Checkers EeziCoupons  
Checkers does not offer a physical loyalty card, but offers loyal customers coupons, called EeziCoupons, through the Checkers app. EeziCoupons offers savings on specific products (Checkers, 2018). Without data available on the number of participants using Checkers Eezicoupons, the current study excluded the programme from all analyses.
- The My Spar Rewards programme  
Before 2016 some Spar franchises ran their own loyalty programmes. In 2016 Spar launched a national rewards programme. The programme provides participants instant savings on selected products each month (Spar, 2018). The Spar Rewards

programme was launched in 2016 (after the start of the current study), and according to last reports, have 2 million users (Spar, 2018) (less than the top retail loyalty programmes as indicated in Table 3.1), and is therefore not considered by the current study.

- Makro mCard

Similar to Checkers, Makro makes use of an online loyalty programme accessed via the mCard app. The programme rewards participants with cash, directly to their mWallet in the app for buying everyday products, as well as once-off special purchases. Cash rewards stored in the mWallet section of the app can be spent on purchases at any Makro store or transferred to any other mCard holder, or donated to a Makro-approved charity (Makro, 2018). Makro last reported to have 20 000 users (Massmart, 2017:42), (less than the top retail loyalty programmes as indicated in Table 3.1), and is therefore not considered by the current study.

- CottonOn & Co Perks loyalty programme

Perks members receive a R100 voucher for every R1000 spent, either in-store or online, at any of the following seven brands - Cotton On, Cotton On Body, Cotton On Kids, Rubi, Typo, Supré and Factorie. Programme members also receive members-only previews, including early access to sales and Birthday Perks. CottonOn & Co launched their loyalty programme, Perks loyalty, in South Africa in 2017 (after the start of the current study) and is therefore not considered by the current study (CottonOn, 2018).

- Truworths TruRoyalty

When a Truworths member shops online, they are automatically registered as a TruRoyalty member. Consumers can also sign up at any Truworths, Truworths Man, Office London, Uzzi, Naartjie, Earthchild and Earthaddict store at the cash desk. Loyalty programme members receive exclusive online and in-store promotions and early announcements of sales and competitions. Truworths launched its loyalty programme in 2018 (after the start of the current study) (Truworths, 2018), and is therefore not considered by the current study.

### 3.5.2 Previous research on retail loyalty programmes and the benefits to the organisation

With the use of loyalty programmes increasing each year in South Africa and worldwide, many studies have investigated benefits associated with having a loyalty programme, but due to diverse research methodologies, variations of definitions on concepts, and different measurement techniques, previous research have not provided a single generic list that contains all benefits associated with having a loyalty programme (Steyn, Pitt, Strasheim, Boshoff & Abratt, 2010:356; Dorotic *et al.*, 2012:217). Table 3.2 is a summary of benefits associated with having a loyalty programme as found by previous research.

**Table 3.2: Benefits associated with having a loyalty programme**

Increased share-of-wallet	Build personal relationships
Obtain information about their customers and use this information to build a better relationship with the customer	Increase Customer Lifetime Value
Willingness of customers to pay price premiums	Increase repeat-purchase rates
Customer advocacy	Winning back lost customers
Reduce costs on promotion and advertising	Customer retention
Competitive advantage	

Source: Developed from: Demoulin and Zidda (2008:387); McCall and Voorhees (2010:35); Dorotic *et al.* (2012:218); Odenell Company (2014); Loyalty Lion (2016)

While the different benefits associated with having a loyalty programme, as indicated Table 3.2, remains a debatable topic among researchers, the prospect of experiencing these benefits lead to ongoing research on the topic of loyalty programmes (McCulloch, 2016:15). While many research studies have focussed on the topic of loyalty programmes, Table 3.3 below indicates that the majority of past research on the subject of loyalty programmes focused on what happens after customers have already joined a loyalty programme.

**Table 3.3: Focus of research on loyalty programmes**

<b>Researcher</b>	<b>Research topic</b>
<ul style="list-style-type: none"> <li>• Meyer-Waarden, 2015</li> <li>• Bolton, Kannan &amp; Bramlett, 2000</li> <li>• Capella, Taylor, Luo and Gabler, 2014</li> </ul>	Customer lifetime and retention
<ul style="list-style-type: none"> <li>• Leenheer <i>et al.</i>, 2007</li> <li>• Meyer-Waarden, 2015</li> <li>• Mägi, 2003</li> <li>• Wirtz, Mattila &amp; Lwin, 2007</li> </ul>	Share-of-wallet
<ul style="list-style-type: none"> <li>• Kang, Alejandro &amp; Groza, 2015</li> <li>• Howard-Brown, 1998</li> <li>• Meyer-Waarden, 2015</li> <li>• Conneran &amp; Lawlor, 1997</li> <li>• Schijns &amp; Schröder, 1996</li> <li>• Sharp, 1998</li> <li>• Garbarino &amp; Johnson, 1999</li> <li>• McDonald, 1993</li> <li>• Mueller, 2007</li> <li>• Kim, Lee, Choi, Wu &amp; Johnson, 2013</li> <li>• Ou, Shih, Chen &amp; Wang, 2011</li> <li>• Evanschitzky, <i>et al.</i>, 2012</li> <li>• Bennett, 2014</li> <li>• Cant &amp; Du Toit, 2012</li> </ul>	Loyalty and repeat purchase behaviour
<ul style="list-style-type: none"> <li>• Luxton, 1998</li> <li>• Lall &amp; Bell, 2003</li> <li>• Leenheer <i>et al.</i>, 2007</li> </ul>	Profitability
<ul style="list-style-type: none"> <li>• Uncles, Dowling &amp; Hammond, 2002</li> <li>• Lall &amp; Bell, 2003</li> <li>• Leenheer <i>et al.</i>, 2007</li> <li>• Kivetz &amp; Simonson, 2002</li> <li>• Roehm, Pullins &amp; Roehm, 2002</li> <li>• Van Osselaer, Alba, &amp; Manchanda, 2003; Yi &amp; Jeon, 2003</li> <li>• Agudo, Crespo &amp; del Bosque, 2012</li> </ul>	Effectiveness of loyalty programmes

As indicated in Table 3.3, the majority of loyalty programme research focused on customer lifetime and retention, share-of-wallet, loyalty and repeat purchase behaviour, profitability, and the effectiveness of loyalty programmes (Lall & Bell, 2003; Leenheer *et al.*, 2007; Mueller, 2007; Kim *et al.*, 2009; Yuping, 2007; Demoulin & Zidda, 2008; Mimouni-Chaabane

& Volle, 2010). With the majority of past research focusing on what happens after consumers have already joined a loyalty programme, limited research has however focused on what influences customers to become loyalty programme participants in the first place (Gomez, *et al.*, 2012:492; Esmark *et al.*, 2016:770). The limited research that has been done on factors that influence subject participation in loyalty programmes generally investigated the differences between loyalty card holders and non-card holders, suggesting the differences as possible factors that may influence loyalty programme participation (Gomez *et al.*, 2012:493; Demoulin & Zidda, 2008:393). De Wulf *et al.* (2013:72) suggests that in order to understand which factors might influence customers to participate in loyalty programmes, the foundation of the equity theory can be used. The equity theory, and how it relates to loyalty programmes is discussed below.

### **3.6 EQUITY THEORY AND LOYALTY PROGRAMMES**

De Wulf *et al.* (2013:72) suggest that the equity theory, as a classic study, is one of the prevalent theories of motivation that was developed in 1965 and can be used to understand which factors might influence customer participation in loyalty programmes. Originally developed for the field of industrial and organisational psychology, Adams (1965:267) suggests that parties involved in an exchange relationship compare the ratio of their perceived inputs with perceived outputs. For example, an employee exchanges his services, referred to as perceived input, for the return of payment, referred to as perceived output. The term 'perceived' is used as the value of the input and output is determined by the provider of the input and will not necessarily be valued the same way by the other party in the exchange relationship. It should also be understood that it is not implied that a variable can be classified as purely an input or output, as they are inter-correlated, and based on perception. When two parties engage in an exchange relationship, there is a possibility that one, or both parties may feel that the exchange was inequitable. This happens when one or both parties feel that perceived inputs and perceived outputs are not in balance. The experience of perceived inequity will lead to the feeling of under-or over-rewarded, anger or resentment. Perceived inequity will lead to one or both parties changing their behaviour in order to change inputs, and this may result in uncertainty and mistrust in the exchange relationship. In contrast, when both parties in an exchange relationship feel that perceived inputs and perceived outputs are fair, satisfaction is experienced that is referred to as equity

(Adams, 1965:267). Equity creates assurance in the relationship that both parties are concerned with each other's wellbeing and will not attempt to take advantage of one another. The Equity theory, also referred to as social justice, is viewed as a method of making decisions about whether a situation is seen as fair, correct, or worthy when compared to other options. (Corbishley, 2017:36). The Equity theory suggests that, if the exchange process between two parties is understood, behaviour can be predicted (De Wulf *et al.*, 2013:72).

De Wulf *et al.* (2013:72) and Corbishley (2017:36), suggest that the Equity theory is applicable in determining the factors that might influence consumers to participate in loyalty programmes. When a consumer decides to participate in a loyalty programme, an exchange relationship appears where both the loyalty programme participant and loyalty programme provider will offer something (input) and expect a return (output). The participant will give personal information, such as contact details, and endure any participation effort (as explained in Section 3.6.1 and Section 3.6.6) while expecting the benefits offered by the loyalty programme. The programme provider will offer programme benefits and expects benefits that result from a long-term relationship, as explained in Section 3.3 and 3.4 (De Wulf *et al.*, 2013:72).

Previous researchers, as indicated in Table 3.4, have identified numerous factors, (identified as either inputs or outputs) that might influence consumer participation in loyalty programmes. Table 3.4 is a summary of the factors that may influence participation in loyalty programmes, identified by previous researchers. While the factors identified in Table 3.4 may influence consumers to participate in loyalty programmes, it will not assure that consumers become active users; getting customers to participate in a loyalty programme is the first step in using loyalty programmes to work towards customer loyalty (De Wulf *et al.*, 2013:75).



**Table 3.4: Review of literature addressing factors that may influence subject participation in retail loyalty programmes**

Researchers	Factors
Demoulin and Zidda, 2008	<p>Attitude towards loyalty cards</p> <p>Attitude towards the new loyalty card</p> <p>Subjective norm</p> <p>Perceived behavioural control</p> <p>Behavioural loyalty</p> <p>Attitudinal loyalty</p> <p>Perceived behavioural loyalty</p> <p>Store satisfaction and attitude</p>
Galguera, Luna and Mendez, 2006	<p>Education, gender, urban vs. suburban</p> <p>Age</p> <p>Shopping frequency</p>
Leenheer <i>et al.</i> 2007	<p>Loyalty programme membership in other industries</p> <p>Positive attitude toward loyalty programmes in general</p> <p>Privacy concerns</p>
Mueller, 2007	<p>Age, income</p> <p>Competitive membership</p> <p>Innovativeness</p> <p>Relationship proneness</p>
Demoulin and Zidda, 2009	<p>Customer distance to the store</p> <p>Customer perceived advantage of the new loyalty card</p> <p>Customer perceived complexity of the new loyalty card</p> <p>Number of loyalty cards owned by customer</p>
Gomez <i>et al.</i> (2012:493)	<p>Shopping motives</p> <p>Attitude towards loyalty programmes</p> <p>Psychological motives</p>
McCall & Voorhees (2010:37)	<p>Structure of the programme</p> <p>Structure of rewards</p> <p>Customer fit with loyalty programme</p>

Researchers	Factors
De Wulf <i>et al.</i> (2013:75)	Personal data release Participation cost Purchase frequency Participation exclusivity Participation effort Programme benefits Number of programme providers Programme duration

Source: Gomez *et al.* (2012:493); McCall and Voorhees (2010:37); De Wulf *et al.* (2013:75)

The factors identified in Table 3.4 have not been tested on different market segments, nor have they been tested on South African consumers. Steyn *et al.* (2010:355) state that it cannot be assumed that what makes a loyalty programme effective in one country will also work in the next. The current study will seek to build on the research of De Wulf *et al.* (2013:69-83) by using the foundation of the Equity theory to identify factors that influence South African tertiary students to participate in South African loyalty programmes.

As seen in Table 3.4, De Wulf *et al.* (2013:73) built upon previous research and identified eight factors that can be classified as either consumer inputs or outputs that might influence consumer participation in loyalty programmes.

As consumer inputs De Wulf *et al.* (2013:73) identified:

- Personal data release
- Participation cost
- Purchase frequency
- Participation exclusivity
- Participation effort

As consumer outputs De Wulf *et al.* (2013:73) identified:

- Programme benefits
- Number of programme providers
- Programme duration

By building upon previous research, De Wulf *et al.* (2013:73) identified programme benefits as a loyalty programme participation factor, and explored how likely a consumer is to join a loyalty programme based on hard, soft, immediate or postponed rewards, as explained in Section 3.6.3. De Wulf *et al.* (2013:73) did not consider other structural factors of a loyalty programme, such as whether consumers prefer a points reward system, or rather a free product after a pre-determined amount of products bought, reward system. The current study will therefore also explore the 'structure of the loyalty programme and the structure of the rewards' as a factor that might influence loyalty programme participation.

The South African retail trade industry is different from that of global retailers, the airline industry, and the South African banking industry, in that none of the major South African retail loyalty programmes (as indicated in Table 3.1) charge a participation cost (French, 2014; Personal Finance, 2013). South African loyalty programmes are governed by South Africa's Consumer Protection Act, No. 68 of 2008. According to this act, loyalty programme providers have to clearly set out the terms and conditions of participation (Michalsons, 2017). By investigating the loyalty programme terms and conditions of Pick n Pay, Edgars, Clicks, The Foschini Group, Woolworths and Dis-Chem, it is clear that none of these retailers ask participation cost (Pick n Pay, 2019; Thank U, 2018; Clicks, 2016; TFG, 2018; Woolworths, 2017; Dis-Chem, 2017). Olivier and Burnstone (2014:9) explain that financial services, such as banks, can conveniently ask a participation cost for their loyalty programmes, as they have a billing relationship with all their customers, where retailers do not, making loyalty programme participation cost a complicated feature to implement. As South African retail loyalty programmes do not currently charge a monetary price to participate in a loyalty programmes, 'participation cost' will not be investigated by the current study.

Therefore, by building on the research of De Wulf *et al.* (2013:69-83), the current study attempts to explore factors that influence South African tertiary students to participate in retail loyalty programmes, while specifically exploring the effect of the following factors:

- Personal data release
- Purchase frequency
- Participation exclusivity
- Programme benefits
- Structure of the loyalty programme and structure of rewards
- Participation effort
- Number of programme providers
- Programme duration

The researcher of the current study attempted to reach the authors of 'What drives consumer participation to loyalty programmes' by De Wulf *et al.* (2013:69-83) for permission to use the study and access to the questionnaire via several emails to all authors, and by sending messages to the first, second and third author on Academia.edu and Facebook. The first author (Kristof De Wulf) responded after several emails, explaining that he is no longer in academia and included the second author (Gaby Odekerken-Scroder) in the email to ask her to assist the researcher. The researcher, and study supervisor emailed the second author thereafter another three times without any response. The following sections will discuss the above-mentioned factors.

### **3.6.1 Personal data release**

Personal data release refers to the information that consumers are asked to provide to the loyalty programme provider when joining the loyalty programme (De Wulf *et al.*, 2013:73). De Wulf *et al.* (2013:73) differentiate between two levels of personal data, namely basic and extended, which is expected from a participant to join a loyalty programme. Basic personal data include participants providing the programme provider with their name and address, whereas extended personal data includes participants providing the programme provider with information such as relationship status, race, age and income. In the current competitive business environment, retailers use personal information to build long-term relationships

with customers to ultimately better their service experience (Akpojivi, 2013:648). Retailers use loyalty programmes as a tool to collect such information. Through these programmes, retailers are able to identify and record buying behaviour of loyalty programme users, for example, items, brands and amounts purchased as well as the time and frequency of purchases (Akpojivi, 2013:648). Previous research suggests that consumers have an increased concern about the amount of personal information that is released to retailers and manufactures (Graeff & Harmon, 2002:302; De Wulf *et al.*, 2013:73). Akpojivi (2013:648) and Accenture consultation (2016b) indicated that Millennials, also referred to as Generation Y (consumers born between the years 1982 and 2004) are more willing to provide personal information to retailers as compared to Baby Boomers (consumers born between 1946 and 1964), although all consumers remain cautious of retailers' abilities to safeguard their personal information. Research reports about Millennials are of interest to the current study as the targeted population, tertiary students, fall largely within this group. Akpojivi (2013:648) states that the research done to investigate the use of loyalty cards and privacy concerns are mainly reported from an American and European perspective, with little research investigating the concern of South African consumers about personal data release. Knoesen (2017) explains that, although South African consumers are protected by The Protection of Personal Information (PoPI) Act, the majority of South African consumers are still suspicious about the manner in which their personal data is used (Gous, 2017). Retailers risk damage to their image if consumers are suspicious about a retailer using their personal data obtained through their loyalty programme, such as selling it to a third party (Prymas, 2013:3).

Under the loyalty programmes considered by the current study, Pick n Pay's Smart Shopper, Edgars' Thank U points, The Foschini Group's TFG Rewards, and Woolworths' WRewards all require prospective participants to provide the following information to join the loyalty programme: name, surname, title, ID number (or Passport Number for Non-South African Citizens), contact number, email address, postal and physical address (Pick n Pay, 2019; Thank-u-rewards, 2017, TFG, 2018). Clicks' ClubCard and Dis-Chem benefits are the only two programmes that ask more than the above stated information. In addition to the information stated above, to join Clicks' ClubCard a prospective participant will also have to state their gender (Clicks ClubCard, 2016), and to join Dis-Chem benefits a prospective participant will also have to state their gender and marital status (Dis-Chem, 2017).

While De Wulf *et al.* (2013:73) differentiated between two levels of personal data, namely basic and extended, it has not yet been investigated as to what South African tertiary students see as basic and extended data release, nor which type of personal data release influence them to participate in retail loyalty programmes. The current study explored personal data release as a factor that might influence South African tertiary students to participate in retail loyalty programmes. The results of this is discussed in Chapter 5 and Chapter 6.

### **3.6.2 Purchase frequency**

Purchase frequency is defined as “the number of purchases a consumer made at the company offering the loyalty programme within a specific period of time” (De Wulf *et al.*, 2013:74). According to De Wulf *et al.* (2013:74) consumers are more likely to join a loyalty programme of a business where they purchase on a frequent basis. Johansson and Carlson (2015:41) agree by stating that loyalty programmes do not necessarily attract new customers, as they are more appealing to existing customers, and therefore focus on customer retention. De Wulf *et al.* (2013:74) suggest that purchase frequency can be categorised in two levels, namely high frequency and low frequency, where high frequency refers to stores visited on a regular basis and low frequency to stores visited on an irregular basis.

Truth (2016) reported that the South African lower income segment and the middle to lower income segment belong to loyalty programmes where they buy everyday items on a regular basis such as groceries, pharmaceutical goods, airtime and clothing. With no research indicating which retailers students frequently purchase at, Student Village (2012) indicated that the second most common expenditure for South African tertiary students are toiletries and cosmetics, followed by food and groceries, and cellular airtime (as explained in Section 1.2.4, and illustrated in Table 1.2). Student Village (2017:17) indicated that a student spends an average of R546 per month on groceries, R184 per month on toiletries and cosmetics, and R633 per month on clothing and jewellery. What can be drawn from this data is that South African students are spending money at retailers, among others, who sell food,

toiletries and clothing. The current study aimed to explore whether purchase frequency is a possible factor that influence loyalty programme participation amongst tertiary students.

### **3.6.3 Participation exclusivity**

De Wulf *et al.* (2013:74) define participation exclusivity as “the extent to which participation to the loyalty programme is restricted to a specific group of consumers”. Loyalty programmes that restrict participation are called closed, or exclusive loyalty programmes. A loyalty programme without any participation restrictions is called an open or non-exclusive programme (Kumar & Reinartz, 2012:194; De Wulf *et al.*, 2013:75). Arbore and Estes (2013:440) believe that a loyalty programme that restricts participation can create the feeling of being special or superior among members, which makes the programme more attractive. A closed or exclusive loyalty programme ensures that participants fit within the details of the target market that the company wishes to serve. In contrast, an open or non-exclusive loyalty programme enables the company to learn more about a diverse market (Esmark *et al.*, 2016:789; Kumar & Reinartz, 2012:194). Sandeen (2018:12) suggests that, by treating students different to other consumers, loyalty programmes can be used effectively to target students by making them feel ‘special’ and valued.

Among the loyalty programmes considered by the current study, Pick n Pay’s Smart Shopper, Edgars’ Thank U points, The Foschini Group’s TFG Rewards, Woolworths’ WRewards, Clicks ClubCard and Dis-Chem benefits, all are open to any South African or non-South African citizen with a passport number (Pick n Pay, 2019; Thank-u-rewards, 2017; TFG, 2018; Clicks ClubCard, 2016; Dis-Chem, 2017). Clicks creates some degree of exclusivity for two groups. The BabyClub is aimed at awarding special benefits for pregnant consumers, or those who have children up to the age of 36 months. BabyClub members receive double points on selected baby products, get free access to a paediatrician advice website called PaedIG, receive vaccination reminder and moms without medical aid have access to Clicks Helping Hand Clinics. Clicks ClubCard members who are 60 and older can apply for their ClubCard Seniors programme. Seniors ClubCard members earn Double Points on the second Wednesday of the month on their exclusive Double Points Days (Clicks ClubCard, 2016). Dis-Chem has also created a sense of exclusivity for expecting mothers with their Dis-Chem Baby Programme. By registering for the Dis-Chem Baby Programme,

members receive the Benefits Mother & Child magazine every quarter, as well as regular newsletters about pregnancy and childcare, they have access to special offers, bonus points, exclusive promotions, and access to the Dis-Chem Baby Wellness clinics where trained sisters offer free advice. The biggest benefit offered to expecting moms joining the programme is the free baby bag filled with baby products, although terms and conditions apply to receiving the bag (Dis-Chem, 2017).

Dis-Chem is the first among the investigated retailers who implemented a loyalty programme that specifically targets young adults between the age of 18-25, the typical tertiary student age, called FOR YOUth programme (Marketing Spread, 2018). The programme was launched on the 16<sup>th</sup> of June 2018. In its first year of operating the aim was to give young South Africans value for money as well as informing them about bursaries, petrol vouchers to be won, as well as the grand prize, a Nissan Juke (Marketing Spread, 2018).

Unlike South African retailers, South African banks have realised the benefits of capturing students as clients, and targeting them through exclusive student accounts with lower fees than a normal cheque or current account (Wheretobank, 2016). Okpara and Onuoha (2013:18) state that by catering to the current needs of students, banks can ensure long-term relationships that will result in increased profits. Although the lower priced student accounts offered by banks are not an example of using a loyalty programme, it shows how South African banks attempt to give students an exclusive offer with the aim of building a long-term relationship with them (Okpara & Onuoha, 2013:18). Sandeen (2018:12) suggests that loyalty programmes can be used effectively to target students by treating them 'special' to other consumers. Shoprite and Checkers decided to treat registered students special in 2018, by offering them a 10 per cent discount on their purchases on specific dates. On these dates students could pay 10 per cent less on any items bought, up to a maximum of R1 500, by registering before their purchase. To register for the discount, students had to dial \*120\*569\* along with their ID Number (for Shoprite) or \*120\*885\* along with their ID Number (for Checkers) from a cell phone (Business Insider, 2018). Without using this campaign as a long-term loyalty programme, Shoprite and Checkers managed to give students an exclusive offer and gather data of this target market.



With none of the major retailers considered by the current study offering exclusivity through their loyalty programme to students, this study seeks to explore whether partition exclusivity influences retail loyalty programme participation amongst tertiary students.

#### **3.6.4 Programme benefits**

Consumers participate in loyalty programmes to redeem some kind of benefit; these benefits are called programme benefits or rewards (De Wulf *et al.*, 2008:75). Programme benefits refer to any concrete rewards (such as discounts or points) or abstract rewards (such as product information, sense of community or recognition) provided by a loyalty programme (Meyer-Waarden, 2015:23; Meyer-Waarden *et al.*, 2013:203). De Wulf *et al.* (2008:79) and Meyer-Waarden *et al.* (2013:203) suggested that by categorising different programme benefits, researchers can identify those benefits that influence subject participation in loyalty programmes. In low involvement purchases (purchases of inexpensive goods bought on a regular basis without planning), such as fast-moving consumer goods like bread, cold drinks and sweets, the rewards offered from a loyalty programme can be the main driver of the purchase and not the brand purchased (Meyer-Waarden, 2015:25). Previous research has classified the benefits that consumers receive by participating in retail loyalty programmes in different ways (Kim *et al.*, 2013:99). The most used of these classifications include categorising as either hard or soft benefits, secondly as economical, psychological or sociological benefits, and lastly as either utilitarian benefits, hedonic or symbolic benefits (De Wulf *et al.*, 2008:75; Dorotic *et al.*, 2012:220). The following section will explain each classification of loyalty programme benefits.

- **Hard and soft benefits**

Several researchers recognise this as the two broad categories of loyalty programme benefits, namely hard benefits and soft benefits (Kim *et al.*, 2013:99; De Wulf *et al.*, 2013:75; Dorotic *et al.*, 2012:220; Demoulin & Zidda, 2008). Hard benefits are the actual tangible reward that the customer receives for participating in a loyalty programme such as reduced prices or free products (De Wulf *et al.*, 2008:75). Soft benefits refer to additional benefits like providing customers with product or any other additional information, invitations to special members-only events, or members-only communication (Morgan *et al.*, 2015:107; De Wulf

*et al.*, 2008:76). Soft benefits are designed with the purpose of giving participating members the feeling of having a higher status. Status is defined as “the prestige, honour, or reputation attached to one’s position in society” (Arbore & Estes, 2013:443). Arbore and Estes, (2013:443) explain the importance of soft benefits by stating that the desire for status can influence behaviour.

- Economic benefits, psychological benefits or sociological benefits

Loyalty programme benefits can also be categorised as economic benefits, psychological benefits or sociological benefits (Kim *et al.*, 2013:99). Economic benefits relate to utilitarian, as discussed below, and is obtained through financial benefits such as discounts, price reductions or free products (Kreis & Mafael, 2014:591). Psychological benefits refer to a customer having a sense of community or belonging due to participation in a loyalty programme (Kreis & Mafael, 2014:591). Personalised attention is one way of providing psychological benefits, for example, sending personalised happy birthday messages to loyalty card members (Menlyk & Osselaer, 2012:545). Sociological benefits refer to a consumer having a feeling of a higher status and receiving exclusive treatment due to loyalty programme participation (Kim *et al.*, 2013:99). Steinhoff and Palmatier (2014) suggest that the feeling of superior status is likely to build among loyalty programme participants. The feeling of higher status can be achieved through special offerings exclusively to loyalty programme members (Kim *et al.*, 2013:99).

- Utilitarian benefits, hedonics benefits or symbolic benefits

Lastly, loyalty programme benefits can also be categorised as utilitarian benefits, hedonics benefits or symbolic benefits (Chitturi, Raghunathan & Mahajan, 2007:3; Dorotic *et al.*, 2012:220). Utilitarian benefits refer to the practical and functional benefits received when participating in a loyalty programme, like economical savings and gifts. These benefits are associated with hard benefits and are essential to loyalty programmes (Chitturi, *et al.*, 2007:3; Dorotic *et al.*, 2012:220). Hedonics benefits refer to additional or luxurious benefits, such as personalised treatment, and assessment of new products (Chitturi, *et al.*, 2007:3; Dorotic *et al.*, 2012:220). Symbolic benefits refer to the benefit of social status and belonging (Dorotic *et al.*, 2012:220). Dorotic *et al.*, (2012:220) and Meyer-Waarden (2015:23) believe that consumers find more importance in utilitarian and hard benefits than soft and symbolic

benefits. Dorotic *et al.* (2012:218) suggest that these benefits can create switching barriers. Switching barriers refer to reasons that may stop customers from switching from a current company to a competitor (Mutum, Ghazali, Nguyen, Arnott, 2014:942). Economic switching barriers, for example, may prevent a consumer to go to another provider as the customer will miss out on benefits or points obtained from loyalty programme at the current provider (Dorotic *et al.*, 2012:220).

Omar *et al.* (2013:35) suggest that customers require a programme to offer an appropriate blend of different programme benefits such as hard and soft benefits. In contrast, Arbore and Estes (2013:440-443) suggest that soft and social benefits associated with status, and commonly attached to programmes with tiers, are important where a higher tier is associated with a higher income, enabling more spending, suggesting that this structure and these benefits are not appropriate for industries like supermarkets.

The current study will follow the research thoughts of De Wulf *et al.* (2013:75), which states that loyalty programme benefits can be categorised into two broad categories of loyalty programme benefits, namely hard benefits and soft benefits. De Wulf *et al.* (2013:75) further suggests that whether these benefits, hard or soft, are obtained at the moment of purchase, or at upcoming purchases, might also influence a customer to join a loyalty programme. Rewards that are redeemed at purchase are called immediate rewards. Rewards that are redeemed at the customers' next purchase, or after obtaining a pre-amount of points are called postponed rewards (De Wulf *et al.*, 2008:75). Table 3.5 below is a summary of the soft and hard benefits offered by the loyalty programmes of the six major retailers investigated by the current study.

**Table 3.5: Review of soft benefits and hard benefits of South African retail loyalty programmes**

Loyalty programme	Soft benefits	Hard benefits
Pick n Pay Smart Shopper	<p>Smart Shoppers receive targeted offerings.</p> <p>Pick n Pay now offer personal discounts every week to participating loyalty card members, on the products they buy most often.</p>	<p>Smart Shoppers earn points based on their purchase. When a programme member spends R200, they get R1 back in Smart Shopper points.</p>
Clicks ClubCard	<p>Clicks ClubCard uses a tired programme.</p> <p>By signing up for Clicks ClubCard, the programme participant receives a Blue Card. After earning 150 ClubCard points, the participant is upgraded to Gold status. Gold card members receive more points than Blue Card members, get added exclusive treatment by getting a free copy of the ClubCard magazine.</p> <p>Clicks also creates exclusivity for two groups, pregnant women / moms with new born babies, and pensioners, by offering both group exclusive offers.</p>	<p>Clicks ClubCard works on a points system. For every R5 a loyalty programme member spends, they earn one point.</p> <p>Clicks also offers ClubCard members exclusive three-for-two specials. Gold Card members get a free copy of the ClubCard magazine mailed to the participant, or at the till, five times a year.</p>
Edgars Thank U card	<p>Thank U card members have access to exclusive discounts and promotions which are not available to other shoppers.</p> <p>Programme members are also automatically entered into the Edgars 'Million and More' monthly draw every time they make a purchase. Once entered members stand a chance to win R1 million in cash and another million prizes such as cars, holidays, bursaries, shopping vouchers, cell phones, airtime and account clearances, each month.</p>	<p>Thank U card members receive points based on their purchase. Participating members receive 10 points for every R1 they spend at any participating store.</p>

Loyalty programme	Soft benefits	Hard benefits
Woolworths WRewards	<p>Woolworths WRewards uses a tiered programme.</p> <p>WRewards members all have the same card, but a participant's status changes depending on their spending. The Tiers include Valued, Loyal and VIP status. The basic level is "valued member", followed by "loyal members", who spends between R7800 to R24000 a year. The highest level is the VIP member, who spends more than R24000 a year.</p> <p>Besides basic WRewards, loyal members receive exclusive treatment by getting free Wmagazine and "spend and save" vouchers.</p> <p>VIP members receive all the benefits that other members, but also receive exclusive discount vouchers on new food products and a 10% birthday voucher.</p>	<p>WRewards members receive instant savings at purchase on selected items. Members can save up to 20% when purchasing thousands of preselected items, ranging from food, homeware, clothing to homeware and beauty products.</p> <p>Loyalty card members also receive a free Wmagazine with "spend and save" vouchers. VIP members receive a 10% birthday voucher.</p> <p>VIP members receive all the benefits of other members, and added discount vouchers on new food products and a 10% birthday voucher.</p>
The Foschini Group's TFG Rewards	TFG members get exclusive access to in-store promotional offers all year round.	Foschini attempts to build a relationship with their customers by providing instant, unique rewards based on the customers' specific needs.

Loyalty programme	Soft benefits	Hard benefits
Dis-Chem Benefits	<p>Dis-Chem created a sense of exclusivity for expecting mothers with their Dis-Chem Baby Programme. By registering for the Dis-Chem Baby Programme members receive Benefits Mother &amp; Child magazine every quarter as well as regular newsletters about pregnancy and childcare, they have access to special offers, bonus points, exclusive promotions, and access to the Dis-Chem Baby Wellness clinics where trained sisters offer free advice.</p> <p>Dis-Chem also implemented a loyalty programme that specially target young adults between the age of 18 - 15 called the FOR YOUth programme to give young South Africans value for money as well as informing them about bursaries, petrol vouchers to be won, as well as the grand prize, a Nissan Juke.</p>	<p>Dis-Chem Benefits members earn points on their purchases, subject to a minimum spend of R10, which earns the member 15 points.</p> <p>For every 100 points a member converts, they get R1 off their purchase.</p>

Source: Kasai & Chauke (2017); Marketing Spread (2018); Pick n Pay, (2019); Thank U (2018); TFG (2018); Clicks ClubCard (2016); Dis-Chem (2017)

As seen in Table 3.5, all of the major retail loyalty programmes listed above incorporate both soft and hard benefits. With some loyalty programmes, such as Dis-Chem Benefits and Pick n Pay Smart Shopper, the soft benefits refer to the exclusivity of the benefits that can be obtained. The approach of the retail loyalty programmes listed above is therefore in agreement with Omar *et al.* (2013:35), who suggest that customers require a programme to offer an appropriate blend of different programme benefits, such as hard and soft benefits. The current study explored loyalty programme benefits as a factor that influence South African tertiary students to participate in retail loyalty programmes.

### 3.6.5 Structure of the loyalty programme and structure of rewards

Leenheer (2007:12), McCall and Voorhees (2010:35) and Meyer-Waarden (2015:23), consider the structure of a loyalty programme and the structure of rewards to be an important factor for loyalty programme participation. Corbishley (2017:8) states that, although a number of research studies have indicated how important the right combination of rewards and rewards structure is, there is still a lack of empirical evidence to support what the best structure of the loyalty programme and structure of rewards is.

There are two general loyalty programme structures, based on either customer purchase frequency or customer tiers (Troilo, 2015:324). Annirroot (2015:9) suggests that the design of a loyalty programme does not only determine customer participation, but also impact customer retention. The difference between a loyalty programmes based on customer purchase frequency or customer tiers is discussed below.

- In a programme based on purchase frequency, consumers are rewarded based on their purchase, without any restrictions, and all members are equally eligible to earn rewards (Troilo, 2015:324). Pick n Pay, Dis-Chem, Edgars and The Foschini Group programmes are all based on purchase frequency. Pick n Pay and Foschini both introduced customer specific rewards, although this is a unique feature, the rewards are still based on the customer's purchase frequency, and customers do not move up a loyalty programme tier. Foschini attempts to build relationships with their customers by providing instant, unique rewards based on the customer's specific needs and purchase frequency (TFG, 2018). Pick n Pay, since 2017, also offer personal discounts every week to participating loyalty card members, on the products they buy most often (Pick n Pay, 2019).
- Within a programme based on tiers, consumers are divided into groups, based on pre-set requirements and then earn rewards specific to that tier (Troilo, 2015:324). Soft and social benefits, as explained above, are closely related to a programme with tiers, as members who are 'Platinum members' might feel superior to 'Gold and Silver members' (Arbore & Estes, 2013:440). The sense of exclusivity heightens the member's perceived status (Arbore & Estes, 2013:440). Woolworths' WRewards and Clicks' ClubCard are examples of tiered loyalty programmes (Mather, 2013). Both

retailers group consumers according to the amount of money they spend at the retailer, and earn rewards based on that tier (Mather, 2013). By signing up for Clicks' ClubCard, the programme participant receives a Blue Card. After earning 150 ClubCard points (within the qualifying period) the participant is upgraded to Gold status. Gold Card members receive more points than Blue Card members, and a free copy of the ClubCard magazine mailed to the participant, or at the till, five times a year (Kearney, 2013). WRewards members all have the same card, but a participant's status changes depending on their spending. The tier groups on the loyalty programme are the Valued, Loyal and VIP status. The basic level is "valued member", followed by "loyal members", who spend R7800 to R24000 a year. The highest level is the VIP member, who spends more than R24000 a year. Valued members receive the basic WRewards savings. Besides basic WRewards, loyal members receive the free Wmagazine and "spend and save" vouchers. VIP members receive all the benefits that other members receive and discount vouchers on new food products and a 10 per cent birthday voucher (Kasai & Chauke, 2017).

Previous research by Meyer-Waarden *et al.* (2013:202), suggest that the effectiveness of a loyalty programme depends on the design of the rewards, although little is known about customer perceptions of reward structures. Berman (2006:124) explains that there are four broad categories of loyalty programmes based on the rewards they offer:

- Reward type 1: Members receive immediate discount at their purchase.
- The Woolworths WRewards programme is an example of a retailer who offers a discounted price on certain items at purchase, only to their loyalty programme members (Woolworths, 2015).
- Reward type 2: Members receive one free product or service after purchasing X amount.
- Boost juice bar offers a card to their customers to mark every product bought and their 10th product is free (Boost juice bar, n.d.). Although none of the above discussed loyalty programmes use this structure, Dis-Chem and Clicks do incorporate this structure within their points based structure. Dis-Chem and Clicks both offer 3-for-2 specials to loyalty programme members on a regular basis, where if they buy three



products of the same brand, the least expensive product is free (Clicks ClubCard, 2016; Dis-Chem, 2017).

- Reward type 3: Members receive points based on their collective purchase.
- Pick n Pay, Clicks, Dis-Chem and Edgars' loyalty programmes all offer points to their loyalty programme participants based on their purchase (Brink & Viviers, 2012:441).
- Reward type 4: Members receive targeted offerings.
- The Foschini Group offers their loyalty programme participants targeted offerings based on their previous purchase behaviour (Brink & Viviers, 2012:441). Since 2017, Pick n Pay have changed the structure of their loyalty programme. On top of offering points based on their purchase, Smart Shoppers also receive targeted offerings. Pick n Pay now offer personal discounts every week to participating loyalty card members on the products they buy most often (Pick n Pay, 2019).

Truth (2018:30) reported that consumers between the ages of 16-24 (the average age of students) are motivated to join a loyalty programme that offers points when purchasing and by a programme that offers them the ability to save money in any way, more than what they are motivated by exclusive benefits or preferential services.

According to Omar *et al.* (2013:35) it is essential for the structure of the loyalty programme and the structure of the rewards to be easily understood by the customer, easily communicated to customers, and identified and achieved with ease by customers. Meyer-Waarden (2015:25) suggests that consumers prefer to receive immediate rewards rather than postponed rewards, and that the difference between immediate and postponed rewards require more investigation. Accenture consultation (2016a) agrees, by stating that 82 per cent of American retail shoppers and 75 per cent of global shoppers prefer immediate discounts at checkout above accumulating loyalty points; although preferences between different groups were not investigated. Furthermore, consumers are more reluctant to join a loyalty programme where the structure requires time and effort to understand how rewards are accumulated, as this creates high participation effort (Omar *et al.*, 2013:35). Corbishley (2017:9), suggests that, traditionally, retailers have focused on immediate hard benefits, but that further research is required to understand whether consumers value soft rewards (such as product information) and postponed rewards. The current study explored the structure of

the loyalty programme and structure of rewards as a factor that influence South African tertiary students to participate in retail loyalty programmes. The results of this objective is discussed in Chapter 5 and Chapter 6.

### **3.6.6 Participation effort**

Participation effort refers to both the financial and non-financial cost that is expected from a consumer to participate in a loyalty programme (Dorotic *et al.*, 2012:220). Before enrolling in a loyalty programme, a customer reviews the potential benefits of participation compared to the cost of participation (Meyer-Waarden, 2015:23; Dorotic *et al.*, 2012:220). Sharp (in De Wulf *et al.*, 2013:75) suggests that the activities expected from the consumer reduce perceived value of the benefits that the programme offers. Sharp (in De Wulf *et al.*, 2013:75) indicated that 50 per cent of participants felt that loyalty cards are inconvenient, and the most popular response was that it was a burden to carry the cards around.

Participation effort also includes the process that the participant has to go through to redeem earned benefits, cost paid to redeem benefits, and any feelings of stress due to the programme, for example the stress of redeeming benefits before they expire. Sharp (in De Wulf *et al.*, 2013:75) therefore implies that the participation effort expected from consumers may influence customers to not participate in a loyalty programme. Some of the cost that consumers consider prior to participation, include: transportation and convenience cost, which refers to the distance that the customer has to travel to use the loyalty programme; and trouble that customers have to endure to redeem benefits. Dorotic *et al.* (2012:218) suggest that, if an organisation decreases participation effort and perceived cost of loyalty programme participation, they can increase enrolment in the loyalty programme. Different studies have reported different findings regarding the effort Millennials and/or students are willing to go through to earn and redeem rewards of a loyalty programme. Business Tech (2017) reported that merely six per cent of respondents between the age of 16-24 are influenced by any type of participation effort, suggesting that younger consumers are more willing to go through effort to earn and redeem rewards. On the other hand, Code Broker (2018:6) pointed out that the majority of Millennials are unmotivated to join a loyalty programme by any activities associated with participation. Ninety-seven per cent of respondents pointed out that they are more likely to join a loyalty programme where they

can join and access their rewards via easy-to-use apps on their smartphone (Code Broker, 2018:6). Table 3.6 below indicates the different platforms that the major retail loyalty programmes allow consumers to join their programmes, in an attempt to keep participation effort to a minimum.

**Table 3.6: Review of different platforms available to join the major South African retail loyalty programmes**

Loyalty programme	In store	Online (website)	Online application	Calling customer care number
Pick n Pay Smart Shopper	Yes	Yes	Yes	Yes
Edgars Thank U card	Yes	No	No	No
Dis-Chem benefits	Yes	Yes	Yes	No
Clicks ClubCard	Yes	Yes	Yes	No
WRewards	Yes	Yes	Yes	Yes
TFG Rewards	Yes	Yes	Yes	No

Source: Pick n Pay (2019); Edcon Holdings Proprietary Limited (2018:9); Clicks Group Limited (2018:3); and Woolworths Holdings Limited (2018:35); Dis-Chem (2018:4); TFG (2018)

As seen in Table 3.6, out of all the retail loyalty programmes discussed, the Edgars Thank U programme is the only loyalty programme where customers must join in-store, and not via any other method. All the programmes listed above do, however, offer participants the option to monitor their rewards via a smartphone application. Consumers who do join online or via smartphone app for the above-mentioned programmes still have to collect their physical cards in-store and provide proof of their South African ID or passport.

The current study explored participation effort as a factor that influence South African tertiary students to participate in retail loyalty programmes. The results of this objective is discussed in Chapter 5 and Chapter 6.

### 3.6.7 Number of programme providers

Some loyalty programmes allow consumers to obtain benefits by shopping at more than one store, this is referred to as a multi-vendor loyalty programme or partnership loyalty programme, where others can only be used at one store, referred to a single-vendor programme (De Wulf *et al.*, 2013:76).

A multi-vendor loyalty programme can either be owned by one organisation or brand, and participating members can gain benefits by shopping at participating partners, or all participating partners can have equal ownership in the loyalty programme. In both cases, the loyalty programme uses a shared currency, such as obtaining points. Customers obtain benefits or points by shopping at any of the pre-determined partners (Dawkhar, 2016:3).

Customers and retailers both benefit from a multi-vendor loyalty programme. By offering a multi-vendor loyalty programme, the hosting retailer can benefit from potentially attracting a broader customer base at a lower cost, higher participation in loyalty programmes and the opportunity of obtaining more information about their target market through partners (Dorotic, 2015). Customers benefit from multi-vendor loyalty programmes by having the opportunity to gain more loyalty programme benefits without being restricted by one retailer and a larger variety of product options at participating partners (Kutlu, 2015:24). Kutlu (2015:37) and De Wulf *et al.* (2013:76) are both of the opinion that customers will have higher joining intention towards multi-vendor loyalty programmes than a single-vendor programme. This concept has not been tested in a South African retail context.

Some of South African's major retailers discussed in this study incorporated the use of multi-vendor loyalty programmes. Clicks, Edgars and Foschini uses a multi-vendor loyalty programme. Clicks ClubCard allows customers to obtain ClubCard points by shopping at Courtyard, The Body Shop, Net Florist, Musica, Sorbet, Spec Savers and Claire's; staying at City Lodge and Town Lodge hotels; buying fuel at Shell service stations; hiring a car at Europcar; and buying movie tickets at NuMetro (Clicks ClubCard, 2016). Edgars Thank U card members can obtain Thank U points by shopping at Edgars, Edgars Active, Edgars Connect, Red Square, Topshop, Jet, Dune, Calvin Klein, Boardmans, CNA, and TM Lewin (Thank U, 2018). The Foschini Group's TFG Rewards award participating members for

shopping at Foschini, Totalsports, Sportscene, American Swiss, Duesouth, Exact!, @home, @homelivingspace, Sterns, Charles and Keith, G-star Raw, Markham, Donna, The Fix, Fabiani, Mat & May, Next, Sodabloc, and Colette (TFG, 2018). Other organisations have also included South African retailers in their multi-vendor loyalty programme. Discovery, for example, awards Vitality points to members who buy healthy food at Checkers, Shoprite, Pick n Pay, Woolworths, Food Lovers and Spar (Kasai & Chauke, 2017).

Pick n Pay, Woolworths and Dis-Chem's loyalty programmes can only be used at the hosting retailer, making use of a single-vendor programme structure (Pick n Pay, 2019, Woolworths, 2017 & Dis-Chem, 2017).

The current study explored the number of programme providers as a factor that might influence South African tertiary students to participate in retail loyalty programmes. The results of this is discussed in Chapter 5 and Chapter 6.

### **3.6.8 Programme duration**

De Wulf *et al.* (2013:76) defines programme duration as "the period of time during which the programme benefits are available to consumers". To reduce the cost spent on loyalty programme benefits, some programme providers have an expiration date on the redemption of programme benefits. The result is that some members lose rewards by not redeeming on time (Dorotic, Verhoef, Fok & Bijmolt, 2014:3).

Placing a limitation on redeeming loyalty programme benefits may have been argued as both a loyalty programme participation motivator and a participation demotivator (Dorotic, 2015:6). By implementing a limited duration programme, customers might be motivated to reach the maximum amount of benefits and therefore shop more frequently and redeem benefits before the expiration date. On the other hand, customers might be frustrated by losing points before being redeemed and be less motivated to use the given loyalty programme again (Oba, 2017). By offering an unlimited loyalty programme, customers might be motivated to return and keep earning benefits, or it may take away any sense of urgency and delay customers from earning and redeeming benefits (Oba, 2017). Dorotic *et al.* (2014:3) explain that the topic of programme duration, its impact on customer loyalty, and

customer's perceptions thereof is one of the least understood facets of loyalty programmes. A study among U.S. Millennials revealed that 30 per cent of this market gets frustrated with retail loyalty programmes because their points expire before they can use them (Code Broker, 2018:6).

Out of the major South African retailers considered by this study, Dis-Chem is currently the only retailer who has not placed a limitation on their loyalty programme benefits collection (Dis-Chem, 2017). Programme duration is not applicable to Woolworths' WRewards, as discounts are received instantly upon purchase (Woolworths, 2017).

From 2015 to 2017, Pick n Pay Smart Shopper points were valid for three years. In 2017 the programme duration changed, and Smart Shopper points expire after 13 months (The Citizen, 2017). To use Edgars' Thank U points, a member first has to accumulate 10 000 points, and points expire after 14 months (Thank U, 2018). Clicks ClubCard cash back points expire after 12 months of accumulation (Clicks ClubCard, 2016). The Foschini Group's TFG Rewards expiry date is determined by the members' individual purchase. The expiry date is printed on the rewards voucher and can be received via SMS (TFG, 2018).

### **3.7 SUMMARY**

McCall and Voorhees (2010:50) and Nielsen (2017) suggested that retailers can increase the effectiveness of their loyalty programme by carefully analysing market segments and offering tailored marketing strategies to increase the value of a loyalty programme for each segment. A loyalty programme cannot be built on a one-size-fits-all structure (Nielsen, 2017). Different countries, and consumer groups within each country, have different preferences for loyalty programmes, including their need to use technology to engage with their loyalty programme, their preference for immediate, postponed, hard and soft benefits, and their intention to join retail loyalty programmes (Nielsen, 2017).

In addition, some researchers, like O'Brien and Jones in De Wulf *et al.* (2013), have critiqued organisations for treating all customers the same way, as they argued that by treating all customers the same way, resources are wasted by over-satisfying less profitable customers, and under-satisfying more valuable customers, which is in agreement with McCall and

Voorhees (2010:50). Tanford and Malek (2015:314) suggest that retailers can improve the success of their loyalty programme by segmenting their customer base and proving rewards and offerings of their loyalty programme according to the characteristics and needs of each segment. By understanding how different customer groups perceive different loyalty programme structures and benefits, retailers can create loyalty programmes that assist them to differentiate themselves from their competitors (Corbishley, 2018:1).

As discussed in Chapter 1, the average student spent more than the average South African each month, making them a valuable market to be understood by retailers, with little data available on the market (Student Village, 2017:6). The current study focused on South African tertiary students to explore factors that influence them to participate in retail loyalty programmes. The next chapter will discuss the research methodology used by the study.

## **CHAPTER 4.**

### **RESEARCH METHODOLOGY**

#### **4.1 INTRODUCTION**

The purpose of Chapter 4 is to describe the research methodology used by the current study. The research methodology is described by explaining how each step of the research process, as proposed by Clow and James (2014:30), was implemented. This chapter starts by explaining the relevance and functions of marketing research, after which the decisions made in each step of the research process are explained.

#### **4.2 THE MARKETING RESEARCH PROCESS**

The main purpose of conducting marketing research is to obtain information and support marketing decisions (Clow & James, 2014:10). Marketing research is defined as a systematic process where multiple steps are followed to collect, analyse, and report on identified issues, with the purpose of solving a given issue or to take advantage of new found opportunities (Berkowits, 2017:195). For example, retailers use marketing research to allow targeted marketing and effective pricing and promotions based on customer knowledge and perceptions. Retailers also use marketing research to understand and predict consumer behaviour, identify upcoming trends, and understand customer preferences and attitudes (MacKenzie, Meyer & Noble, 2013). Retailers can use the information gathered on their market to better respond to customers' needs, which may lead to improved organisational performance (Pride, Ferrell, Lukas, Schembri & Niininen, 2015:82).

According to Clow and James (2014:5), marketing research has four major functions:

- An exploratory function: This function of marketing research is seen in situations where limited or no knowledge is available on a topic. For example, where a retailer's sales are dropping without managers understanding why. Marketing research can then be used to explore reasons for the decrease in sales. Retailers can also use exploratory research to understand purchasing decisions of new products or reactions to promotional efforts.
- A descriptive function: This function of marketing research involves the collecting and presenting of information on a given topic. For example, marketing research can be



used by retailers to describe the targeted market of a product. An example of this is that marketing research indicated that the target market for the Panasonic HD TV in South Africa is males and females between the ages of 25-55, falling between Living Standards Measure (LSM) 7 to 10.

- A diagnostic function: This function of research is seen in its ability to notice interrelationships within data. For example, research may show that a retailer is visited by more females than males a day.
- A predictive function: The predictive function of research is seen in its ability to foretell consumer reaction to marketing actions such as loyalty programmes.

As discussed in Section 4.2.1, the current study explored factors that could influence South African tertiary students to participate in retail loyalty programmes, as the majority of past research on the subject of loyalty programmes only focused on what happens after customers have already joined a loyalty programme (García-Gómez *et al.*, 2012:492). The current study therefore made use of the exploratory function of research.

While the current study has a marketing focus, it is not pure marketing research but also an academic business management research study, and therefore the research design approach suggested by Saunders, Lewis and Thornhill (2016) was also considered. According to Saunders *et al.* (2016:122), the way a researcher collects data is known as the centre of the research 'onion'. The research 'onion' displays that before deciding on a research approach a researcher needs to first explore their research philosophy in order to base their approach on. According to Saunders *et al.* (2016:122), the term research philosophy "refers to a system of beliefs and assumptions about the development of knowledge". Saunders *et al.* (2016:122) suggests that when a research student is aware of their research philosophy they will be able to design a rational research design where all elements of the research process fit together. This study followed a pragmatism research philosophy. For a pragmatism researcher reality is the main focus. The researcher is concerned with using knowledge and a step-by-step approach to solve a research problem. The researcher starts with a problem, and aims to use knowledge to find practical answers that can solve the research problem and contribute to a real life situation, not an abstract scenario (Saunders *et al.*, 2016:142).

By following the research guidelines of Clow and James (2014:10) and taking on a pragmatism research philosophy, it is important that researchers follow a systematic step-by-step process when conducting research (Clow & James, 2014:10). The steps in the research process can, however, overlap and the names and numbers of steps can differ in different studies (Gopaul, 2013:59). The current study made use of the nine-step marketing research process as proposed by Clow and James (2014:30). This process was used as it follows a logical sequence of steps and systematically approaches the decisions that need to be made in designing an affective research process. The steps in the research process, as presented in Figure 4.1, form the basis for the rest of the chapter.

**Figure 4.1: The research process**



Source: Developed from Clow and James (2014:30)

Each step of the research process, as shown in Figure 4.1, is discussed below.

#### **4.2.1 Step 1: Define the research problem and purpose**

As shown in Figure 4.1, the first step in the research process is to define the research problem and purpose. The research problem is the specific matter at hand that requires more information to be solved (McDaniel & Gates, 2016:50; Clow & James, 2014:30). The research purpose states what the research wishes to achieve. It is essential to define both concepts clearly and not to confuse the symptoms of a problem with the actual problem. Once the problem is understood, the research purpose becomes clear (Clow & James, 2014:30). The research problem might be the lack of understanding of a situation or problem, such as a drop in sales. The purpose of the research will then be to gain a better understanding of a situation, to investigate an opportunity or to address a problem. Defining the research problem correctly is essential to the rest of the research process, as it forms the base on how the other steps will be executed (Gopaul, 2013:75). Once the research purpose is stated, it is used as a guide to develop the research questions or objectives (Clow & James, 2014:31).

The current study explored factors that influence South African tertiary students to participate in retail loyalty programmes. In Chapter 1, it was shown that South African tertiary students are a valuable market segment to be considered by South African retailers as a target market. In Chapter 2, the importance of retailers to the South African economy was established and also how the advancement of these retailers can lead to the advancement of the South African economy. In Chapter 3, it was revealed that retailers use loyalty programmes in an attempt to build consumer loyalty and enhance their performance.

The problem is, however, that the majority of past research on the subject of loyalty programmes only focus on what happens after customers have already joined a loyalty programme (García-Gómez *et al.*, 2012:492). A simple search on Google Scholar on the topic of loyalty programmes reveals numerous articles concerning the impact of loyalty programmes on store loyalty, share-of-wallet, sales performance, purchasing behaviour and customer satisfaction (García-Gómez *et al.*, 2012:492), with little research focusing on the factors that influence subject participation in loyalty programmes (Demoulin & Zidda, 2008:391; McCall & Voorhees, 2010:36). Furthermore, no research to date have investigated factors that may influence loyalty programme participation among students, as

searched on Google Scholar and databases such as Emerald, EBSCOhost, ScienceDirect and SAGE, despite students forming a substantial part of the South African population and contributing to the GDP (Student Village, 2017), as shown in Section 1.3.

The purpose of this study, as explained in Chapter 1, was to explore factors that influence student participation in retail loyalty programmes, with the aim of contributing to the field of marketing, specifically the retail industry.

The research problem and purpose is used as a guide to develop research objectives, which is the second step in the research process.

#### **4.2.2 Step 2: Establish the research objectives**

According to Clow and James (2014:32), a research objective or question states “the type of information needed in order to successfully fulfil the research purpose and make important managerial decisions”. The only difference between a research question and objective is that the latter is stated as a question and the former is formulated as a statement (Clow & James, 2014:10). Research objectives can be categorised as either primary or secondary objectives. The primary objective of the study outlines the main aim that the researcher wishes to achieve, and the secondary objectives are supportive objectives that contribute to the achievement of the primary objective (Gopaul, 2013:62).

Based on the research purpose, and the established framework of De Wulf *et al.* (2013), as indicated in Chapter 1, the primary objective of the study was to:

- Explore factors that influence South African tertiary students to participate in retail loyalty programmes.

The secondary objectives of the study were to:

- Determine the proportion of South African tertiary students who participate in retail loyalty programmes.
- Explore personal data release as a factor that influences South African tertiary students to participate in retail loyalty programmes.

- Explore purchase frequency as a factor that influences South African tertiary students to participate in retail loyalty programmes.
- Explore participation exclusivity as a factor that influences South African tertiary students to participate in retail loyalty programmes.
- Explore participation effort as a factor that influences South African tertiary students to participate in retail loyalty programmes.
- Explore the structure of the loyalty programme and the structure of rewards as a factor that influences South African tertiary students to participate in retail loyalty programmes.
- Explore loyalty programme benefits as a factor that influences South African tertiary students to participate in retail loyalty programmes.
- Explore number of programme providers as a factor that influences South African tertiary students to participate in retail loyalty programmes.
- Explore programme duration as a factor that influences South African tertiary students to participate in retail loyalty programmes.

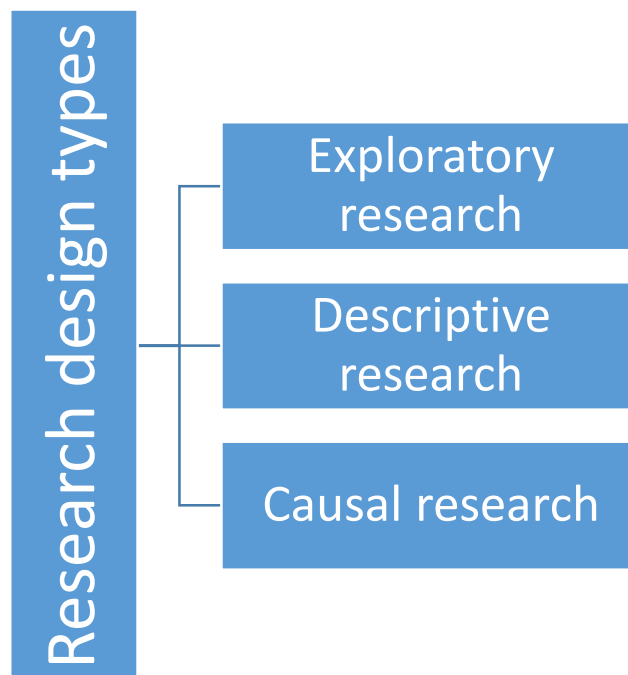
Once the research objectives were established, the research design was determined as the third step in the research process.

#### **4.2.3 Step 3: Determine the research design**

Clow and James (2014:34) define the research design as the plan that will be used to solve the research problem and objectives. According to Zikmund and Babin (2016:51) the research design is the blueprint that sets out the methods and procedures that will be used to collect and analyse the needed information. The design chosen by the researcher will depend on the research problem, as well as other constraints such as time and cost (Clow & James 2014:34).

As indicated in Figure 4.2, a researcher can choose from three main types of research designs namely, exploratory, descriptive and causal research (Zikmund & Babin, 2016:49). Each type of design is discussed below.

**Figure 4.2: Types of research designs**



Source: Developed from Zikmund and Babin (2016:49)

#### 4.2.3.1. Exploratory research design

Exploratory research is an appropriate design in unclear situations, or where the researcher needs more information about an opportunity, problem or phenomenon. Exploratory research will then provide insight into unclear situations, such as customer attitudes and motivation (Clow & James 2014:34; Zikmund & Babin, 2016:49; Gopaul, 2013:63). Exploratory research can also create an understanding into the proposed research problem and increase understanding of customer behaviour (Hair, Bush & Ortinau, 2009:51). This type of research is therefore not intended to provide a clear solution, but rather used to provide a better understanding into the given opportunity, problem or phenomenon (Research Methodology, 2016).

#### 4.2.3.2. Descriptive research design

Descriptive research is used to give a clear description of a consumer, brand, or any marketing phenomenon by answering the “who”, “what”, “when”, “where and “how” of the given topic (Clow & James 2014:28). In contrast to exploratory research, when using descriptive research, the researcher already has a good understanding of the problem or

situation and the research is used to paint a clear picture (Clow & James 2014:34; Gopaul, 2013:64).

#### 4.2.3.3. Causal research design

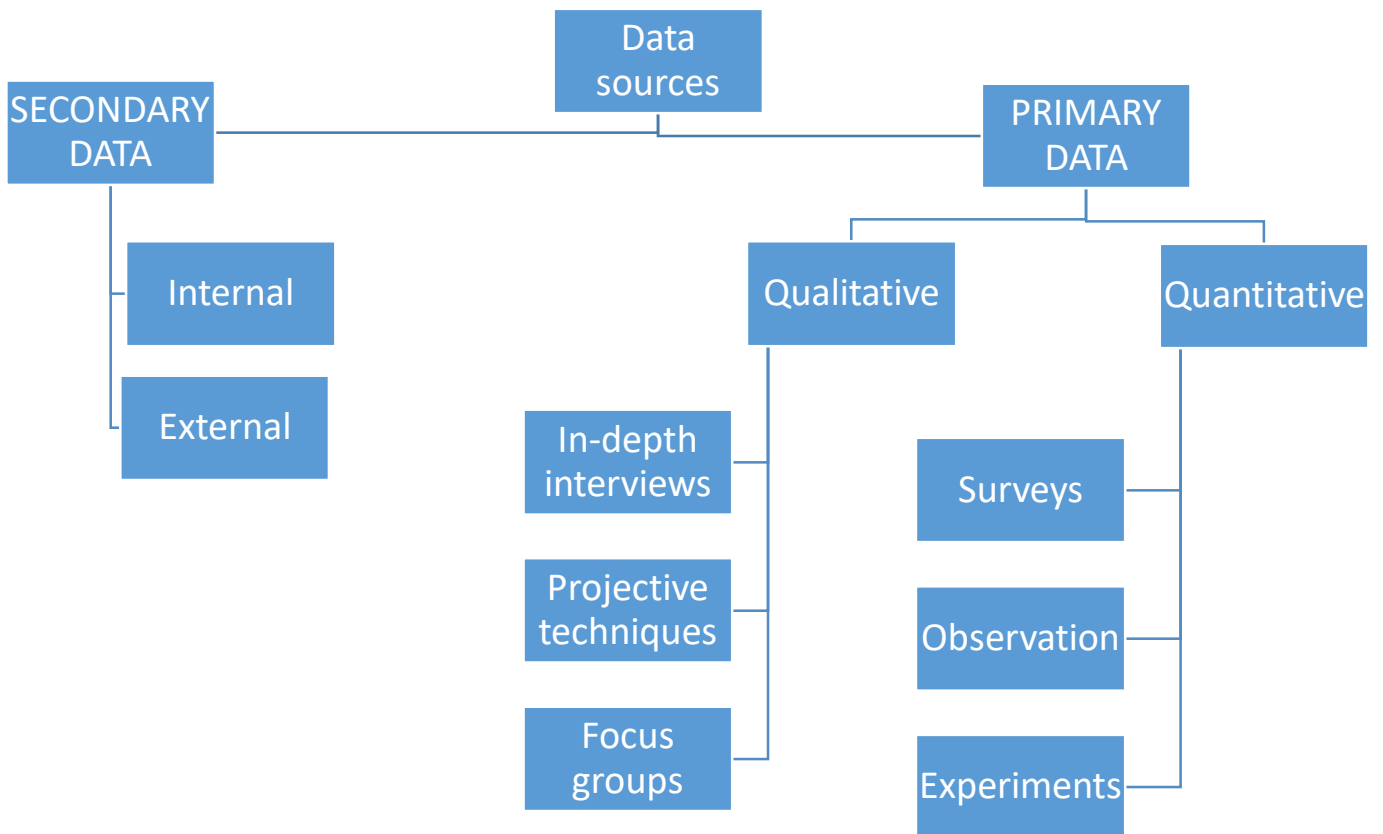
Causal research is used to determine a clear cause-and-effect relationship, determining whether one variable causes another (Clow & James 2014:34; Gopaul, 2013:64). The purpose of causal research is to exclude all other causes of an effect, in order to definitely state that an independent variable affects a dependent variable (Clow & James 2014:34; Gopaul, 2013:64).

According to Zikmund and Babin (2016:49), one research method is not characterised as better, as the most appropriate research design depends on the amount of uncertainty around the research question and the needs of the researcher, as each research design has its own advantages and disadvantages. The importance lies in choosing a research design that follows from the research problem and objectives (Gopaul, 2013:64). The purpose of the current study was to explore factors that influence South African tertiary students to participate in retail loyalty programmes with the aim of further describing the data. The study was therefore exploratory. In the next section, step 4 of the research process, information types and sources will be discussed.

#### **4.2.4 Step 4: Identify information types and source**

In this step of the research process, the researcher needs to determine the information type and sources that will be used, as well as the methods of data collection (Gopaul, 2013:64). As illustrated in Figure 4.3, data sources can be categorised in two groups, namely primary and secondary data.

**Figure 4.3: Types of research designs**



Source: Adapted from Wiid and Diggins (2013:86); Gopaul (2013:65)

A researcher first needs to determine if the research problem can be solved by employing data collected from previous studies, known as secondary data. If secondary data is not sufficient to solve the research problem, the researcher needs to conduct research on the specific topic, known as primary data. In most cases a researcher will employ both primary and secondary research (Berkowitz, 2017:54). In order to achieve the objectives of the current study, secondary research was conducted first to see which information was available for background theory, followed by primary research.

#### 4.2.4.1 Secondary research

Data collected by other researchers that is not for the purpose of the current study, and that is readily available, is referred to as secondary research (Cant *et al.*, 2013:130). This information can be obtained from journals, reports, government publications, newspapers, books and magazines (Gupta & Gupta, 2011:60). Secondary data can provide a researcher with superior background information about a particular problem (Clow & James, 2014:70).



As illustrated in Figure 4.3, secondary data can be attained from an internal source such as company records, or from an external source such as the internet, marketing research organisations or libraries (McDaniel & Gates, 2016:72). The use of secondary data is becoming a popular medium of research through easy access via the internet. Secondary data is also seen as a cost-effective way of research that can present valuable insights found by previous researchers (Pride *et al.*, 2015:86). While the above-mentioned data has noteworthy advantages, the limitations and disadvantages should also be considered. Table 4.1 is a summary of the advantages and disadvantages of the use of secondary data.

**Table 4.1: Advantages and disadvantages of secondary data**

<b>Advantages</b>	<b>Disadvantages</b>
Immediate access	Not designed to meet the specific objectives set out by researcher
Less expensive than primary data	Findings may be unreliable
Could assist in defining or clarifying the research question	May have a lack of information on specific topic
Can indicate potential problems or opportunities that can arise in primary research	Outdated information
Provides background information that is essential to build credibility of a study	Inconsistency in defining concepts and terms
Enables researcher to make a comparative analysis to current study	Difference in units of measurement

Source: Adapted from Zikmund and Babin (2016:125); Pride *et al.*, (2015:86)

As indicated in Table 4.1, the advantage of secondary research is that it is able to provide background information and clarify the research question. The current study collected secondary data from online articles, textbooks, government publications as well as related previous studies. The information gathered through these sources forms the literature review as seen in Chapter 1, 2 and 3. Chapter 1 is a summary of the study, outlining the main aspects discussed in Chapter 2 and 3, as well as indicating the spending power of students.

Chapter 2 provides an overview of the South African retail industry, trends in the industry and the composition of the South African retail industry; and Chapter 3 focuses on loyalty and loyalty programmes. Secondary data was also used by basing the study on De Wulf *et al.* (2013) to establish the factors used to form the objectives of the study. After reviewing the existing literature on the above-mentioned topics, primary data was collected to achieve the research objectives as discussed in Section 4.2.2.

#### 4.2.4.2 Primary Research

When the research objectives or questions set out by the researcher are not answered by secondary research, primary data will be collected (Fleisher & Bensoussan, 2015:151). Primary research refers to information collected by the researcher to address a specific problem at hand (Clow & James, 2014:70). The advantage of collecting primary data is that the results will be current, focused on the research problem and the researcher has more control over the quality and reliability of the data as compared to secondary data. The disadvantage of primary data is that it can be a lengthy and costly process, where trained people are needed for data collection in order to obtain accurate results (Fleisher & Bensoussan, 2015:151). As indicated in Figure 4.3, when conducting primary data, the researcher can choose to follow a qualitative or quantitative research approach. These two approaches will be discussed below.

- Qualitative research

According to Zikmund and Babin (2016:92), qualitative research is research that produces elaborate interpretations of a marketing phenomenon or problem without relying on numerical measurements. Maree (2016:52) explains that the difference between qualitative data and quantitative data is that qualitative data “relies on linguistic (words) rather than numerical data, and employs meaning-based rather than statistical forms data-analysis”. Qualitative research is mostly used where research objectives are less specific and open-ended questions are used in most cases for responded answers (Zikmund & Babin, 2016:92; Maree, 2016:52). As indicated in Figure 4.3, the three most frequently used qualitative research methods are focus groups, in-depth interviews and projective techniques (Gopaul, 2013:67). These qualitative research methods are briefly discussed below.

- Focus groups

A focus group is defined as a free-flow interview with a small group of consumers, generally between six and ten, without a formal structure. The discussion is led by a trained moderator who guides the discussion among participating members in a given direction or topic (Zikmund & Babin, 2016:103). Focus groups are used as it is assumed that the discussion between participating members will trigger each other's responses and feed off each other's ideas, creating a wide range of response with detailed discussions about the given topic. It is argued that the rich data produced by focus groups is difficult to be obtained through other research methods (Maree, 2016:95). The advantages of a focus group are that it is relatively easy to execute, it produces a degree of scrutiny and it yields a variety of consumer perspectives (Zikmund & Babin, 2016:103). The disadvantages of using focus groups are that the results gathered from members in the focus group may not represent the views of the larger population and as the results are qualitative of nature, results are open for interpretation (Maree, 2016:105).

- In-depth interviews

An in-depth interview is a personal interview between a skilled researcher and research respondent. The researcher will ask predefined questions and use probes dependent on the respondent's response for additional information (Zikmund & Babin, 2016:107). The goal of an in-depth interview is to probe enough information on the respondent's thoughts in order to understand the respondent's way of thinking and behaviour (Clow & James, 2014:108). The advantages of in-depth interviews are that the researcher can have a degree of control of the process and have immediate data. The disadvantages are that, as with focus groups, the results are open to interpretation to the researcher and the process can be timely and costly (Maree, 2016:93).

- Projective techniques

According to Zikmund and Babin (2016:111), a projective technique is "an indirect means of questioning enabling respondents to project beliefs and feelings onto a third party, an inanimate object, or task situation". By using this technique, respondents have the opportunity to express their true feelings or attitudes about a situation or topic without trying to answer what is socially acceptable, or what the respondent thinks the researcher wants

to hear. This technique is useful where the subject of the study is sensitive (Zikmund & Babin, 2016:111). An example of this technique is to ask the respondent how he thinks other people would feel about a given situation, with the aim of respondent revealing his true feelings (Clow & James, 2014:111). An advantage of this technique is that it can reveal information that would not be available with predefined questions (Maree, 2016:89).

With all the qualitative research methods discussed, the following section will discuss quantitative research and the associated methods.

- Quantitative research

According to Zikmund and Babin (2016:94), quantitative research is defined as “marketing research that addresses research objectives through empirical assessments that involve numerical measurements and analysis approaches”. Quantitative research requires less interpretation than qualitative research, since findings are based on numerical results (Zikmund & Babin, 2016:94). Quantitative research is often used to measure consumer behaviour, knowledge of consumers on a topic, or product, or consumer attitudes, in order to provide answers such as how often, how much or how many (Clow & James, 2014:111). As indicated in Figure 4.3, the popular forms of quantitative research technique include surveys, observations and experiments. These techniques are briefly discussed below.

- Surveys

Surveys are the most popular form of quantitative research collection (Neelankavil, 2015:52). This entails collecting data directly from a sample of respondents through the use of structured questions and responses. Surveys are often used to obtain a snapshot of the beliefs, attitudes or behaviour of a given sample (Neelankavil, 2015:52; Fouche, 2015:117). The collection of information through the use of surveys can be done in multiple manners, the most popular include personal interviews, telephone interviews and self-administrated surveys (Neelankavil, 2015:210). Each of these survey methods is briefly discussed below.

- Personal interviews

Personal interviews, also called face-to-face surveys, involve a trained interviewer asking the respondent a list of pre-defined questions and records all responses. Some researchers

prefer the use of personal interviews, as it produces a high response rate. In most cases, respondents are more willing to answer immediate questions face-to-face, rather than filling in questionnaires. Personal interviews can be conducted at the home of respondents, or at public areas, or by the use of interception. Personal interviews provide the researcher with the opportunity to clarify any confusion, or offer reassurance of confidentiality in sensitive matters. The researcher can, as traditionally done, record answers by making notes on paper, recoding the conversation on a device, or use modern day technology to capture responses directly on a computer (Neelankavil, 2015:210; Zikmund & Babin, 2016:155).

- Telephone interviews

Similar to a personal interview, telephone surveys involve a trained interviewer asking a respondent a list of pre-defined questions. The only difference between a personal interview and a telephone interview is that the latter is conducted over the phone. This form of data collection is popular as it is a cost efficient and fast way to collect data, as the interviewer can work from a central location and data can be captured as the interview takes place. Some respondents find it easier to discuss personal information, or a sensitive subject over the phone, as compared to face-to-face interviews (Neelankavil, 2015:210; Zikmund & Babin, 2016:155).

- Self-administered surveys

A self-administrated survey is a data collection method where the respondent is accountable to read and answer questions, without interaction with the interviewer. Self-administrated surveys can be distributed in many ways, but the most popular can be categorised in two sub-categories, namely paper surveys and electronic surveys. Paper surveys can be distributed by the use of mail, in-person drop off, placed within magazines or newspapers, faxed, or respondents can be intercepted and asked to complete the questionnaire. By using electronic surveys, questionnaires can be distributed by the use of email, internet websites, interactive kiosk, or mobile phones. A primary concern of researchers using a self-administrated survey is that they are dependent on the respondent to understand the questions and express answers through writing without the assistance of the interviewer (Neelankavil, 2015:210; Zikmund & Babin, 2016:155).

- Observations

Observation is the process of monitoring the behaviour and patterns of people, objects and events while it is happening. Through the use of observations, a wide variety of information can be collected such as consumer behaviour, preferred products, or time spent to choose a product. It cannot, however, provide a reason for the given behaviour nor can it be used to describe attitudes or motivations. The accuracy of observation research is dependent on the researchers' ability to record non-verbal behaviour (Neelankavil, 2015:210; Zikmund & Babin, 2016:155).

- Experiments

The purpose of conducting an experiment is to determine the influence of an independent variable on a dependent variable. The independent variable is manipulated in order to determine its effect on the dependent variable. The researcher has control over the independent variable, can create values for this variable and is therefore able to manipulate it. While the independent variable is manipulated, all other irrelevant variables need to be controlled by the researcher in order to prove that one variable causes another variable to occur (Neelankavil, 2015:210; Zikmund & Babin, 2016:155).

Previous researchers have debated the use of either quantitative or qualitative research methods for superior results (Zikmund & Babin, 2016:94; Tewksbury & Mustaine, 2014:43). According to Tewksbury and Mustaine (2014:43), historically quantitative research was seen as a more reliable form of research as conclusions are based on numerical values, rather than on feelings and perceptions. Zikmund and Babin (2016:94), explain that although there are many differences between quantitative and qualitative research, one method is not superior to the other. The key is to match the right approach to the right research framework. Table 4.2 illustrates the difference between qualitative and quantitative research based on its purpose, the research approach, the independence of the researcher, the data collection approach, researcher independence, the sample size and the research design type.

**Table 4.2: Comparison between qualitative and quantitative research**

<b>Qualitative research</b>	<b>Research aspects</b>	<b>Quantitative research</b>
Discover ideas, used in exploratory research with general research objectives	<b>Research purpose</b>	Test hypotheses or specific research questions
Observe and interpret	<b>Research approach</b>	Measure and test
Unstructured, free-form	<b>Researcher independence</b>	Structured response with categories provided
Researcher is intimately involved, results are subjective	<b>Data collection</b>	Researcher is less involved. Results are objective
Small samples, often in a natural setting	<b>Sample size</b>	Larger samples to produce generalised results (results that apply to other situations)
Exploratory research design	<b>Research design type mostly used</b>	Descriptive and causal research design

Source: Adapted from Zikmund and Babin (2016:94)

For the purpose of this study, a quantitative research method was used to explore factors that influence South African tertiary students to participate in retail loyalty programmes. The study further utilised survey research to collect data in the form of self-administered questionnaires. The researcher used a central-location intercept to hand questionnaires to students studying at Pearson Institute of Higher Education/ CTI Pretoria. The questionnaire consisted of a combination of closed-ended and open-ended questions. The study aimed to assign numbers to data in order to explore factors that influence South African tertiary student participation in retail loyalty programmes.

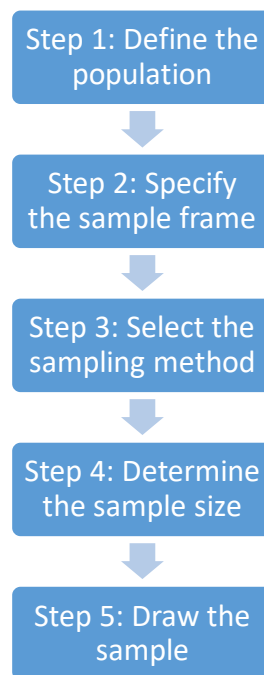
The sample is discussed in further detail next, constituting Step 5 of the research process.

#### **4.2.5 Step 5: Design the sample plan**

Sampling is the process of selecting a group of individuals out of a larger population to survey, in order to draw a conclusion regarding the entire population. The individuals (or objects) chosen to represent the larger population is called the sample. The population refers to the entire group of individuals, or objects, who the researcher wishes to draw a

conclusion from (Clow & James, 2014:225; Zikmund & Babin, 2016:301). Sampling is used in situations where it is not possible to survey the entire population, due to either the size of the population, cost of reaching the entire population or not having access the entire population (Clow & James, 2014:227). Sampling is an efficient way to gather information of a larger population, mist the sample is adequately repressive of the population (Clow & James, 2014:226). In order to ensure that the sample is representative of the population, the sampling process, as indicated in Figure 4.4 below, is used (Clow & James, 2014:226). The five steps of the sampling process include defining the population, identifying the sample frame, selecting the sampling method, determining the sample size and drawing the sample (Clow & James, 2014:225; Cooper & Schindler, 2013:370).

**Figure 4.4: Sampling process steps**



Source: Developed from Clow and James (2014:226); Gopaul (2013:72)

#### 4.2.5.1. Sampling process step 1: Define the population

The population refers to the entire group of individuals or objects who the researcher wishes to draw a conclusion on (Clow & James, 2014:225; Zikmund & Babin, 2016:301). In this step, the researcher needs to determine and define the population accurately in order to have reliable results (Zikmund & Babin, 2016:304). It is crucial that the researcher is mindful



of the fact that, if no members of the chosen population can be reached they cannot form part of a sample (Zikmund & Babin, 2016:301).

For the current study, the target population was defined as students registered at Pearson Institute of Higher Education/ CTI Pretoria (Degree, Higher Certificate and Pre-Degree). This institution was chosen due to the accessibility of the target market to the researcher. Furthermore, only one institution was chosen as the purpose of the study is not to be representative, but rather to use the insight gathered for a better understanding on the topic at hand. The individual students studying at the above-mentioned institution were chosen as the unit of analysis due to their buying power, as indicated in Chapter 1.

As the population for the current study has been determined, the researcher then determined the sample frame.

#### 4.2.5.2. Sampling process step 2: Specify the sample frame

The sample frame refers to a list of individuals or objects from the population from which the sample will be selected (Clow & James, 2014:226). Cooper and Schindler (2013:376) explain that the use of a sample frame is dependent on the sampling method (as explained in the next step), and the use of non-probability or probability sampling. A study that uses a non-probability sampling method does not require a sample frame.

The current study utilised a non-probability sampling method (as explained below) and did therefore not make use of a sample frame, but rather relied on the discretion of the researcher to choose the sample.

The different sampling methods available to the researcher are discussed below.

#### 4.2.5.3. Sampling process step 3: Selecting the sampling method

A researcher can select one of several ways to choose a sample. The different ways to select a sample is commonly categorised into two sampling methods namely, probability and non-probability sampling (Zikmund & Babin, 2016:311). These two sampling methods are explained below.

#### 4.2.5.3.1. Probability sampling

Probability sampling is a systemised process based on the concept of random selection where each member of the population has the same and nonzero chance of being selected to be part of the sample (Clow & James, 2014:229; Zikmund & Babin, 2016:310). The biggest advantages, and therefore also motivation for using probability sampling is that this method allows the researcher to obtain a sample that is representative of the population, and conclusions drawn from this sample may be generalised to the population it is drawn from (Clow & James, 2014:229). As probability sampling requires systemised selection of sampling units, a specific method needs to be followed. Zikmund and Babin, (2016:314) explains the following probability sampling methods, as listed and explained below:

- Simple random sampling

In using this method, the researcher will allocate a number to each individual of the sample frame, and choose the sampling units by use of a random method. By the use of simple random sampling, each member of the population does not only have an equal chance of participation, but a known chance of participation. The probability of selection is estimated by dividing the chosen sample size by the population size (Zikmund & Babin, 2016:314). The advantage of this sampling method is that it is easy to implement. The disadvantage of simple random sampling is that it requires a list of the entire sampling frame (a list of the population), which can be expensive or impossible to obtain and requires a larger sample size than other probability sampling methods that translates in a time consuming and expensive process.

- Systematic sampling

Systematic sampling is similar to simple random sampling in that in both sampling methods members of the sample have an equal and known chance of participation, although systematic sampling relies on a systematic process of choosing sampling units. The researcher requires a list of the population that will be arranged according to an order, for example alphabetical. The research then needs to determine the interval, or the  $n$ th number to be selected. This is determined by dividing the population through the chosen sample size. The researcher will then choose a starting point on the sample frame by a random process, and thereafter every  $n$ th number on the list is chosen as a

sampling unit. This sampling method is not difficult to employ, but it can easily be employed incorrectly. If the first sampling unit is chosen due to being first on the list, and not chosen through a random process the process, can no longer be classified as random (Zikmund & Babin, 2016:315).

- Stratified sampling

To use stratified sampling, the researcher starts by dividing the market into groups, also called a strata, based on the topic of interest. The dividing criteria must ensure that every member of the population will fit into one group, and cannot fit into more than one group. The results of dividing the population should ensure that each group is homogeneous, and that the different groups are heterogeneous. A sample is then drawn from each group by use of either simple random sampling or systematic random sampling. The advantage of using stratified sampling is that the sample is more resourceful as compared to simple random sampling due to comparative differences that can be drawn from groups. Another advantage is that stratified sampling ensures a more accurate presentation of the population based on the criteria used to divide the population into groups.

- Cluster sampling

By using cluster sampling, the primary sampling units are not used as individual sampling elements, but rather form part of a cluster divided according to a chosen element. Each cluster should be representative of the population, in other words cluster sampling ensures heterogeneity within each group, and homogeneity between different groups. Research will then be conducted by using only one cluster, or a sample of that cluster. The part of the cluster used, or the cluster used is chosen based on a random selection. Cluster sampling is often used, when a sample frame is not available, but there is a possibility of retaining details of a given cluster. In an ideal situation, the cluster should be representative of the population. Bias will occur if the characteristics or attitudes of the individuals in a cluster are too similar, and not representative of the population (Zikmund & Babin, 2016:315).

- Multistage sampling

Multistage sampling utilises characteristics of the probability sampling techniques described above. This can be done by using simple random sampling to collect information, and use the given information as a dividing factor to divide sub-groups and use cluster sampling (Zikmund & Babin, 2016:315).

After the probability sampling methods have been discussed above, the following section will discuss non probability sampling and the associated methods.

#### 4.2.5.3.2. Non-probability sampling

By using non-probability sampling, each member of the population does not have the same, or a known chance, of participation. Participation is not selected by a random process but by the judgement of the researcher, and members of the sample will therefore not be truly representative of the population. This means that the results drawn from the sample cannot be generalised to the population (Zikmund & Babin, 2016:315). However, researchers still find non-probability sampling useful in specific research situations. The non-probability sampling methods are discussed next.

- Convenience sampling

As the name suggest, convenience sampling is where the researcher chooses respondents based on convenience either due to availability of respondents or due to the low cost of the method (Zikmund & Babin, 2016:312). Convenience sampling can be done by use of central location interception, asking friends and family to complete questionnaires, or individuals self-selecting to be part of a study by clicking on a link on a website (Clow & James, 2014:230; Zikmund & Babin, 2016:312). The benefit of convenience sampling is that it is an easy and fast method to collect large numbers of completed questionnaires (Neelankavil, 2015:230). The disadvantage of using convenience sampling is that it is not possible to obtain a truly representative sample (Neelankavil, 2015:230). This type of sampling is appropriate for exploratory studies or for descriptive studies that aim for understanding and not for definitive results (Clow & James, 2014:230).

- Judgment sampling

Judgement sampling implies a qualified researcher selecting participants for the sample based on their personal judgement (Clow & James, 2014:230). The researcher will select these individuals as they believe that they have the required information or characteristics to be representative of the population. This can only be done based on the assumption that the researcher has sufficient knowledge of the population (Neelankavil, 2015:230). Similar to convenience sampling, this can be a relatively inexpensive and quick way to accumulate data. The disadvantage, however, is that the sample cannot be proven to be statistically representative and personal bias of the researcher can get in the way of the selection process (Clow & James, 2014:230).

- Quota sampling

Quota sampling is a non-probability sampling method used to ensure that each subgroup in the larger population will be presented in the sample (Zikmund & Babin, 2016:313). Although quota sampling and stratified sampling work towards the same goal, the members of the population of a study using stratified sampling have a known and equal chance of participation (Zikmund & Babin, 2016:313). This is different to quota sampling where the researcher has a quota to achieve based on important characteristics of the study, and the sample is then chosen according to these characteristics and the discretion of the researcher (Clow & James, 2014:232). The benefit of quota sampling is that it is the only non-probability sampling method where the sample can be reflective of the population, but as the selection is based on the discretion of the researcher, a judgmental bias is created (Clow & James, 2014:232).

- Snowball sampling

Snowball sampling is a non-probability sampling method based on the concept of referrals (Neelankavil, 2015:230). Initially individuals are chosen by use of a probability sampling method. These members are then asked to suggest other members in the population that will be willing to participate in the study (Zikmund & Babin, 2016:313). This method is helpful in situations where it is difficult to reach a

population, and it is a cost effective way to reach members of the population (Zikmund & Babin, 2016:313).

As discussed in Chapter 1, the current study made use of non-probability, convenience sampling where the researcher selected respondents based on accessibility. One of the main disadvantages of using non-probability sampling is that the results cannot be used as a general rule to the larger population (Iacobucci & Churchill, 2010:285). However, seeing that this is an exploratory study, the purpose is not for the results to be representative of the larger population, but rather to use the results to form a better understanding of the target population and of the topic at hand. Once the sampling method was chosen the researcher had to determine the sample size, as the fourth step in the sampling plan.

#### 4.2.5.4. Sampling process step 4: Determine the sample size

Sample size refers to the number of individual sampling units that will be included in the sample (Zikmund & Babin, 2016:342). The sample size of a study is important as it determines the accuracy and the cost of the research (Clow & James, 2014:238). The larger the sample size of a study, the smaller the chance of an error occurring in how well the sample reflects the opinions of the target market. Unfortunately, a larger sample size also represents a higher cost (Creswell, 2015:76). As indicated in the previous step, the current study utilised a non-probability sampling method.

To determine the sample size, Creswell (2015:76) suggests using a sampling error formula where a table is used to determine the appropriate sample size based on sampling error (a statistical error rising from the unrepresentativeness of the sample), a confidence interval (the degree of uncertainty with the given sample size) and the chance that the sample will be evenly divided on a question. A sample size table, as seen in Figure 4.5 is used to determine the appropriate sample size for a finite population. The table in Figure 4.5, sets out that with a population size of  $x$ ,  $y$  amount of respondents is needed to have a confidence level (the reliability of a result) of 95 per cent and a precision level of 5 per cent (Clow & James, 2014:240).

**Figure 4.5: Sampling process steps**

<b>Table 5-5 Sample Sizes to be Confident of Accuracy</b>						
<b>Population size</b>	<b>Confidence level = 95%</b>			<b>Confidence level = 99%</b>		
	<b>Margin of error</b>			<b>Margin of error</b>		
	5%	2.5%	1%	5%	2.5%	1%
100	80	94	99	87	96	99
500	217	377	475	285	421	485
1,000	278	606	906	399	727	943
10,000	370	1,332	4,899	622	2,098	6,239
100,000	383	1,513	8,762	659	2,585	14,227
500,000	384	1,532	9,423	663	2,640	16,055
1,000,000	384	1,534	9,512	663	2,647	16,317

Source: Berkowitz (2017:220)

Based on the total population size of Pearson Institute of Higher Education/ CTI Pretoria, which is approximately 1000 students, a sample size of 278 respondents (over the age of 18, and below 65), at a confidence level of 95 per cent will be considered sufficient for the current study (Clow & James, 2014:240), as seen in Figure 4.5. The researcher increased the sample size to 350, in anticipation of possible incomplete questionnaires. After determining the sample size of the study the researcher moved to the final step in developing the sample plan, namely drawing the sample.

4.2.5.5. Sampling process step 5: Draw the sample

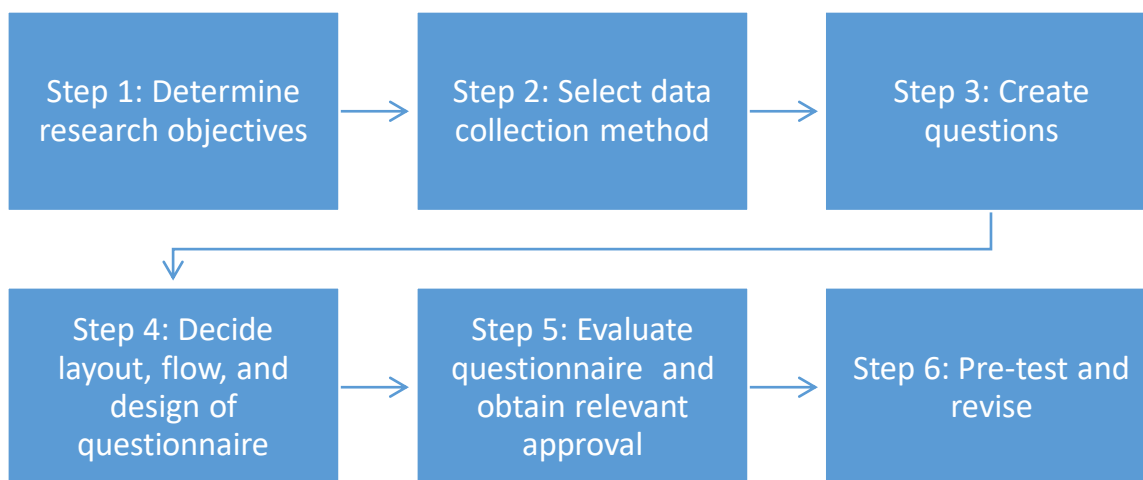
This step involves developing an effective process for selecting the sample elements (Gopaul, 2013:7). For the current study, data was collected through the use of self-administered questionnaires, particularly a central-location intercept at Pearson Institute of Higher Education/ CTI Pretoria. A self-administered questionnaire is a survey method whereby the respondent is responsible for reading, interpreting and answering the questions set out by the researcher (Zikmund & Babin, 2016:171). This enabled a speedy data collection at a low cost without needing a sample frame (Cooper & Schindler, 2013:250). This entailed the researcher approaching students in densely populated locations such as outside the cafeteria and outside classrooms, and asking them to fill in hardcopies of questionnaires voluntarily. The questionnaire included both closed-ended and open-ended questions, as seen in Appendix A.

The next step in the research process, designing the research instrument, as indicated in Figure 4.1 is discussed below.

#### 4.2.6 Step 6: Design the research instrument

A research instrument is a tool used to gather information from the selected sample (Bell & Waters, 2014:123). According to Wang (2014:996) a questionnaire is the most popular form of data collection that provides the researcher with a snapshot of the topic of interest. A questionnaire is defined as a data collection method where information from the sample is collected through the quantification or responses by a set of pre-defined questions to meet specific research objectives. The designed questionnaire should be formulated in such a way as to collect reliable and accurate information (Wang, 2014:996). Figure 4.6 below outlines the steps involved in designing a questionnaire.

**Figure 4.6: Questionnaire design process**



Source: Adapted from: Clow and James (2014:324)

Each of the steps of the questionnaire design process will be discussed briefly below as well as how they were applied to the current study.



#### 4.2.6.1. Step 1: Determine the research objectives

The first step of designing a questionnaire is to determine which information is needed in order to answer the research question. This entails the researcher to define what needs to be measured to guide the questions that will be asked (Silver, Stevens, Wrenn & Loudon, 2013:145). The primary objective of the current study was to explore factors that influence South African tertiary students to participate in retail loyalty programmes. The primary objective, together with the secondary objectives, are used as the foundation for writing the questionnaire questions. Table 4.3 below shows the relationship between the secondary objectives of the study and the questions developed to achieve these secondary objectives (see questionnaire in Appendix A).

**Table 4.3: Relationship between secondary objectives and questions formulated**

<b>Secondary objectives</b>	<b>Questions used to achieve each objective</b>	<b>Type of question</b>
Determine the proportion of students who participate in retail loyalty programmes.	Question 4 Question 5 Question 6	Dichotomous-response
Explore personal data release as a factors that influence South African tertiary students to participate in retail loyalty programmes.	Question 7	Scaled-response
Explore purchase frequency as a factor that influence South African tertiary students to participate in retail loyalty programmes.	Question 8	Scaled-response
Explore participation exclusivity as a factor that influence South African tertiary students to participate in retail loyalty programmes.	Question 9	Scaled-response
Explore participation effort as a factor that influence South African tertiary students to participate in retail loyalty programmes.	Question 10	Scaled-response

<b>Secondary objectives</b>	<b>Questions used to achieve each objective</b>	<b>Type of question</b>
Explore the structure of the loyalty programme and structure of rewards as a factor that influence South African tertiary students to participate in retail loyalty programmes.	Question 11	Scaled-response
Explore loyalty programme benefits as a factor that influence South African tertiary students to participate in retail loyalty programmes.	Question 12	Scaled-response
Explore number of programme providers as a factor that influence South African tertiary students to participate in retail loyalty programmes.	Question 13	Scaled-response
Explore programme duration as a factor that influence South African tertiary students to participate in retail loyalty programmes.	Question 14	Scaled-response

The primary objective was achieved through achieving of the secondary objectives outlined in Table 4.3. This will be discussed in detail in Chapter 6.

After setting the survey objectives, the next step in the questionnaire design process is to select the data collection method.

#### 4.2.6.2. Step 2: Select the data collection method

As discussed in Section 4.2.3, information can be collected through survey research by the use of personal interviews, telephone interviews and self-administrated surveys (Neelankavil, 2015:210). The current study made use of self-administrated questionnaires. The most prominent advantage of this data collection method is that there is no need to try and set up interview appointments, as respondents are asked to complete questionnaires while they are available, and the low cost-per-completion and fast collection makes it an

economical method of surveying large samples. The disadvantage is that respondents might misunderstand questions without researchers knowing and being able to rectify understanding, respondents can skip questions and some respondents might find it difficult to express their feelings on paper as compared to a personal interview (Debois, 2016).

After selecting self-administrated questionnaires as the data collection method, the researcher has to decide on the question format, the types of scales to use, and the phrasing of each question (Clow & James, 2014:326).

In deciding on the question format, the researcher has to decide between two primary question formats, namely open-ended questions and closed-ended questions (Maree, 2016:180). Open ended questions are used where the researcher wants the respondent to answer in their own words without any limitation of answers to choose from. This is normally done by stating a question with open lines for the respondent to answer. The benefit of open-ended questions is that they can provide the researcher with information beyond what was anticipated, and allows the respondent to explain insights and thought processes of the given topic (Clow & James, 2014:327). The disadvantage of open-ended questions is that the amount of detail provided by each respondent will differ, which makes comparison or coding difficult, secondly the reading, coding and interpretation of open questions are complicated, time consuming and therefore expensive (Maree, 2016:180). The current study made use of open-ended questions in Question 6 where respondents are given the option of writing any other retail loyalty programme that they belong to besides the ones listed, and Question 17 where respondents can choose to write another population group as the ones listed (see Questionnaire – Appendix A).

Close-ended questions are structured by asking a question where the respondent has one or more option to choose from. Close-ended questions can be structured in the following formats (Clow & James, 2014:331-332):

- Dichotomous questions, where the respondent has to choose between two answers. The current study made use of four dichotomous questions (see questions 1, 2 and 4 in the questionnaire – Appendix A).

- Multiple-choice questions are structured to give the respondent three or more options to choose from. The current study made use of six multiple-choice questions (see questions 5, 6, 15, 16, 17 and 18 in the questionnaire – Appendix A).
- Scaled-response questions are used when the researcher wants to discover the intensity of feelings or attitudes towards a given variable. The most popular form of scaled response questions is the Likert scale and the Semantic differential scale (Maree, 2016:186). By using a Likert scale, respondents are asked to indicate their attitude or feelings towards a statement by ticking how strongly they agree or disagree with the given statement (Zikmund & Babin, 2016:255). A Semantic differential scale is used by asking respondents to indicate their attitude or feelings by rating a statement on a sequence of bipolar rating scales. A bipolar rating scale requires respondents to choose between two opposites such as smart and dumb, good and bad or boring and exciting (Zikmund & Babin, 2016:255). The current study made use of eight Likert scale questions (see questions 7-14 in the questionnaire – Appendix A). The study made use of a Likert scale because respondents easily understand it, the responses are also easily coded and quantifiable by the researcher, and mathematical analysis can be done by comparisons with ease. A Likert scale also gives respondents the option in choosing the degree to which they agree or disagree with a statement, rather than choosing a concrete yes or no, this makes question answering easier for the respondent (Zikmund & Babin, 2016:255).

The advantage of using close-ended questions is that the process of entering data into a spreadsheet or data capturing system is easier and more accurate than open-ended questions and interviewer bias is limited as respondents choose from pre-determined answers. The main disadvantage of close-ended questions is that the answers that were pre-determined by the researcher may not include the answer that the respondent wishes to answer. In this case, the respondent is forced to either choose an answer that is not true to their situation, or to leave out the question which will lead to inaccurate data. Close-ended questions also limit the researcher to the amount of insight received by the respondent (Clow & James, 2014:329).

Once the data collection method has been determined, the next step is to create the questions.

#### 4.2.6.3. Step 3: Create the questions

In developing the questionnaire, the researcher needs to determine the different categories of questions as well as the question phrasing.

According to Clow and James (2014:334), there are seven types of question categories as discussed below:

- Qualifying or screening questions where respondents can only continue with the questionnaire if they qualify for the given study by answering yes to the screening questions. The current study made use of three qualifying questions to determine if respondents are suitable for the study (see questions 1, 2 and 3 in the questionnaire – Appendix A).
- Demographic questions ask respondents to describe themselves in terms of gender, age, race, income, education or any other demographical questions required by the study. Demographic questions are normally measured by the use of close-ended, nominal or ordinal scales. A question making use of a nominal scale assigns numbers to variables for the purpose of classification or identification, for the use of coding. Ordinal scales are also used for identification, but also indicate an order or sequence (Clow & James, 2014:258). This study made use of four demographic questions (see questions 15, 16, 17 and 18 in the questionnaire – Appendix A).
- Knowledge questions can be used to measure awareness or recognition of a topic or brand. Knowledge base questions are normally measured through nominal or ordinal scales.
- Attitude questions are used to measure attitudes and feelings. Attitude questions are measured through the use of a scaled-response question in order for the respondent to express intensity.
- Preference questions are normally used after attitude questions for more understanding. This can be measured by asking respondents to list variables based on preference by using scaled-response.

- Intentions questions are used to measure future intended behaviour. This can be measured through a dichotomous, yes or no, question but more understanding will be reached through a scaled response to indicate intensity.
- Behaviour questions are very popular in marketing research, as the aim of any business is to sell products. Asking one clear question to measure behaviour is not always possible, or would not provide sufficient knowledge to the researcher. It is therefore helpful to define behaviour as an action or reaction to external stimuli and to measure is viable through the use of a scale response (Sreejesh, Mohapatra & Anusree, 2014:109).

The current study attempted to explore factors that might influence South African tertiary students to participate in retail loyalty programmes. Participation is measured by both the intention to participate and the act of signing up to a loyalty programme. Questions used to explore these factors measure both the intention to participate (intentions questions) as well as the act of signing up for a loyalty programme (behaviour questions). See questions 7-14 in the questionnaire (Appendix A). The next part of creating the questions is to decide on the question phrasing.

Phrasing questions correctly is an important part of designing the research questions, as correctly phrased questions will result in useful data, and incorrectly phrased questions can lead to misunderstanding among participants, which in return will lead to inaccurate data and ultimately decisions based on wrong conclusions (Clow & James, 2014:337). To ensure correctly phrased questions Clow and James (2014:337- 340) suggest that the researcher avoids ambiguity or jargon and ensures clarity, use the correct vocabulary and scales, take note of the limitations of human memory, and avoid double barrelled and leading questions. The above-mentioned suggestions are discussed briefly below:

- Ambiguity, jargon and clarity

The researcher should avoid words such as “usually”, “often”, “occasionally” or “some”, as these terms are ambiguous and can be understood differently by different respondents. Jargon can be avoided by remembering that terms such as “cognitive dissonance”, “attribute evaluation”, or any other marketing terms, may be understood by the researchers but will

not be understood by all respondents. To make sure that questions are clear, the researcher should ensure that a question cannot be interpreted differently from different points of view. For example, asking respondents to state what their income is, is unclear as respondents can wonder if the question refers to individual or household income, only salary or investments, loans and child support too (Clow & James, 2014:337). In order to avoid ambiguity, jargon or unclear questions, the researcher can implement the following three guidelines (Clow & James, 2014:338)

- The researcher should leave the questions for a few days after writing them, as unclear questions and ambiguity that may not be evident at first may be realised later.
- The researcher should give the questionnaire to a person without any marketing knowledge, to ensure that all questions can be understood by a layman.
- The questionnaire should be distributed to a few individuals who fit the profile of the target market and asked to indicate any questions that were unclear, or which they did not understand. The researcher can also ask the given individuals to explain how they understood certain questions.

- Vocabulary and scales

While writing questions for the questionnaire, the researcher should keep in mind that the level of education and the vocabulary of the researcher will not necessarily be the same of that of the research respondents. Keeping this in mind will help to write questions in a conversational manner, to ensure that respondents understand all questions (Clow & James, 2014:338). When a questionnaire makes use of rating scales, it is suggested to use similar scales with similar formats to avoid confusing respondents. The rating items of each scale should also fit with the given questions. For example, asking respondents to rate their satisfaction with an advertisement would not make sense, the researcher should rather ask if the respondent likes or dislikes the given advertisement (Clow & James, 2014:339).

- Limitations of human memory

When a researcher wants to measure human behaviour, feelings or attitudes, questions relating to behaviour feelings or attitudes in the past is unavoidable. It is very important, however, that the researcher minds the limitations of the human memory. Respondents'

ability to recall information are not always accurate, especially when they are asked to recall information that is associated with low cost items. To avoid respondents guessing answers the researchers should keep the recall period as short as possible (Clow & James, 2014:339).

- Double barrel and leading questions

Double barrel questions are questions that ask more than one question within a given question. For example, asking respondents to rate whether the prices of a given retailer are reasonable and provide value for money. The respondent might feel that, although the prices are reasonable, they do not provide value for money. These questions should be avoided. The researcher should also avoid any leading questions. A question is seen as leading when it prompts the respondents towards a given answer. An example of a leading question would be to rate their agreement with the following statement on a Likert scale: “Smart consumers prefer to shop at retailers that offer them loyalty programmes as they know this guarantees money back in their pockets” (Clow & James, 2014:340).

To ensure that the current study avoids ambiguity, jargon, unclear questions, confusing vocabulary and scales and inaccurate data due to limitations of human memory the questionnaire was first allocated to individuals without any marketing background, as well as to four members who fit the profile of the target market, namely full-time students. These individuals took part in a debriefing after answering the questionnaire, to indicate any confusion or unclear questions, and adjustments were made accordingly. The questionnaire also underwent pre-testing, as discussed in Section 4.2.6.6, to ensure accurate understanding of participants.

#### 4.2.6.4. Step 4: Decide layout, flow and design of questionnaire

Once the researcher has formulated research questions, the layout, flow and design of the questionnaire need to be established. Clow and James (2014:340) suggests that the questionnaire starts off with instructions that clearly explains what is expected from respondents and the purpose of the study. The next section of the questionnaire should consist of screening questions, to ensure that the current respondent fits the profile of the target market. If a respondent does not answer “yes” to all screening questions the individual



will be instructed not to continue answering the questionnaire. The third part of the questionnaire consists of the survey questions, relating to the topic at hand. The survey questions are followed by demographic questions. Demographic questions are not used at the beginning of the survey, as it can make respondents feel offended or uneasy. The questionnaire is ended with a closing section that thanks the respondent for their time, as well as a contact number of the researcher should respondents have any follow up questions.

The current study used the layout as discussed above. The researcher made use of three screening questions (see question 1, 2 and 3 in the questionnaire, Appendix A) where respondents could only continue with the questionnaire if they are a student registered at a tertiary institution in South Africa, are between the ages of 18-65, and purchase clothing, groceries, books or CD's from South African retailers. After establishing the flow of the questionnaire the researcher needs to evaluate the questionnaire and obtain relevant approval.

#### 4.2.6.5. Step 5: Evaluate questionnaire and obtain relevant approval

To evaluate the questionnaire, the researcher followed the guidelines as suggested by Clow and James (2014:346). The researcher critically assessed the questionnaire to ensure that all questions contribute to answering the research objectives and that the questions were not too long to lose the interest of the respondent.

The questionnaire for the current study was also approved by the allocated supervisor, as well as by the Bureau of Market Research (BMR). The BMR is a research unit of the Economic and Management Sciences department of the University of South Africa. The questionnaire also required permission from Pearson Institute of Higher Education to distribute questionnaires to their students. After evaluation and approval, the questionnaire was pre-tested.

#### 4.2.6.6. Step 6: Pre-test and revise questionnaire

Pre-testing involves a small group of individuals who reflect the characteristics of the target market completing the questionnaire and providing feedback. Feedback of the questionnaire can be obtained by respondents providing feedback at the end of the questionnaire or after each question (Clow & James, 2014:346). The researcher of the current study pre-tested the questionnaire by asking ten students of Pearson Institute of Higher Education/ CTI Pretoria to complete the survey. After answering the questions, the researcher asked students to indicate any questions that they deemed unclear or difficult to answer. Table 4.4 and Table 4.5 indicate the questions that were seen as unclear or difficult by participants, the original question, the changed question and the reason for each change.

**Table 4.4: Question changed based on pre-test, Question 4**

<b>Question number 4</b>	
<b>Original question before pre-test</b>	Do you currently participate in one or more retail loyalty programme?
<b>Final question after pre-test</b>	<p>Please read the definitions below before answering the following question.</p> <ul style="list-style-type: none"> <li>- Retailer: a retailer is defined as an enterprise that sells goods to the final consumer. A retailer typically buys in bulk and sells in smaller quantities suitable for the end consumers. Retail stores include grocery stores, drug and beauty departments, and convenience stores. Restaurants and fast food outlets are not considered to be retailers.</li> <li>- Loyalty programme: A loyalty programme is defined as a structured and rule based programme designed by a company, such as a retailer, in an effort to reward participating customers for their loyal buying behaviour. In essence, participating members receive rewards for their purchases.</li> </ul> <p>Do you currently participate in one or more retail loyalty programme?</p>
<b>Reason for change</b>	Participants in the pre-test revealed that they are not sure what counts as a retailer and what not, and if an account programme counts as a loyalty programme.

**Table 4.5: Question changed based on pre-test, Question 13**

<b>Question number 13</b>	
<b>Original question before pre-test</b>	Some retail loyalty programme cards can be used at one store where others can be used at multiple stores. Evaluate each of the descriptions below, indicating how likely you are to join a loyalty programme with the described characteristic. (Mark with an X in the appropriate block).
<b>Final question after pre-test</b>	Some retail loyalty programmes can only be used at one retailer, for example, the WRewards card can only be used at Woolworths. Other retail loyalty programmes can be used at multiple retailers, for example, the Thank U card can be used at Edgars, Jet, CNA, etc. Evaluate each of the descriptions below, indicating how likely you are to join a loyalty programme with the described characteristic. (Mark with an X in the appropriate block).
<b>Reason for change</b>	Participants asked the researcher if the question is referring to a card that can be used at only store (location based), or to a retail chain such as Woolworths. The researcher added the example to avoid confusion.

Once changes indicated in Table 4.4 and Table 4.5 were implemented based on the pre-test of the questionnaire, implementation of the study began. The next step of the researcher process (as indicated in Figure 4.1) is to gather the data.

#### **4.2.7 Step 7: Gather the data**

Data is gathered by administrating the research instrument. This process is referred to as fieldwork (Elshabrawy & Hassanein, 2015:68).

The current study carried out fieldwork at Pearson Institute of Higher Education/ CTI Pretoria, where a total of 350 questionnaires were distributed as discussed in Section 4.2.5.4. Questionnaires were distributed through use of central-location intercept. These questionnaires were distributed to students outside the food court area of campus and outside classes. Students were approached by the researcher and asked to fill in the questionnaire. Those who accepted returned the questionnaire immediately after completion. This approach allowed for a high response rate. After the questionnaires were collected, they were processed and analysed. This is discussed in Step 8 of the research process.

#### **4.2.8 Step 8: Process and analyse the data**

The purpose of collecting data is to gather insightful information. After the data was collected through fieldwork, it needed to be formalised in a format that will allow the researcher to process and analyse data, in order to ultimately answer the research questions (Zikmund & Babin, 2016:59). Zikmund and Babin (2016:59) explain that data analysis is the “application of reasoning to understand the data that have been gathered”. In order for this to happen, data needs to be processed. In order to process data, the raw data needs to be prepared and analysed. Data preparation is the process of coding, entering and validating data. Data coding entails assigning numerical values to responses in order to enter values into a computer. Validating data means to eliminate incomplete or incorrect answers. There are many computer programmes, such as Qualrus, N-Vivo and Statistical Package for Social Science (SPSS) available to assist researchers in the analyses and processing of qualitative data (Rubin & Babbie, 2017:501).

As discussed in Chapter 1, the SPSS 20 programme is described as an integrated system for statistical analysis that provides the researcher with a variety of features like specialised analysis and graphs (Sarma, 2010:256). Data obtained from the questionnaires was captured by the SPSS programme for analysis. The data was then coded, edited and validated

The approach used to analyse the data depends on the formulation of the research problem, the research objectives and design (Rubin & Babbie, 2017:501). The research problem for the current study is the lack of clearly defined factors that influence student participation in retail loyalty programmes. The primary objective of this study was to explore factors that influence South African tertiary students to participate in retail loyalty programmes. Due to the explorative nature of the study, the data was analysed using basic descriptive statistics and frequencies to describe the findings of this study and the results were presented by referring to the actual question numbers in the questionnaire in Appendix A. Frequencies and percentages were used to provide a robust graphic breakdown of the data. Independent samples t-tests and Analyses of Variance (ANOVA) were conducted in order to statistically compare the different groups. A t-test is used to determine the statistical difference between two means, where an ANOVA test is used to determine the statistical difference between

three or more means (Zikmund *et al.*, 2017:453). The reliability and validity of the questionnaire were then tested. These concepts are discussed below.

#### 4.2.8.1. Questionnaire reliability

Reliability is used to test the internal consistency of a questionnaire or research instrument. This means that a questionnaire will be seen as reliable if the different attempts used to measure a construct converge the same result (Zikmund & Babin, 2016:249). In simple terms, reliability measures if a question asked in numerous ways results in a consistent answer. To ensure reliability, the current study used research instrument scale items from previous studies, as well as Cronbach's alpha. The coefficient alpha, also known as Cronbach's alpha, is generally used to determine the internal consistency of the measuring of a construct (Zikmund & Babin, 2016:249). According to Zikmund and Babin (2016:249), a scale with a Cronbach's alpha between 0.80 and 0.96 is considered as highly reliable. A scale with a Cronbach's alpha between 0.70 and 0.80 has good reliability, and a Cronbach's alpha value between 0.60 and 0.70 is seen as fairly reliable. If items in a Likert scale are written in opposite directions, as in the case with the current study, the results of a Cronbach's alpha could result in a reduced score, due to item correlations being affected (Spector, 2014). The current study therefore did not make use of a Cronbach's alpha for each factor analysed, but rather calculated the Cronbach's alpha for the entire scale. The results of the Cronbach's alpha is discussed in Section 5.6.

#### 4.2.8.2. Questionnaire validity

Validity determines the accuracy of the measurement, in other words, does each question used to measure a concept, truthfully represents the given concept (Zikmund & Babin, 2016:250). When a measurement lacks validity the conclusions based on the given data will not be accurate or truthful (Zikmund & Babin, 2016:250). Due to the exploratory nature of the study, a wide validity, testing is not an aim, as factors are explored and hypotheses are not tested (Wankel & Wankel, 2016:152). To test the validity of the current study, a pre-test was used, as discussed in Section 4.2.6.6. The researcher asked students to indicate any questions that they deem unclear and questions were changed accordingly. The validity was also assured by use of content validity testing on a panel of two marketing and research

experts (Taniguchi, 2015:171). The wording of five questions were then reworded based on their opinions and responses.

#### **4.2.9 Step 9: Interpret the findings and prepare report**

The last step in the research process, interpreting findings and preparing a report, as indicated in Figure 4.1, is one of the most important steps in the research process. According to Zikmund and Babin (2016:60) this step entails the researcher interpreting findings by explaining the implications of the research results and drawing up conclusions in the form of a report. The conclusions should be based on the objectives of the research study.

The research findings for the current study will be discussed in Chapter 5, and conclusions and recommendations will be discussed in Chapter 6.

### **4.3 SUMMARY**

In this chapter, each step of the research process, as proposed by Clow and James (2014:30), was discussed, followed by an in depth explanation of how the current study utilised each step. In order to satisfy the primary research objective, that is, to explore factors that influence South African students to participate in retail loyalty programmes, the current study made use of a quantitative research approach. Data was collected from students at Pearson Institute of Higher Education/ CTI Pretoria by handing out self-administrated questionnaires, and making use of non-probability, convenience sampling. Chapter 5 will discuss the research findings of the current study.

## **CHAPTER 5.**

### **RESEARCH RESULTS**

#### **5.1 INTRODUCTION**

This chapter will present the analysis of the results of the current exploratory study. The chapter starts by explaining the objective of the study, followed by an explanation of the methodology and analyses of the study. This is followed by a description of the profile of the sample, and an explanation of the measurement instrument used. Finally, the results of the study are discussed within each factor that might influence student to participate in retail loyalty programmes, and within different demographic variables.

The quantitative data was analysed using Statistical Package for the Social Sciences 20 (SPSS 20). Due to the explorative nature of the study, the data was analysed using basic descriptive statistics and frequencies to describe the findings of this study and the results were presented by referring to the actual question numbers in the questionnaire (see Appendix A). Possible factors that influence students to participate in retail loyalty programmes are explored in this chapter by investigating the following factors:

- Factor 1: Personal data release
- Factor 2: Purchase frequency
- Factor 3: Participation exclusivity
- Factor 4: Participation effort
- Factor 5: Structure of the loyalty programme and structure of rewards
- Factor 6: Programme benefits
- Factor 7: Number of programme providers
- Factor 8: Programme duration

The factors listed above were explored by analysing the results of the characteristics of each factor, as seen in Section 5.4. Furthermore, a profile of the respondents in terms of demographic characteristics is provided, followed by a comparison between the demographic groups, by use of cross tabulation, in order to determine if there were any differences in the influence of participation factors among these groups. The last section covers a discussion on the reliability and validity of the research instrument.

## 5.2 OBJECTIVES OF THE STUDY

The study followed a qualitative method approach with the aim of achieving the following objectives:

The primary objective of the study was to:

- Explore factors that influence South African tertiary students to participate in retail loyalty programmes.

The secondary objectives of the study were to:

- Determine the proportion of South African tertiary students who participate in retail loyalty programmes.
- Explore personal data release as a factor that influences South African tertiary students to participate in retail loyalty programmes.
- Explore purchase frequency as a factor that influences South African tertiary students to participate in retail loyalty programmes.
- Explore participation exclusivity as a factor that influences South African tertiary students to participate in retail loyalty programmes.
- Explore participation effort as a factor that influences South African tertiary students to participate in retail loyalty programmes.
- Explore the structure of the loyalty programme and structure of rewards as factors that influence South African tertiary students to participate in retail loyalty programmes.
- Explore loyalty programme benefits as a factor that influences South African tertiary students to participate in retail loyalty programmes.
- Explore number of programme providers as a factor that influences South African tertiary students to participate in retail loyalty programmes.
- Explore programme duration as a factor that influences South African tertiary students to participate in retail loyalty programmes.

The next section will briefly describe the methodology used to explore the objectives as listed above.



### **5.3 METHODOLOGY**

The purpose of this section is to briefly describe the research methodology used that produced the results for the current study. This section starts by briefly explaining the procedure and design, the data analyses used, the profile of the sample, and ends by describing the measurement instrument used.

#### **5.3.1 Procedure and design**

The study was explorative by nature and adopted a quantitative approach with a self-administered survey questionnaire utilised to collect data from students registered at the Pearson Institute of Higher Education/ CTI Pretoria (Degree, Higher Certificate and Pre-Degree students). In terms of sampling method, non-probability, convenience sampling was used for this study.

#### **5.3.2 Data analyses**

The data was analysed using the Statistical Package for the Social Sciences 20 (SPSS 20). Due to the explorative nature of the study, the data was analysed using basic descriptive statistics and frequencies to describe the findings of this study and the results were presented by referring to the actual question numbers in the questionnaire in Appendix A. Frequencies and percentages were used to provide a robust graphic breakdown of the data. Independent samples t-tests and Analyses of Variance (ANOVA) were conducted in order to statistically compare the different groups. A t-test was used to determine the statistical difference between two means, where an ANOVA test was used to determine the statistical difference between three or more means (Zikmund *et al.*, 2017:453).

This study made use of independent sample t-tests to compare the mean scores, on a continuous variable, for two different groups within the sample. Independent sample t-tests were used to compare the groups on the various characteristics.

The ANOVA technique was used to determine if there is a significant difference between three or more means. By the use of an ANOVA test, an F value is obtained that indicates the differences in means for different groups. A higher F value represent a higher variability between groups (Zikmund *et al.*, 2017:453). An ANOVA test is traditionally used in

exploratory studies, and is a good indicator to explore preferences between differences between groups (Malhorta,1993:519). An ANOVA was conducted using a Games-Howell post-hoc test to examine between which groups significant differences were present. The Games-Howell test was used when variances are unequal and takes into account unequal group sizes. This test involves calculating a critical difference for every pair of means being compared. The results of both a T-test and ANOVA test produce a significant value (Sig value). A Sig value equal or less than .05 indicates a significant difference. A Sig value above .05 indicates no significant difference between the factors analysed (Zikmund *et al.*, 2017:455). A Sig value of .05 indicates that the finding has a 5 per cent (.05) chance of not being true, which means it has a 95 per cent chance of being true. A Sig value of .01 means that there is a 99 per cent chance of the findings being accurate (Zikmund *et al.*, 2017:455). Sig values are used in Section 5.5 to indicate the differences of each factor within different demographic factors.

### 5.3.3 Profile of sample

For this study, a total of 350 respondents were asked to complete the self-administered questionnaire (see Annexure A). In order to qualify for the questionnaire the participant had to be a registered student at a tertiary institution in South African, had to be between the ages of 18 – 65, and shop at South African retailers. To ensure each participant qualified to participate in the study, qualifying questions were used as discussed in Section 5.3.4. Out of the 350 questionnaires distributed, 303 (n = 303) questionnaires were deemed valid and usable for further analysis. Table 5.1 below provides a detailed demographic breakdown of the sample:

**Table 5.1: Demographic breakdown of sample**

	N	Percentage
<b>Gender</b>		
Male	105	34.7
Female	187	61.7
Transgender	1	0.3
Other	2	0.7

	N	Percentage
Prefer not to say	6	2.0
Missing	2	0.7
<b>Age Group</b>		
18 – 23	259	85.4
24 – 28	40	13.2
29 – 33	2	0.7
34 – 37	0	0
38 – 42	0	0
43 – 47	0	0
48 – 52	0	0
53 – 57	0	0
Missing	2	0.7
<b>Race</b>		
Black	229	75.6
White	42	13.9
Coloured	12	4.0
Indian	10	3.3
Asian	0	0
Other	7	2.3
Missing	2	0.7
<b>Level of qualification</b>		
Certificate or Pre-degree	65	21.5
Degree	234	77.2
Missing	4	1.3

As seen in Table 5.1, the majority of the sample were female (n = 187, 61.7%) with 34.7 per cent (n = 105) males. Furthermore, the majority of the sample were between the ages of 18 – 23 (n = 259, 85.4%). The age group was expected as the target market for the current study is students studying at a tertiary higher institution. In terms of race, the sample consisted primarily of Black respondents (n = 229, 75.6%), and White respondents (n = 42, 13.9%). As seen in Table 5.1, all other racial groups (Coloured, Indian, Asian and other) represented small portions of the respondents (between 0% - 4.0%). The study therefore only focused on Black and White respondents where racial comparisons are made in Section 5.5. The majority of respondents, 77.2 per cent (n = 234) indicated that they were undergraduate students studying towards a degree, with 21.5 per cent of respondents

indicating that they were certificate or pre-degree students studying towards a higher certificate or pre-degree, as seen in Table 5.1.

The 47 questionnaires removed consisted of questionnaires from 34 respondents who did not sufficiently complete the questionnaire, three respondents who answered “no” to the first qualifying question, four respondents who answered “no” to the third qualifying question, and six respondents who did not sign the consent form. The qualifying questions are discussed in more detail below under Section 5.3.4 as part of the measurement instrument.

### **5.3.4 Measurement instrument**

The survey questionnaire consisted of four main sections which respondents were required to complete. The first section focussed on qualifying questions to determine whether participants meet the requirements to complete the study for which respondents had to provide a ‘Yes’ or ‘No’ response. Qualifying or screening questions were used in order to target respondents with the appropriate behavioural, attitudinal or demographic characteristics relevant to the study (Clow & James, 2014:334). Respondents could only continue with the questionnaire if they qualify for the given study by answering yes to the screening questions. The current study made use of three qualifying questions to determine if respondents are suitable for the study (see Questions 1, 2 and 3 in the questionnaire – Appendix A).

The qualifying questions used are as follow:

- Question 1) Are you currently a registered student at a tertiary institution in South Africa?
- Question 2) Are you between the ages of 18 and 65?
- Question 3) Do you buy any of the following items at retailers on a regular or irregular basis: clothing, groceries (such as food and/or toiletries), books and/or CD’s?

As discussed above, three respondents answered “no” to the first qualifying question, and four respondents answered “no” to the third qualifying question. The questionnaires of these respondents were removed from the study and not used for analysis.

The second section of the questionnaire required respondents to provide information regarding their participation in retail loyalty programmes, and included:

- Question 4) Do you currently participate in one or more retail loyalty programme? 'Yes or No'.
- Question 5) If yes, please indicate how many retail loyalty programmes you participate in:
  - 1 – 3
  - 4 – 6
  - 7 – 10
  - More than 10
- Question 6) Indicate which of the following retail loyalty programmes you participate in:
  - Pick n Pay's Smart Shopper
  - Edgars' Thank U Card
  - Clicks' ClubCard
  - The Foschini Group's TFG Rewards
  - Woolworths's WRewards
  - Dis-Chem's benefits
  - Other

The third section of the questionnaire focussed on the main factors and characteristics of loyalty programmes and required respondents to rate how likely they would be to join a loyalty programme based on the identified characteristics of each factor on a Likert-scale ranging from '1 – Extremely unlikely' to '5 - Extremely likely'. The main factors and the questions used to measure their associated characteristics included the following:

- Question 7) Personal data release – level of information that consumers are asked to provide the loyalty programme provider when joining the loyalty programme.
- Question 8) Purchase frequency – the number purchases a consumer made at the company offering the loyalty programme within a specific period of time.

- Question 9) Participation exclusivity – the extent to which participation to the loyalty programme is restricted to a specific group of consumers.
- Question 10) Participation effort – the financial and non-financial cost that is expected from a consumer to participate in a loyalty programme
- Question 11) Structure of the loyalty programme and structure of rewards – the structure of a loyalty programme and the accompanying benefits or rewards.
- Question 12) Programme benefits – redemption of benefits or rewards from loyalty programme/programmes
- Question 13) Number of programme providers – number of vendors at which loyalty programme members can purchase.
- Question 14) Programme duration – the period of time during which the programme benefits are available to consumers.

The final section of the questionnaire consisted of questions pertaining to demographic data including:

- Question 15) Gender
- Question 16) Age
- Question 17) Race
- Question 18) Type of qualification

The Likert-scale items used in Question 7, 8, 9, 12, 13 and 14 was borrowed from De Wulf *et al.* (2013:79), without any changes. The Likert-scale items used in Question 10 was borrowed from De Wulf *et al.* (2013:79), while also adding items to measure the effort of online participation. The Likert scale item used in Question 11 was borrowed from Leenheer (2007:12).

Sections 5.4 – Section 5.6 focuses on the results and analysis of the question listed above. Section 5.4 indicates the number of participants that participate in retail loyalty programmes. Section 5.5 discusses the results and analyses of each factor explored. In order to gain further insight into the factors and characteristics that influence the likelihood of respondents in joining a retail loyalty programme, various demographic variables such as gender, age, race and level of qualification is analysed, and discussed in Section 5.6.

#### 5.4 STUDENT PARTICIPATION IN RETAIL LOYALTY PROGRAMMES

Question 4 of the research questionnaire asked participants to indicate if they participate in one or more retail loyalty programmes; Question 5 asked respondents to indicate in how many retail loyalty programmes they participate in; and Question 6 listed the major South African retail loyalty programmes, and asked participants to indicate which programmes they participate in. Table 5.2 below provides a breakdown of respondents' participation in loyalty programmes. The analysis was done to explore the first secondary objective of the study - to determine the proportion of South African tertiary students who participate in retail loyalty programmes.

**Table 5.2: Participation in retail loyalty programmes**

	N	Percentage
<b>Participation in retail loyalty programme</b>		
Yes	219	72.3
No	83	27.4
Missing	1	0.3
<b>Number of retail loyalty programmes</b>		
1 – 3	136	44.9
4 – 6	76	25.1
7 – 10	9	3.0
More than 10	5	1.7
Missing	77	25.4

Table 5.2 indicates that 72.3 per cent (n = 219) of respondents indicated that they do participate in retail loyalty programmes, with 27.4 per cent (n = 83) of respondents indicating that they do not participate in any retail loyalty programme. In terms of the number of retail loyalty programmes respondents participate in, the majority of the respondents (n = 136, 44.9%) indicated that they participate in between 1 to 3 loyalty programmes, followed by participation in 4 to 6 loyalty programmes (n = 76, 25.1%). This is in line with global and South African retail loyalty programme participation numbers. As discussed in Chapter 3, 84 per cent of South Africans, Americans and New Zealanders belong to one or more retail loyalty programme (Nielsen, 2016). In order to explore which retail loyalty programmes students participate in, Question 6 asked participants to indicate which of the major retail

loyalty programmes they participate in. As indicated in Figure 5.1, the study explored student participation in Clicks' ClubCard, Pick n Pay's Smart Shopper, Edgars' Thank U card, The Foschini Group's TFG programme, Dis-Chem's benefits, and Woolworths' WRewards, while also giving participants the option of indicating any other retail loyalty programmes they participate in.

**Figure 5.1: Frequency of participation in retail loyalty programmes**

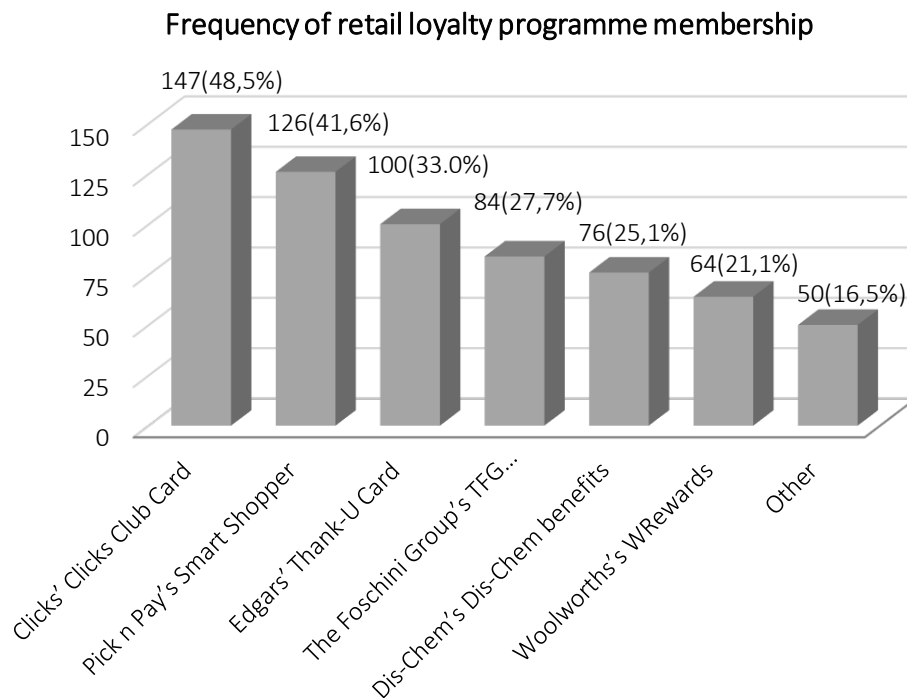


Figure 5.1 indicates the specific loyalty programmes that respondents participate in. In order of popularity. Most students participate in Clicks' ClubCard (n = 147, 48.5%), followed by Pick 'n Pay's Smart Shopper (n = 126, 41.6%) and Edgars' Thank U card (n = 100, 33.0%). Respondents who indicated that they participate in 'Other' loyalty programmes highlighted the following loyalty programmes:

- Spar Rewards
- Checkers
- Cotton-on
- Makro
- Mr Price



- Nu-Metro
- Truworths
- Jet
- The Fix
- Sportscene
- Markham's
- Spur

Truth (2018) analysed the change in South African consumers' attitudes towards loyalty programmes in order to explore the best way for South African companies to develop and change their loyalty programmes. The findings of the current study are in line with those reported by Truth (2018). This study found that the Clicks' ClubCard is the most popular retail loyalty programme among students, and Truth (2018) states that this is also the most popular loyalty programme among South African citizens, with 72 per cent of South Africans participating in the programme. Just like the findings of the current study, the second most popular retail loyalty programme among South Africans is Pick n Pay's Smart Shopper, with 60 per cent of South Africans registered as a user. As seen in Figure 5.1, students' ranked Edgars Thank U card, The Foschini's TFG benefits, Dis-Chems' benefits, and Woolworths' WRewards in 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> place for participation. This differs slightly to South Africa's loyalty programme usage, as more South Africans participate in Dis-Chem's Benefits, Edgars Thank U card, and Woolworths' WRewards than in Foschini's TFG Rewards (Truth, 2018).

As noted above, the current study gave respondents the option of writing down any other retail loyalty programme they belong to. Only 50 respondents (16.5%) used this option. This small group of participants indicated that they partake in Spar Rewards, Checkers, Cotton-on, Makro, Mr Price, Nu-Metro, Truworths, Jet, The Fix, Sportscene, Markham's and Spur as other loyalty programmes they participate in.

The Spar Rewards programme was launched in 2016 (after the start of the current study), and according to last reports, have 2 million users (Spar, 2018) (less than the top retail loyalty programmes as indicated in Table 1.1), and student participation in the loyalty

programme is therefore not explored by the current study. The same applies to Makro's mRewards, that last reported to have 20 thousand users (Massmart, 2017:42). Truworths launched its loyalty programme, TruRewards in 2018, and CottonOn & Co launched their Perks loyalty programme in South Africa in 2017 (after the start of the current study) (Fastmoving, 2018), and student participation is therefore also not explored by the current study. Mr Price does not have a loyalty programme; it is possible that students are confusing their account programme with a loyalty programme. Nu-Metro and Spur are not retailers and are therefore not considered by the current study. Jet forms part of Edgars' Thank U card (Edgars, 2018). The Fix, Sportscene and Markham's form part of the TFG loyalty programme (TFG, 2018), and student participation is explored by the current study. Without data available on the number of participants in Checkers Eezicoupons, the current study excluded the programme from all analyses.

With the first secondary objective explored, the next section discusses the results and analyses of remaining secondary objectives, by exploring the factors that might influence students to participate in retail loyalty programmes, as listed in Section 5.2.

## **5.5 RESULTS OF ANALYSIS**

The results of the study will be presented by firstly examining the preferences of students regarding the characteristics of each of the main factors associated with retail loyalty programmes. Each factor is examined by looking at the results of the characteristics associated with each factor. Findings are evaluated by use of mean scores. The research instrument used a five point Likert scale. An average result when using a Likert scale is therefore 3. After the individual factors are analysed, the study presents a statistical comparison between the various groups based on the demographic variables examined by the study. Only the demographical variables that showed a Sig difference is included in the analyses.

### 5.5.1 Student preferences regarding characteristics of main factors explored

The following section discusses the results of the analysis of each main factor, as listed in Section 5.1, by looking at respondents' results to each characteristic.

#### 5.5.1.1 Personal data release

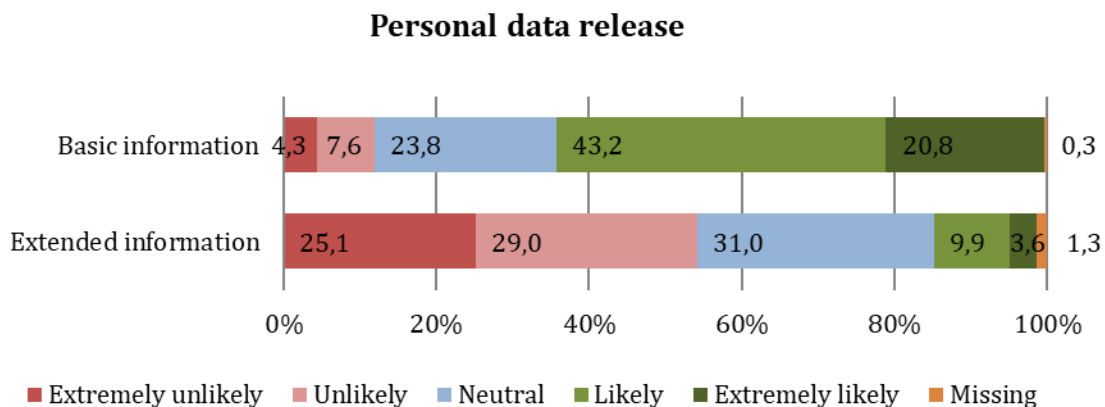
In order to examine Factor 1 'Personal data release'. Respondents were required to rate how likely they were to join a loyalty programme that requires you to give basic information (Characteristic 1.1), and a loyalty programme that requires you to provide extended information (Characteristic 1.2). Characteristics 1.1 and 1.2 were evaluated by answering Question 7.1 and Question 7.2 of the research questionnaire. Table 5.3 and Figure 5.2 below provide a breakdown of the results:

**Table 5.3: Personal data release mean scores**

Factor 1: Personal data release		Mean
Characteristic 1.1	A retail loyalty programme that requires you to give basic information such as your name and address.	3.69
Characteristic 1.2	A retail loyalty programme that requires you to give extended information such as contact information, income, relationship status, race, age etc.	2.37

As seen in Table 5.3, Characteristic 1.1, was found to have the highest mean rating with an above average (> 3) mean of 3.69, in comparison to Characteristic 1.2, which had a below average (< 3) mean rating of 2.37, as seen in Table 5.3.

**Figure 5.2: Personal data release rating percentages**



From Figure 5.2 it is seen that the majority of the sample assigned ratings of 'Likely' (43.2%) and 'Extremely likely' (20.8%) with regards to Characteristic 1.1 as opposed to the majority of respondents assigning ratings of 'Neutral' (31%), 'Unlikely' (29%) and 'Extremely unlikely' (25.1%) for Characteristic 1.2. The findings suggest that respondents prefer, and are more likely to join a retail loyalty programme that only requires basic personal information.

De Wulf *et al.* (2013:73) investigated factors that might drive Belgian commercial consumers to participate in loyalty programmes, and suggested that consumers will be more likely participate in a retail loyalty programme that only asks basic personal information, compared to a loyalty programme that asks participants to provide extended information; consumers have an increased concern about the amount of personal information that is released to retailers. Knoesen (2017) revealed that although South African consumers are protected by the Protection of Personal Information (PoPI) Act, the majority of South African consumers are still suspicious about how their personal data is used when provided to a company. Akpojivi (2013:648) and Accenture consultation (2016b) explored the difference in preferences between Millennials, also referred to as Generation Y (consumers born between the years 1982 and 2004) and Baby Boomers (consumers born between 1946 and 1964), with regard to personal data release. Both studies suggested that Millennials are more willing to provide personal information to retailers as compared to Baby Boomers.

The findings of the study are in agreement with De Wulf *et al.* (2013:73) and Knoesen (2017), suggesting that like other consumers, South African students are more willing to participate in retail loyalty programmes that require them to provide only basic information. This study focused on students, with the majority of the sample falling between the age group of 18 – 23 years old. The sample of the study falls within the category of Millennials. Without making use of a comparison study, the results of the current study are not in line with the findings of Akpojivi (2013:648), who explored the attitude of Black South African students towards personal data release, and found that they do not mind the release of personal data. Accenture Consultation (2016b) who explored U.S. Millennials' feelings towards personal data release, like the current study's participants, indicates that the majority of Millennials are not in favour of providing their personal data to retailers.

To gain further insight into personal data release as a retail loyalty programme participation factor, the study explored the differences in 'Personal data release' between males and females, by the use of an independent sample t-test, as seen in Table 5.4 below.

**Table 5.4: Mean differences between males and females on 'Personal data release'**

	Male mean	Female mean	Sig.
<b>Factor 1: Personal data release</b>			
Characteristic 1.2	3.50	3.81	.015*

\*Significant at the  $p < .05$  level

Female respondents were found to have a higher mean than their male counterparts, with a statistically significant difference of .015 ( $p < .05$ ) between the two groups on Factor 1. Although a significant value is seen between the two groups, both groups indicated an above average ( $> 3$ ) mean. The results suggest that personal data release might be more important to female students. This may be due to safety and security concerns by female students. Both male and female students are more likely to join a loyalty programme that requires you to give only basic personal information.

In order to examine whether statistically significant differences could be found between the various age groups on personal data release, an independent samples t-test was conducted. Table 5.5 below provides a breakdown of the results:

**Table 5.5: Statistically significant differences between age groups**

	18-23 Mean	24-28 Mean	Sig.
<b>Factor 1: Personal data release</b>			
Characteristic 1.1	3.76	3.25	.004**

\*\* Significant at the  $p < .01$  level

Table 5.5 above indicates a that although both age groups have a mean rating above average (>3), a significant difference ( $p < .01$ ) of .004 were found between the 18 – 23 age group, and the 24 - 28 age group on Characteristic 1.1. The findings suggest that students between the age of 18 – 23 are more likely to join a loyalty programme that only requires basic information.

As shown in Table 5.6 below, an independent sample t-test was conducted in order to statistically compare the respondent group who indicated that they do currently participate in retail loyalty programmes, and the respondent group who indicated that they do not currently participate in a retail loyalty programme. Table 5.6 below provides a breakdown of the characteristics for which significant differences were found.

**Table 5.6: Mean differences between respondents who currently participate in a retail loyalty programme and respondents who do not participate in a retail loyalty programme on 'Personal data release'**

		Participation		Sig.
		Yes	No	
<b>Factor 1: Personal data release</b>				
Characteristic 1.1	A retail loyalty programme that requires you to give basic information such as your name and address	3.79	3.42	.014*

\*Significant at the  $p < .05$  level

Table 5.6 indicates that a significant difference of .014 between participants who currently belong to retail loyalty programmes than those who do not ( $p < .05$ ), suggesting that personal data release is even more important to current retail loyalty participants. This may be due to their suspicion of their personal data being sold to a third party. Both groups do however have an above average mean rating (>3), indicating that students who belong to a retail loyalty programmes, and those who do not belong to retail loyalty programmes, are both more likely to participate in a loyalty programme that only requires basic personal data release.

In summary, Question 7 of the research questionnaire asked students to evaluate main factor of 'Personal data release' by asking how likely they were to join a retail loyalty

programme that requires you to give basic information, and a retail loyalty programme that requires you to provide extended information. The results show that students are more likely to join a retail loyalty programme that requires the release of basic personal data. The importance of only providing basic personal data was explored between male and female students, age groups, and between those who participate and those who do not participate in retail loyalty programmes. A significant difference was found between all groups explored, although each group indicated an above average mean rating (>3). The current study therefore concludes that students are more likely to join a retail loyalty programme that requires the release of only basic personal data, not extended personal data.

### 5.5.1.2 Purchase frequency

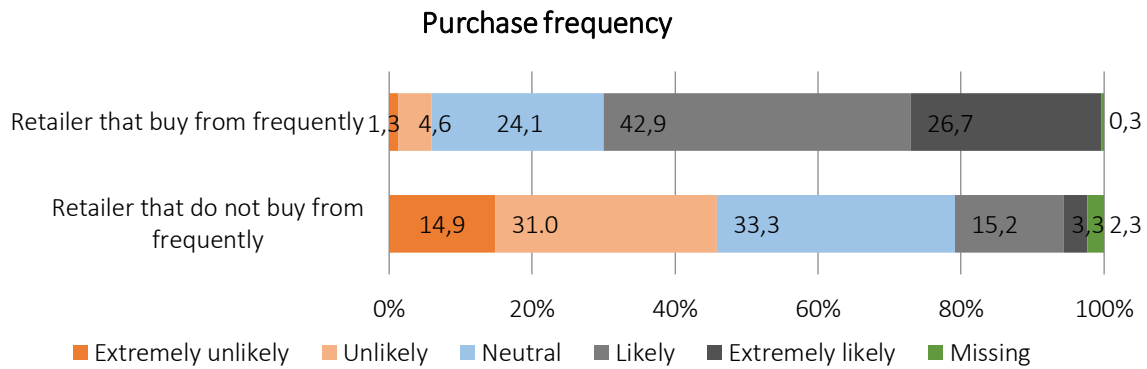
In order to examine Factor 2 'Purchase frequency', respondents were required to rate Characteristic 2.1 and Characteristic 2.2, by answering Question 8.1 and Question 8.2. Table 5.7 and Figure 5.3 below provide a breakdown of the results:

**Table 5.7: Purchase frequency mean scores**

<b>Factor 2: Purchase frequency</b>		<b>Mean</b>
Characteristic 2.1	A retailer that I buy from frequently, or on a regular basis such as weekly or monthly.	3.89
Characteristic 2.2	A retailer that I do not buy from frequently or on an irregular basis, such as once every few weeks, or only as the need arises.	2.60

Characteristic 2.1 had the highest mean rating with an above average (>3) mean rating of 3.89. In contrast, Characteristic 2.2, was found to have a below average (<3) mean rating of 2.60, as seen in Table 5.7.

**Figure 5.3: Purchase frequency rating percentages**



In terms of rating percentages, the majority of respondents assigned ratings of ‘Likely’ (42.9%) and ‘Extremely likely’ (26.7%) for Characteristic 2.1. With regards to Characteristic 2.2, the majority of respondents assigned ratings of ‘Neutral’ (33.3%), ‘Unlikely’ (31%) and ‘Extremely unlikely’ (14.9%), as seen in Figure 5.3. Overall respondents thus seem to favour a loyalty programme from a retailer that they buy from frequently.

Student Village (2012 & 2017) investigated South African tertiary students’ spending behaviour and indicated that the second most common expenditure for South African tertiary students are toiletries and cosmetics, followed by food and groceries, and cellular airtime (as explained in Section 1.2.4, and illustrated in Table 1.2). Student Village (2012 & 2017) indicated that South African students are spending money at retailers, who sell food and groceries, toiletries, cosmetics and clothing. This study did not explore which items students are buying, but explored if purchase frequency influences students to participate in retail loyalty programmes. The result indicate that students are more likely to participate in retail loyalty programmes from retailers that they buy from on regular basis. Looking at the results of Student Village (2017) and the current study conjointly, it can be assumed that students might be more willing to participate in retail loyalty programmes who sell food and groceries, toiletries, cosmetics and clothing.

Table 5.8 below indicates a statistical comparison between male and female students. An independent sample t-test was used to compare the groups on the purchase frequency.



**Table 5.8: Mean differences between males and females on 'Purchase frequency'**

	Male mean	Female mean	Sig.
<b>Factor 2: Purchase frequency</b>			
Characteristic 2.1 A retailer that I buy from frequently, or on a regular basis such as weekly or monthly.	3.77	3.99	.041*

\*Significant at the  $p < .05$  level

As seen in Table 5.8, female respondents were found to have statistically significant ( $p < .05$ ) higher mean ratings than their male counterparts on purchase frequency. Although this may be the case, both males and females were found to have above average ( $> 3$ ) mean ratings, indicating that both male and female students are more likely to join a loyalty programme from a retailer that they buy from on a regular basis.

In order to examine statistical differences between respondents studying towards a pre-degree/certificate and respondents studying towards a degree on purchase frequency, an independent sample t-test was conducted. Table 5.9 below provides a breakdown of the results:

**Table 5.9: Mean differences between pre-degree/certificate and degree respondent groups on purchase frequency**

	Pre-degree/Certificate mean	Degree mean	Sig.
<b>Factor 2 Purchase frequency</b>			
Characteristic 2.1 A retailer that I buy from frequently, or on a regular basis such as weekly or monthly.	3.65	3.97	.009**

\*\* Significant at the  $p < .01$  level

Respondents studying towards a degree were found to have a statistically significant ( $p < .01$ ) higher mean rating than respondents studying towards a pre-degree/certificate. The two groups, however, were still found to have above average ( $> 3$ ) mean ratings for Characteristic 2.1. The difference in preferences towards Characteristic 2.1 between pre-degree/certificate

students and students studying towards a degree (undergraduate students) might be opportunity for future research to explore.

Table 5.10 below, indicates the results of an independent sample t-test, conducted in order to statistically compare the respondent group who indicated that they ‘do currently’ and the respondent group who indicated that they ‘do not currently’ participate in a loyalty programme.

**Table 5.10: Mean differences between respondents who currently participate in a retail loyalty programme and respondents who do not participate in a retail loyalty programme on purchase frequency**

		Participation		Sig.
		Yes	No	
<b>Factor 2: Purchase frequency</b>				
Characteristic 2.1	A retailer that I buy from frequently, or on a regular basis such as weekly or monthly.	3.97	3.70	.028*

\*Significant at the  $p < .05$  level

As seen in Table 5.10 respondents who currently participate in a retail loyalty programme were found to have statistically significant ( $p < .05$ ) higher mean ratings for Characteristic 2.1 than the group of respondents who do not participate in a retail loyalty programme. Respondents who already participate in a retail loyalty programme may thus be more likely to join a loyalty programme of a retailer that they shop from more frequently. Although a significant value is found, both groups reported an above average mean rating ( $>3$ ).

In summary, by exploring Factor 2, purchase frequency, as a participation factor, the study found that students are more likely to join a loyalty programme from a retailer that they buy from frequently, or on a regular basis such as weekly or monthly. Significant differences were found between male and female groups, as well as between respondents who currently participate in a retail loyalty programme and respondents who do not participate in a retail loyalty programme. All groups, however, reported an above average mean rating ( $>3$ )

suggesting that students are more likely to join a retail loyalty programme from a retailer that they buy from frequently, or on a regular basis such as weekly or monthly.

### 5.5.1.3 Participation exclusivity

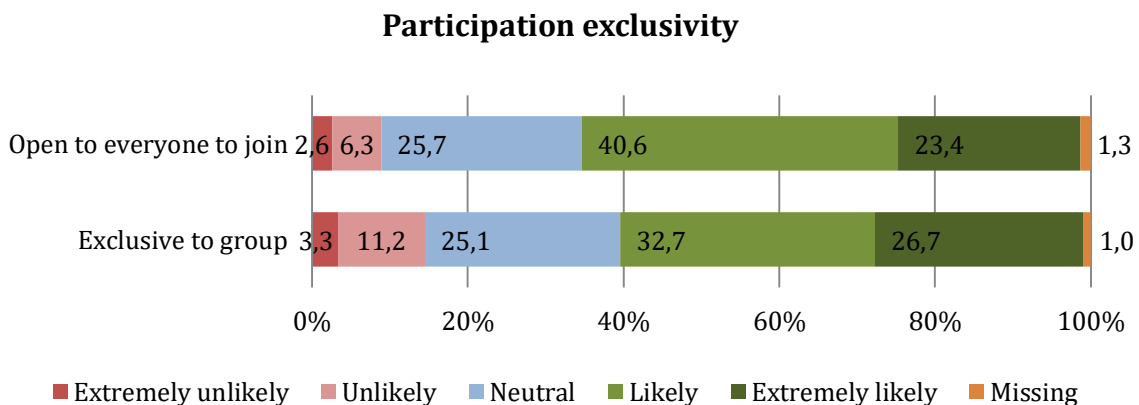
To examine Factor 3, 'Participation exclusivity', respondents were required to answer Question 9.1 and Question 9.2 by rating Characteristic 3.1 'A retail loyalty programme that is open to everyone to join' and Characteristic 3.2 'A retail loyalty programme that is exclusive to a group that you belong to, such as students' in terms of how likely they would be to join. Table 5.11 and Figure 5.4 below provide a breakdown of the results:

**Table 5.11: Participation exclusivity mean scores**

Factor 3: Participation exclusivity		Mean
Characteristic 3.1	A retail loyalty programme that is open to everyone to join.	3.77
Characteristic 3.2	A retail loyalty programme that is exclusive to a group that you belong to, such as students.	3.69

Both Characteristic 3.1 and Characteristic 3.2 were found to have above average mean (> 3) ratings of 3.77 and 3.69 respectively. Characteristic 3.1 was thus found to only have a slightly higher mean rating, with similar mean ratings found for both characteristics, as seen in Table 5.11.

**Figure 5.4: Participation exclusivity rating percentages**



Both Characteristic 3.1 and Characteristic 3.2 were rated similarly by respondents. Respondents predominantly assigned ratings of 'Likely' (40.6%), 'Extremely likely' (23.4%) and 'Neutral' (25.7%) to Characteristic 3.1, with similar ratings of 'Likely' (32.7%), 'Extremely likely' (26.7%) and 'Neutral' (25.1%) assigned to Characteristic 3.2. Overall, if the percentages for 'Likely' and 'Extremely likely' are thus evaluated for each of the characteristics, respondents seem only slightly more likely to join a retail loyalty programme that is open to everyone (64%) than a loyalty programme that is exclusive to a specific group (59.4%), yet the difference may be negligible, as seen in Figure 5.4.

De Wulf *et al.* (2013:75) stated that a loyalty programme that restricts participation can create the feeling of being special or superior among members, which makes the programme more attractive to join. Media Institute (2016:9) indicated that Millennials, similar to other generation groups, are inclined to programmes that give them VIP status, or special offerings. Sandeen (2018:12) suggested that by treating students different to other consumers, a loyalty programmes can be used effectively to target students by making them feel special and valued. The findings of the current study suggest that students are not concerned with participation exclusivity when deciding to join a retail loyalty programme. Sandeen (2018:12) found that South African consumers are demanding personalised options. This study's data suggests that exclusive participation in a retail loyalty programme is not the most effective way to build a long-term relationship with students, based on personalised offers.

An independent sample t-test was conducted in order to examine statistical differences between respondents studying towards a pre-degree/certificate and respondents studying towards a degree, on participation exclusivity, as seen in Table 5.12 below.

**Table 5.12: Mean differences between pre-degree/certificate and degree respondent groups on participation exclusivity**

	Pre-degree/Certificate mean	Degree mean	Sig.
<b>Factor 3: Participation exclusivity</b>			
Characteristic 3.2 A retail loyalty programme that is exclusive to a group that you belong to, such as students.	3.29	3.81	.001**

\*\* Significant at the  $p < .01$  level

As seen in Table 5.12, respondents studying towards a degree were found to have statistically significant ( $p < .01$ ) higher mean ratings than respondents studying towards a pre-degree/certificate. The two groups predominantly, however, were still found to have above average ( $> 3$ ) mean ratings for Characteristic 3.2.

In summary, by observing Table 5.11 and Table 5.12 conjointly, the findings suggest that students, as a group are not more likely to join a loyalty programme that offers them exclusive participation rights, although there is a significant difference between the opinion of pre-degree/certificate students and degree students.

#### 5.5.1.4 Participation effort

In terms of Factor 4, 'Participation effort', respondents were required to answer Question 10.1 – Question 10.5 to rate the following characteristics in relation to their likelihood to join a loyalty programme:

- Characteristic 4.1: 'A retail loyalty programme that requires you to carry a card around in order to have it present when purchasing'
- Characteristic 4.2: 'A retail loyalty programme where you have to redeem points or rewards before being able to use them when purchasing'
- Characteristic 4.3: 'A retailer that you do not live or work close to and have to travel far in order to redeem rewards'
- Characteristic 4.4: 'A retail loyalty programme that allows you to join/register online'

- Characteristic 4.5: ‘A retail loyalty programme that allows you to check your points online’

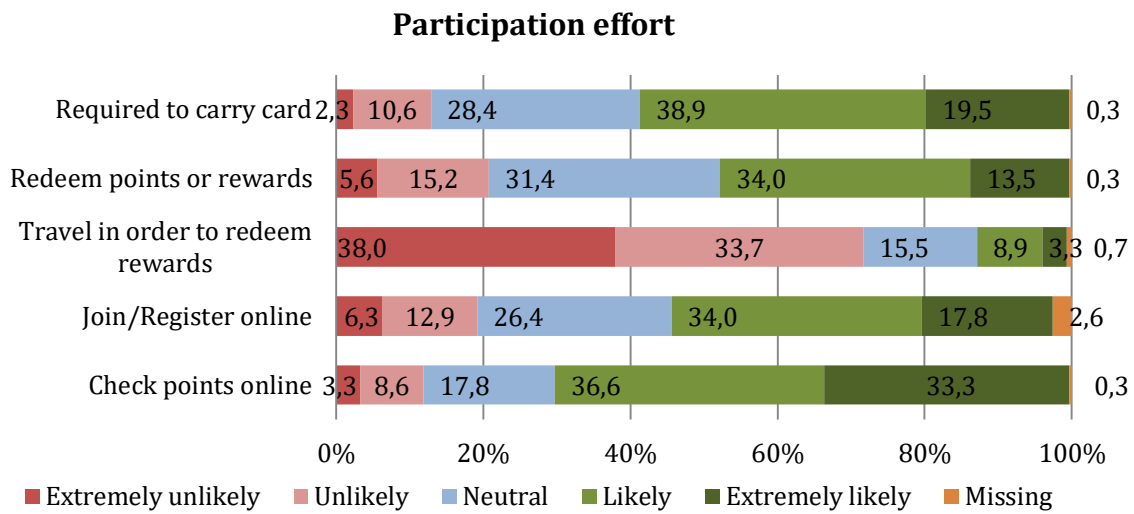
Table 5.13 and Figure 5.5 below provide a breakdown of the results.

**Table 5.13: Participation effort mean score**

<b>Factor 4: Participation effort</b>		<b>Mean</b>
Characteristic 4.1	A retail loyalty programme that requires you to carry a card around in order to have it present when purchasing.	3.63
Characteristic 4.2	A retail loyalty programme where you have to redeem points or rewards before being able to use them when purchasing.	3.35
Characteristic 4.3	A retailer that you do not live or work close to and have to travel far in order to redeem rewards.	2.05
Characteristic 4.4	A retail loyalty programme that allows you to join/register online.	3.45
Characteristic 4.5	A retail loyalty programme that allows you to check your points online.	3.88

Characteristic 4.1, Characteristic 4.2, Characteristic 4.4 and Characteristic 4.5 were all found to have above average (> 3) mean ratings of 3.63, 3.35, 3.45 and 3.88 respectively, as seen in Table 5.13. Only Characteristic 4.3, was found to have a below average (< 3) mean rating of 2.05, as seen in Table 5.13 and Figure 5.5.

**Figure 5.5: Participation effort rating percentages**



In line with the above, Characteristic 4.1, Characteristic 4.2, Characteristic 4.4 and Characteristic 4.5, were all assigned similar ratings which predominantly leaned towards the positive end of the scale of ‘Likely’ and ‘Extremely likely’, with the majority of respondents assigning ratings of ‘Extremely unlikely’ (38%) and ‘Unlikely’ (33.7%) to Characteristic 4.3, as seen in Figure 5.5.

The findings suggest that students are more likely to join a retail loyalty programme that allows you to check your points online, and a loyalty programme that allows you to join/register online. Furthermore, students seem not to mind having to carry a loyalty card with them to present at purchase, nor do they mind redeeming loyalty programme points before a purchase; as they are willing to join a loyalty programme with these characteristics. The only participation effort characteristics that respondents indicated that would make them less likely to join a loyalty programme is signing up with a retailer that they do not live or work close to and have to travel far in order to redeem rewards which may cause inconvenience. This links up with the findings of participation exclusivity, as discussed in Section 5.5.1.3, in that students are more willing to join a loyalty programme of a retailer that they buy from often, and as indicated above, do not have to travel far.

De Wulf *et al.* (2013:75) suggested that the activities expected from the consumer reduce perceived value of the benefits that the programme offers. According to De Wulf *et al.*

(2013:75), 50 per cent of participants felt that loyalty cards are inconvenient, and the most popular response was that it was a burden to carry the card. Different studies have reported different findings regarding the effort Millennials and students are willing to go through to earn and redeem rewards of a loyalty programme. Business Tech (2017) reported that merely 6 per cent of South Africans between the age of 16-24 are influenced by any type of participation effort, suggesting that younger South African consumers are more willing to go through effort to earn and redeem rewards. On the other hand, Code Broker (2018:6) pointed out that the majority of U.S. Millennials are unmotivated to join a loyalty programme by any activities associated with participation. Code Broker (2018:6) also pointed out that 97 per cent of respondents indicated they are more likely to join a loyalty programme where they can access their rewards via an easy-to-use app on their smartphone.

The findings of this study support the findings of Business Tech (2017) in that South African students are not unmotivated to join a loyalty programme due to participation effort (aside from travelling far). The findings do not support the findings of Code Broker (2018:6), who pointed out that the majority of Millennials are unmotivated to join a loyalty programme by any activities associated with participation. It does however agree with Code Broker (2018:6), when stating that Millennials are more likely to join a loyalty programme where they can access their rewards via an easy-to-use app on their smartphone.

In order to examine whether statistically significant differences could be found between the various age groups on Factor 4, an independent sample t-test was conducted. Once again, only the age groups of '18 – 23' and '24 – 28' were included in the analysis due to the small or non-existent group sizes of the other age groups. The results in Table 5.14 below, indicate a statistically significant difference between the age groups on Characteristic 4.4.

**Table 5.14: Group comparisons – Age groups and a retail loyalty programme that allows you to join/register online**

	18-23 Mean	24-28 Mean	Sig.
<b>Factor 4: Participation effort</b>			
Characteristic 4.4 A retail loyalty programme that allows you to join/register online.	3.53	2.95	.003**

\*\* Significant at the  $p < .01$  level



The '18 – 23' age group were found to have above average (> 3) mean ratings of 3.53 for Characteristic 4.4., the '24 – 28' age group were found to have a below average (< 3) mean rating, of 2.95 for this characteristic, as seen in Table 5.14. Table 5.14 above indicates a significant difference of 0.003 ( $p < .01$ ) between the '18 – 23' age group and the '24 – 28' age group. The results indicate that respondents within the younger age groups will thus be more likely to join a loyalty programme that allows consumers to join/register online than their older counterparts.

An ANOVA test, utilising a Games-Howell post-hoc test, was again used to evaluate whether statistically significant differences existed between the various race groups. Table 5.15 below provides a breakdown of the results.

**Table 5.15: Statistically significant differences between race groups on participation effort**

		Df	F	Sig.
<b>Factor 4: Participation effort</b>				
Characteristic 4.4	A retail loyalty programme that allows you to join/register online	3, 282	2.750	.043*

\*Significant at the  $p < .05$  level

The ANOVA indicated that statistical differences existed between the race groups for one characteristic related to 'Participation effort', Characteristic 4.4. Table 5.16 below provides an indication between which groups significant differences were found:

**Table 5.16: Between group comparison -- Race groups for retail loyalty programme that allows you to join/register online.**

<b>Characteristic 4.4:</b>		Race	Mean	Race	Mean	Sig.
Characteristic 4.4	A retail loyalty programme that allows you to join/register online.	Black	3.38	White	3.90	.010**

\*\* Significant at the  $p < .01$  level

As seen in Table 5.16, a statistically significant difference was primarily found between the 'Black' and 'White' race groups for this characteristic. The 'White' race group were found to have statistically significant ( $p < .01$ ) higher mean ratings than the 'Black' race group. Despite this, all the mean ratings for both race groups were still found to be above average ( $> 3$ ), indicating that both groups are more likely to join a retail loyalty programme that allows them to join/register online.

In order to examine statistical differences between respondents studying towards a pre-degree/certificate and respondents studying towards a degree, an independent sample t-test was conducted. Table 5.17 below provides a breakdown of the results.

**Table 5.17: Mean differences between pre-degree/certificate and degree respondent groups on participation effort**

		Pre-degree/Certificate mean	Degree mean	Sig.
<b>Factor 4: Participation effort</b>				
Characteristic 4.3	A retailer that you do not live or work close to and have to travel far in order to redeem rewards.	2.41	1.96	.003**

\*\* Significant at the  $p < .01$  level

Table 5.17 above indicates that the only characteristic of Factor 4 that showed a significant difference between the two groups is Characteristic 4.3. A statistically significant ( $p < .01$ ) lower mean rating of .003, were found for the 'Degree' group with regards to Characteristic 4.3 as opposed to the 'Pre-degree/certificate' group. Despite this, the mean ratings for both the groups were found to be below average ( $< 3$ ). The results suggest that students studying towards a degree may thus be more unlikely to join a loyalty programme if it involves travel to redeem rewards. The difference in preferences towards Characteristic 4.3 between pre-degree/certificate students and students studying towards a degree (undergraduate students) might be opportunity for future research to explore.

Table 5.18 below indicates that an independent sample t-test was conducted in order to statistically compare the respondent group who indicated that they ‘do currently’ participate in retail loyalty programmes, and the respondent group who indicated that they ‘do not currently’ participate in a retail loyalty programme. Table 5.18 below provides a breakdown of the characteristics of Factor 4, where significant differences were found.

**Table 5.18: Mean differences between respondents who currently participate in a retail loyalty programme and respondents who do not participate in a retail loyalty programme on characteristic 4.1**

		Participation		Sig.
		Yes	No	
<b>Factor 4: Participation effort</b>				
Characteristic 4.1	A retail loyalty programme that requires you to carry a card around in order to have it present when purchasing.	3.71	3.41	.027*

\*Significant at the  $p < .05$  level

In analysing the results for Question 10 to explore participation effort as factor that might influence students to participate in retail loyalty programmes, the results indicate that students are more likely to participate in retail loyalty programmes, which allows you to check your points online, and a retail loyalty programme that allows you to join/register online. Furthermore, students seem not to mind having to carry a loyalty card with them to present at purchase, nor do they mind redeeming loyalty programme points before a purchase; as they are willing to join a retail loyalty programme with these characteristics. The only characteristic of Factor 4 that respondents indicated that would make them less likely to join a loyalty programme is signing up with a retailer that they do not live or work close to and have to travel far in order to redeem rewards (Characteristic 4.3), which may cause inconvenience. To explore Factor 4 in more detail the study found that significant differences were only found between respondents who currently participate in a retail loyalty programme and those who do not currently participate in a retail loyalty programme on Characteristic 4.1. A significant difference was also found between age groups on online loyalty programme registration indicating that younger age groups will thus be more likely to join a

retail loyalty programme that allows consumers to join/register online than their older counterparts (Characteristic 4.4). While exploring race groups, a significant difference was found between the 'White' race group and 'Black' race group on online registration, although the above average (> 3) mean scores indicate that that both groups are more likely to join a retail loyalty programme that allows them to join/register online (Characteristic 4.1). A significant difference was found between pre-degree/certificate students and degree students, Characteristic 4.3, indicating that students studying towards a degree may thus be more unlikely to join a loyalty programme if it involves travel to redeem rewards. Lastly, the study found a significant difference between students who already participate in a loyalty programme, than those who do not, indicating that those who currently participate in a retail loyalty programme are more likely to join another loyalty programme of a retailer that requires you to carry a loyalty card (Characteristic 4.1).

#### **5.5.1.5 Structure of the loyalty programme and structure of rewards**

For Factor 5, 'Structure of the loyalty programme and structure of rewards', respondents answered Question 11.1 – Question 11.6 in order to rate the following characteristics in terms of their likelihood to join a retail loyalty programme:

- Characteristic 5.1: 'A retail loyalty programme where your rewards are based on the level of the loyalty programme you belong to, for example being a gold card member'
- Characteristic 5.2: 'A retail loyalty programme where rewards are based on your purchase frequency, and all members are eligible for the same rewards'
- Characteristic 5.3: 'A retail loyalty programme where you receive immediate discounts on certain items at purchase'
- Characteristic 5.4: 'A retail loyalty programme where you receive a free product after you have purchased a pre-determined amount of products. For example, for every 5th purchase, you get 1 product for free'
- Characteristic 5.5: 'A retail loyalty programme where you receive points based on how much money you spent at the retailer'
- Characteristic 5.6: 'A retail loyalty programme where you receive rewards that are based on your personal purchase behaviour'

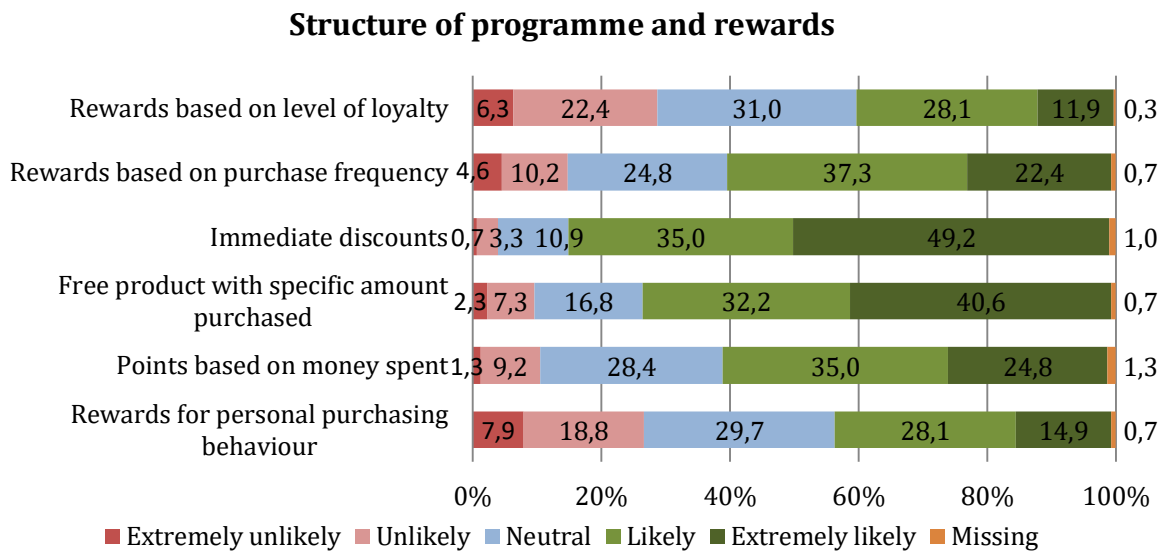
Table 5.19 and Figure 5.6 below provide a breakdown of the results:

**Table 5.19: Structure of loyalty programme/rewards mean scores**

<b>Factor 5: Structure of the loyalty programme and structure of rewards</b>		<b>Mean</b>
Characteristic 5.1	A retail loyalty programme where your rewards are based on the level of the loyalty programme you belong to, for example being a gold card member.	3.17
Characteristic 5.2	A retail loyalty programme where rewards are based on your purchase frequency, and all members are eligible for the same rewards.	3.63
Characteristic 5.3	A retail loyalty programme where you receive immediate discounts on certain items at purchase.	4.30
Characteristic 5.4	A retail loyalty programme where you receive a free product after you have purchased a pre-determined amount of products. For example, for every 5th purchase, you get 1 product for free.	4.02
Characteristic 5.5	A retail loyalty programme where you receive points based on how much money you spent at the retailer.	3.74
Characteristic 5.6	A retail loyalty programme where you receive rewards that are based on your personal purchase behaviour.	3.23

All characteristics relating to Factor 5 were found to have above average (> 3) mean ratings, as seen in Table 5.19. Characteristic 5.3 and Characteristic 5.4, were found to have the highest mean ratings of 4.30 and 4.02 respectively, as seen in Table 5.19.

**Figure 5.6: Structure of loyalty programme/rewards rating percentages**



As seen in Figure 5.6, the majority of respondents assigned ratings of ‘Likely’ (35%) and ‘Extremely likely’ (42.9%) to Characteristic 5.3 and Characteristic 5.4. Furthermore, ratings towards the positive end the scale of ‘Likely’ and ‘Extremely likely’ were also assigned by respondents to the other characteristics they were required to evaluate.

Overall, it is clear that immediate discounts and free products based on purchase frequency are the main characteristics that might influence students’ likelihood of joining a retail loyalty programme, with other rewards also having a positive influence, albeit to a slightly lesser degree, on the likelihood of respondents joining a retail loyalty programme. The findings of the current study are in line with the results of Truth (2018:31) who pointed out that South African consumers between the age of 25 - 34 are motivated more than any other age group to join a loyalty programme by collecting points and receiving rewards. The Truth (2018:31) study also indicated exclusive offerings such as being a gold card member is not as important to young consumers as the actual rewards. This study also supports the results of Truth (2018:31) who suggest that young South African consumers are influenced most by cash back and instant rewards to join a retail loyalty programme. This is also in line with the findings of Meyer-Waarden (2015:25) who suggest that consumers prefer to receive immediate rewards than rewards received after purchase.

Independent sample t-tests were used to compare male and female students on the various characteristics of structure of the retail loyalty programme/rewards. Table 5.20 below provides a breakdown of the characteristics for which significant differences were found:

**Table 5.20: Mean differences between males and females on various characteristics of structure of the retail loyalty programme/rewards**

		Male mean	Female mean	Sig.
<b>Factor 5: Structure of the loyalty programme/rewards</b>				
Characteristic 5.2	A retail loyalty programme where rewards are based on your purchase frequency, and all members are eligible for the same rewards.	3.38	3.76	.004**
Characteristic 5.3	A retail loyalty programme where you receive immediate discounts on certain items at purchase.	4.16	4.38	.037*
Characteristic 5.4	A retail loyalty programme where you receive a free product after you have purchased a pre-determined amount of products. For example, for every 5th purchase, you get 1 product for free.	3.86	4.38	.029*
Characteristic 5.5	A retail loyalty programme where you receive points based on how much money you spent at the retailer.	3.52	3.86	.005**

\*Significant at the  $p < .05$  level & \*\* Significant at the  $p < .01$  level

In general, female respondents were found to have statistically significant ( $p < .05$  &  $p < .01$ ) higher mean ratings than their male counterparts on all the characteristics relating to Factor 5, where significant differences were found. Although this may be the case, both males and females were found to have above average ( $> 3$ ) mean ratings for the majority of the characteristics relating to Factor 5.

In order to examine whether statistically significant differences could be found between the various age groups for Factor 5, an independent sample t-test was conducted. Only the age

groups of '18 – 23' and '24 – 28' were included in the analysis due to the small or non-existent group sizes of the other age groups. Table 5.21 below provides a breakdown of the results.

**Table 5.21: Statistically significant differences between age groups on structure of the retail loyalty programme and structure of rewards**

		18-23 Mean	24-28 Mean	Sig.
<b>Factor 5: Structure of the loyalty programme and structure of rewards</b>				
Characteristic 5.3	A retail loyalty programme where you receive immediate discounts on certain items at purchase.	4.36	3.88	.012*
Characteristic 5.4	A retail loyalty programme where you receive a free product after you have purchased a pre-determined amount of products. For example, for every 5th purchase, you get 1 product for free.	4.07	3.68	.024*

\*Significant at the  $p < .05$  level

Table 5.21 above highlights where, and between which specific groups, significant differences on the characteristics of Factor 5, were found. A statistically significant ( $p < .05$ ) was found on 'Characteristic 5.3, and Characteristic 5.4 of .012 and .024 respectively between the age group 18 – 23, and the age group 24 – 28. This indicates that younger students are more likely to join a retail loyalty programme that offer immediate discounts or a retail loyalty programme that offers physical free products, than older students. Both groups, however, showed an above average ( $> 3$ ) mean ratings for both characteristics showing in interest in immediate discounts and free products.

In order to examine statistical differences between respondents studying towards a pre-degree/certificate and respondents studying towards a degree, independent sample t-tests were conducted on two factors of structure of the retail loyalty programme/rewards. Table 5.22 below provides a breakdown of the results.



**Table 5.22: Mean differences between pre-degree/certificate and degree respondent groups on characteristics of structure of the retail loyalty programme/rewards**

		Pre-degree/Certificate mean	Degree mean	Sig.
<b>Factor 5: Structure of the loyalty programme/rewards</b>				
Characteristic 5.3	A retail loyalty programme where you receive immediate discounts on certain items at purchase.	3.98	4.39	.001**
Characteristic 5.4	A retail loyalty programme where you receive a free product after you have purchased a pre-determined amount of products. For example, for every 5th purchase, you get 1 product for free.	3.68	4.12	.002**

\*\* Significant at the  $p < .01$  level

Table 5.22 indicates that for the two characteristics of Factor 5, that showed a significant difference, respondents studying towards a degree were found to have statistically significant ( $p < .01$ ) higher mean ratings than respondents studying towards a pre-degree/certificate. Characteristic 5.3 indicates a significant value of .001, and Characteristic 5.4 indicates a significant value of .002. The two groups predominantly, however, were still found to have above average ( $> 3$ ) mean ratings for both characteristics explored. The difference in preferences towards Characteristic 5.3 and Characteristic 5.4 between pre-degree/certificate students and students studying towards a degree (undergraduate students) might be opportunity for future research to explore.

Table 5.23 shows the result of an independent sample t-test, conducted in order to statistically compare the respondent group who indicated that they 'do currently' participate in retail loyalty programmes and the respondent group who indicated that they 'do not currently' participate in a loyalty programme. Table 5.23 below provides a breakdown of the characteristic for which a significant difference was found.

**Table 5.23: Mean differences between respondents who currently participate in a retail loyalty programme and respondents who do not participate in a retail loyalty programme on Characteristic 5.5**

		Participation		Sig.
		Yes	No	
<b>Factor 5: Structure of the loyalty programme/rewards</b>				
Characteristic 5.5	A retail loyalty programme where you receive points based on how much money you spent at the retailer.	3.86	3.42	.001**

\*\* Significant at the  $p < .01$  level

Table 5.23 indicates that respondents who already participate in a retail loyalty programme may be more likely to join another loyalty programme of a retailer that grants points in relation to money spent. Both groups, however, indicated an above average ( $> 3$ ) mean rating, indicating that both groups are likely to join a retail loyalty programme where you receive points based on how much money you spent at the retailer.

In summary, in analysing the results for Question 11 by exploring structure of the loyalty programme/rewards (Factor 5), the study found that all characteristics associated with Factor 5 revealed an above average ( $> 3$ ) mean ratings. However, Characteristic 5.3 and Characteristic 5.4, was rated as the most important characteristics by students. By exploring further into different demographic groups this study found that female respondents had statistically significant higher mean ratings than their male counterparts on all the characteristics. This study further found that younger students are more likely to join a loyalty programme that offer immediate discounts than older students, and that respondents who already participate in a loyalty programme may be more likely to join another loyalty programme of a retailer that grants points in relation to money spent.

#### **5.5.1.6 Programme benefits**

In relation to Factor 6, 'Programme benefits', respondents were required to answer Question 12.1 – 12.8 in order to rate the following characteristics in terms of their likelihood in influencing them to join a retail loyalty programme:

- Characteristic 6.1: 'A retail loyalty programme that rewards you by sending product information'
- Characteristic 6.2: 'A retail loyalty programme that rewards you by sending you product information, and additional information'
- Characteristic 6.3: 'A retail loyalty programme that rewards you by giving you immediate rewards'
- Characteristic 6.4: 'A retail loyalty programme that rewards you by giving you immediate rewards and product information'
- Characteristic 6.5: 'A retail loyalty programme that rewards you by giving you immediate rewards, product information and additional information'
- Characteristic 6.6: 'A retail loyalty programme that rewards you by giving you postponed rewards'
- Characteristic 6.7: 'A retail loyalty programme that rewards you by giving you postponed rewards and product information'
- Characteristic 6.8: 'A retail loyalty programme that rewards you by giving you postponed rewards, product information and additional information'
- Characteristic 6.9: 'A retail loyalty programme that rewards you by giving you postponed rewards and immediate rewards'
- Characteristic 6.10: 'A retail loyalty programme that rewards you by giving you postponed rewards, immediate rewards and product information'
- Characteristic 6.11: 'A retail loyalty programme that rewards you by giving you postponed rewards, immediate rewards and additional information'
- Characteristic 6.12: 'A retail loyalty programme that rewards you by giving you postponed rewards, immediate rewards, product information and additional information'

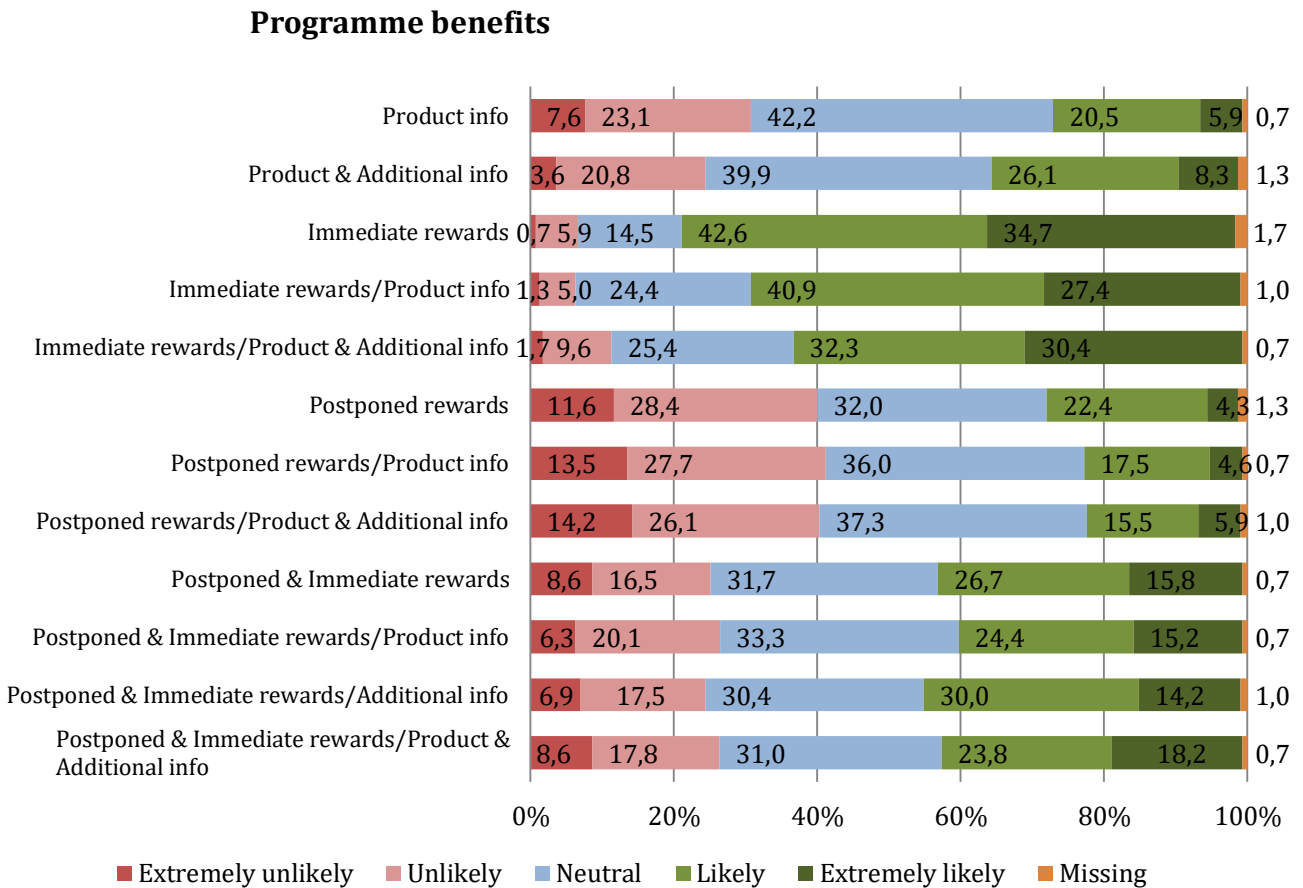
Table 5.24 and Figure 5.7 below provide a breakdown of the results.

**Table 5.24: Programme benefits mean scores**

<b>Factor 6: Programme benefits</b>		<b>Mean</b>
Characteristic 6.1	A retail loyalty programme that rewards you by sending product information.	2.94
Characteristic 6.2	A retail loyalty programme that rewards you by sending you product information, and additional information.	3.15
Characteristic 6.3	A retail loyalty programme that rewards you by giving you immediate rewards.	4.06
Characteristic 6.4	A retail loyalty programme that rewards you by giving you immediate rewards and product information.	3.89
Characteristic 6.5	A retail loyalty programme that rewards you by giving you immediate rewards, product information and additional information.	3.81
Characteristic 6.6	A retail loyalty programme that rewards you by giving you postponed rewards.	2.79
Characteristic 6.7	A retail loyalty programme that rewards you by giving you postponed rewards and product information.	2.72
Characteristic 6.8	A retail loyalty programme that rewards you by giving you postponed rewards, product information and additional information.	2.73
Characteristic 6.9	A retail loyalty programme that rewards you by giving you postponed rewards and immediate rewards.	3.25
Characteristic 6.10	A retail loyalty programme that rewards you by giving you postponed rewards, immediate rewards and product information.	3.22
Characteristic 6.11	A retail loyalty programme that rewards you by giving you postponed rewards, immediate rewards and additional information.	3.27
Characteristic 6.12	A retail loyalty programme that rewards you by giving you postponed rewards, immediate rewards, product information and additional information.	3.25

As seen in Table 5.24 Characteristic 6.3, Characteristic 6.4 and Characteristic 6.5, were found to have the highest mean ratings, with above average (> 3) mean ratings of 4.06, 3.89 and 3.81 respectively. As seen in Table 5.24 Characteristic 6.7, Characteristic 6.8, Characteristic 6.6 and Characteristic 6.1, were all found to have below average (< 3) mean ratings of 2.72, 2.73, 2.79 and 2.94.

**Figure 5.7: Programme benefits rating percentages**



From Figure 5.7 it is seen that Characteristic 6.3, Characteristic 6.4 and Characteristic 6.5, were predominantly assigned positive ratings of ‘Likely’ or ‘Extremely likely’ by respondents. Characteristic 6.7, Characteristic 6.8 and Characteristic 6.6 were assigned ratings leaning towards the lower end of the scale with ratings of ‘Neutral’, ‘Unlikely’ and ‘Extremely unlikely’.

The data suggests that immediate rewards, as opposed to postponed rewards, seem to be the main characteristic that will influence the likelihood of students to join a retail loyalty programme, with respondents showing a greater preference for characteristics that include immediate rewards overall.

The results of the current study support the findings of the study by Truth (2018:31) that indicate that younger South African consumers are more influenced by immediate results,

such as points or free products than they are with delayed rewards and soft benefits such as product information.

With regards to the statistical comparisons between the various gender groups, only the male and female groups were compared due to the small group sizes of the other gender groups within the sample. Independent sample t-tests were used to compare the groups on the various characteristics of programme benefits. Table 5.25 below provides a breakdown of the characteristics for which significant differences were found.

**Table 5.25: Mean differences between males and females on characteristics of retail programme benefits**

		Male mean	Female mean	Sig.
<b>Factor 6: Programme benefits</b>				
<b>Characteristic 6.1</b>	A retail loyalty programme that rewards you by sending product information.	<b>2.75</b>	<b>3.04</b>	.016*
<b>Characteristic 6.2</b>	A retail loyalty programme that rewards you by sending you product information, and additional information.	<b>2.94</b>	<b>3.26</b>	.005**
Characteristic 6.3	A retail loyalty programme that rewards you by giving you immediate rewards.	3.85	4.21	.001**
Characteristic 6.4	A retail loyalty programme that rewards you by giving you immediate rewards and product information.	3.74	3.98	.040*
Characteristic 6.5	A retail loyalty programme that rewards you by giving you immediate rewards, product information and additional information.	3.60	3.94	.009**

\*Significant at the  $p < .05$  level & \*\* Significant at the  $p < .01$  level

As seen in Table 5.25, female respondents, in general, were found to have statistically significant ( $p < .05$  &  $p < .01$ ) higher mean ratings than their male counterparts on all the characteristics relating to Factor 6 where significant differences were found. Although this may be the case, both males and females were found to have above average ( $> 3$ ) mean ratings for the majority of the characteristics where differences were found. Males were

found to have below average (< 3) mean ratings for Characteristic 6.1 and Characteristic 6.2 in contrast to their female counterparts. Females within the sample thus seem more likely to be influenced to participate in a retail a loyalty programme that rewards members with product information or additional information than males.

In order to examine whether statistically significant differences could be found between the various age groups, an independent sample t-test was conducted. Once again, only the age groups of '18 – 23' and '24 – 28' were included in the analysis due to the small or non-existent group sizes of the other age groups.

**Table 5.26: Statistically significant differences between age groups on programme benefits**

		<b>18-23 Mean</b>	<b>24-28 Mean</b>	<b>Sig.</b>
<b>Factor 6: Programme benefits</b>				
Characteristic 6.3	A retail loyalty programme that rewards you by giving you immediate rewards.	4.13	3.65	.013*
Characteristic 6.4	A retail loyalty programme that rewards you by giving you immediate rewards and product information.	3.96	3.53	.018*
Characteristic 6.5	A retail loyalty programme that rewards you by giving you immediate rewards, product information and additional information.	3.88	3.30	.001**

\*Significant at the  $p < .05$  level & \*\* Significant at the  $p < .01$  level

Table 5.26 indicates the results of the independent sample t-test, indicating that statistically significant differences between the age groups existed on three characteristics relating to Factor 6 (Characteristics 6.3, 6.4 and 6.5).

In general, the '24 – 28' age group were found to have statistically significant ( $p < .05$  &  $p < .01$ ) lower mean ratings on the various characteristics for Factor 6, compared to the '18 – 23' age group. The highest mean rating is seen for the '18 – 23' age group, of 4.13 for Characteristic 6.1, with a significant difference of .00.13 ( $p < .05$ ) between the two age groups. This again, reiterates that younger consumers are more influenced by immediate rewards.

Table 5.27 indicates the results of an ANOVA test, utilising a Games-Howell post-hoc test, to evaluate whether statistically significant differences existed between the various race groups on programme benefits. Table 5.27 below provides a breakdown of the results.

**Table 5.27: Statistically significant differences between race groups on programme benefits**

		Df	F	Sig.
<b>Factor 6: Programme benefits</b>				
Characteristic 6.6	A retail loyalty programme that rewards you by giving you postponed rewards.	3, 287	4.197	.006**
Characteristic 6.9	A retail loyalty programme that rewards you by giving you postponed rewards and immediate rewards.	3, 289	5.065	.002**
Characteristic 6.10	A retail loyalty programme that rewards you by giving you postponed rewards, immediate rewards and product information.	3, 289	4.741	.003**

\*Significant at the  $p < .05$  level & \*\* Significant at the  $p < .01$  level

As seen in Table 5.27, the ANOVA test indicated that statistical differences existed between the race groups for three characteristic related to Factor 6. Table 5.28 below provides an indication between which groups significant differences were found.



**Table 5.28: Group comparison – Race groups on programme benefits**

<b>Factor 6: Programme benefits</b>		Race	Mean	Race	Mean	Sig.
<b>Characteristic 6.6</b>	A retail loyalty programme that rewards you by giving you postponed rewards.	Black	<b>2.70</b>	White	<b>3.24</b>	.006**
Characteristic 6.9	A retail loyalty programme that rewards you by giving you postponed rewards and immediate rewards.	Black	3.17	White	3.83	.004**
Characteristic 6.10	A retail loyalty programme that rewards you by giving you postponed rewards, immediate rewards and product information.	Black	3.14	White	3.71	.013*

\*Significant at the  $p < .05$  level & \*\* Significant at the  $p < .01$  level

As seen in Table 5.28, statistically significant differences were primarily found between the ‘Black’ and ‘White’ race groups for three characteristics relating to Factor 6. Overall, the ‘White’ race group were found to have statistically significant ( $p < .05$  &  $p < .01$ ) higher mean ratings than the ‘Black’ race group. Despite this, all the mean ratings for the race groups were still found to be above average ( $> 3$ ) except with regards to Characteristic 6.6 (indicated in bold in Table 5.28). The ‘Black’ race group was found to have a below average ( $< 3$ ) mean rating as opposed to the ‘White’ race group. This may indicate that respondents within the ‘White’ race group will be more likely to join a loyalty programme that offers postponed rewards than respondents from the ‘Black’ race group.

In order to examine statistical differences between respondents studying towards a pre-degree/certificate and respondents studying towards a degree, independent sample t-tests were conducted. Table 5.29 below provides a breakdown of the results.

**Table 5.29: Mean differences between pre-degree/certificate and degree respondent groups on programme benefits**

		Pre-degree/Certificate mean	Degree mean	Sig.
<b>Factor 6: Programme benefits</b>				
Characteristic 6.3	A retail loyalty programme that rewards you by giving you immediate rewards.	3.75	4.16	.001**
Characteristic 6.4	A retail loyalty programme that rewards you by giving you immediate rewards and product information.	3.59	3.98	.003**
<b>Characteristic 6.9</b>	A retail loyalty programme that rewards you by giving you postponed rewards and immediate rewards.	<b>2.89</b>	<b>3.35</b>	.005**
<b>Characteristic 6.10</b>	A retail loyalty programme that rewards you by giving you postponed rewards, immediate rewards and product information.	<b>2.88</b>	<b>3.32</b>	.005**

\*Significant at the  $p < .05$  level & \*\* Significant at the  $p < .01$  level

As seen in Table 5.29, the majority of the characteristics relating to Factor 6, respondents studying towards a degree were found to have statistically significant ( $p < .05$  &  $p < .01$ ) higher mean ratings than respondents studying towards a pre-degree/certificate. The two groups predominantly, however, were still found to have above average ( $> 3$ ) mean ratings for the various characteristics. In contrast to this, the 'Pre-degree/certificate' were found to have statistically significant lower mean ratings for Characteristic 6.9 and Characteristic 6.10 (indicated in bold Table 29). These mean ratings were also found to be below average ( $< 3$ ) for this group in comparison with above average ( $> 3$ ) mean ratings for the 'Degree' group. This may serve to indicate that respondents studying towards a degree will be more likely to join a loyalty programme that provides both immediate and postponed rewards as opposed to respondents studying towards a pre-degree/certificate.

In summary, in analysing the results for Question 12 by exploring programme benefits (Factor 6), the data suggest that immediate rewards, as opposed to postponed rewards, are more likely to influence students to participate in retail loyalty programmes.

### 5.5.1.7 Number of programme providers

To explore Factor 7, ‘Number of programme providers’, as a factor that might influence students to participate in retail loyalty programmes, respondents answered Question 13.1 and Question 13.2. The characteristics used evaluate Factor 7 are ‘A loyalty programme that allows you to use your loyalty card at more than one retailer’ (Characteristic 7.1) and ‘A loyalty programme that allows you to use your loyalty card at only one retailer’ (Characteristic 7.1). Table 5.30 and Figure 5.8 below provide a breakdown of the results.

**Table 5.30: Number of programme providers mean scores**

Factor 7: Number of programme providers		Mean
Characteristic 7.1	A retail loyalty programme that allows you to use your loyalty card at more than one retailer.	4.24
Characteristic 7.2	A retail loyalty programme that allows you to use your loyalty card at only one retailer.	2.81

As indicated in Table 5.30, Characteristic 7.1 was found to have the highest mean rating with an above average (> 3) mean rating of 4.24. Characteristic 7.2 was found to have a below average (< 3) mean rating of 2.81.

**Figure 5.8: Number of programme providers rating percentages**

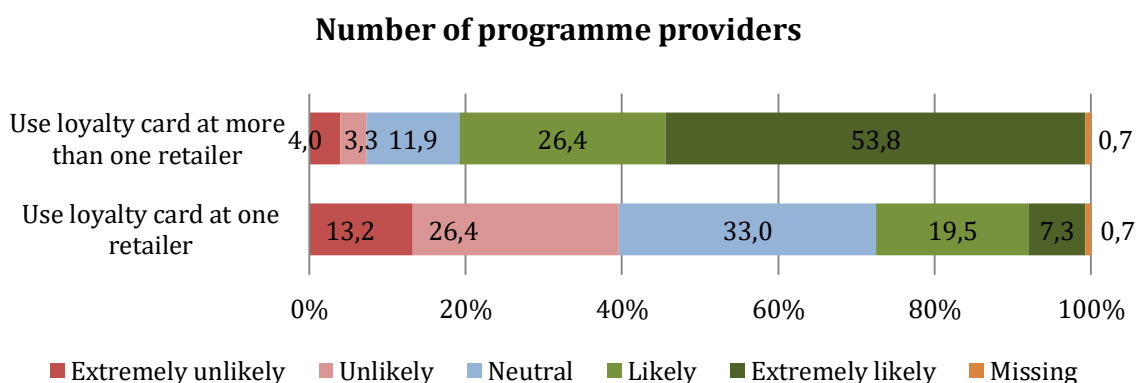


Figure 5.8 indicates that in terms of rating percentages, the majority of respondents assigned ratings of 'Likely' (26.4%) and 'Extremely likely' (53.8%) for Characteristic 7.1. With regards to Characteristic 7.2, the majority of respondents assigned ratings of 'Neutral' (33.0%), 'Unlikely' (26.4%) and 'Extremely unlikely' (13.2%).

Overall, the ability to use your loyalty card at more than one retailer would increase the likelihood of respondents joining a loyalty programme. The findings of the current study support the research of Kutlu (2015:37) and De Wulf *et al.* (2013:76) who both found that customers will have higher joining intention towards multi-vendor loyalty programme than a single-vendor programme.

With regards to the statistical comparisons between the various gender groups, only the male and female groups were compared due to the small group sizes of the other gender groups within the sample. Table 5.31 indicates the result of an independent sample t-test used to compare the groups on the one characteristics of 'Number of programme providers' where a significant difference was found.

**Table 5.31: Mean differences between males and females on Characteristic 7.1 on number of programme providers**

		Male mean	Female mean	Sig.
<b>Factor 7: Number of programme providers</b>				
Characteristic 7.1	A retail loyalty programme that allows you to use your loyalty card at more than one retailer.	4.02	4.36	.008**

\*\* Significant at the  $p < .01$  level

As seen in Table 5.31, a significant difference of .008 was found between male and female students ( $p < .01$ ) on Characteristic 7.1. Although this may be the case, both males and females were found to have above average ( $> 3$ ) mean rating of 4.02 and 4.36 independently, indicating that both male and female students are more likely to join a retail loyalty programme that allows you to use your loyalty card at more than one retailer.

In order to examine statistical differences between respondents studying towards a pre-degree/certificate and respondents studying towards a degree on Factor 7, an independent sample t-test was conducted. Table 5.32 below provides a breakdown of the results.

**Table 5.32: Mean differences between pre-degree/certificate and degree respondent groups on Characteristic 7.1**

		Pre-degree/Certificate mean	Degree mean	Sig.
<b>Factor 7: Number of programme providers</b>				
Characteristic 7.1	A retail loyalty programme that allows you to use your loyalty card at more than one retailer.	3.89	4.33	.010*

\*Significant at the  $p < .05$  level

As seen in Table 5.32, a significant difference of .010 was found between Pre-degree/Certificate students and Degree students on Characteristic 7.1 ( $p < .05$ ), indicating that students studying towards a degree are more likely to join a retail loyalty programme that allows you to use your loyalty card at more than one retailer. Although a significant difference is found, both groups showed an above average ( $> 3$ ) mean rating, suggesting that both groups are like to be influenced by a retail loyalty programme that allows you to use your loyalty card at more than one retailer.

In summary, to explore Factor 7, 'Number of programme providers', as a factor that might influence students to participate in retail loyalty programmes, respondents answered Question 13. Overall, the ability to use your loyalty card at more than one retailer would increase the likelihood of male, female, pre-degree/certificate and degree respondents joining a retail loyalty programme.

#### **5.5.1.8 Programme duration**

In order to evaluate Factor 8, 'Programme duration', respondents were asked to answer Question 14.1 and Question 14.2. Respondents rated the characteristics related to Factor 8 – 'A retail loyalty programme with unlimited duration on the usage of benefits or rewards' (Characteristic 8.1) and 'A retail loyalty programme that places a time limitation on the usage of benefits or rewards' (Characteristic 8.1), in terms of their influence on the likelihood of

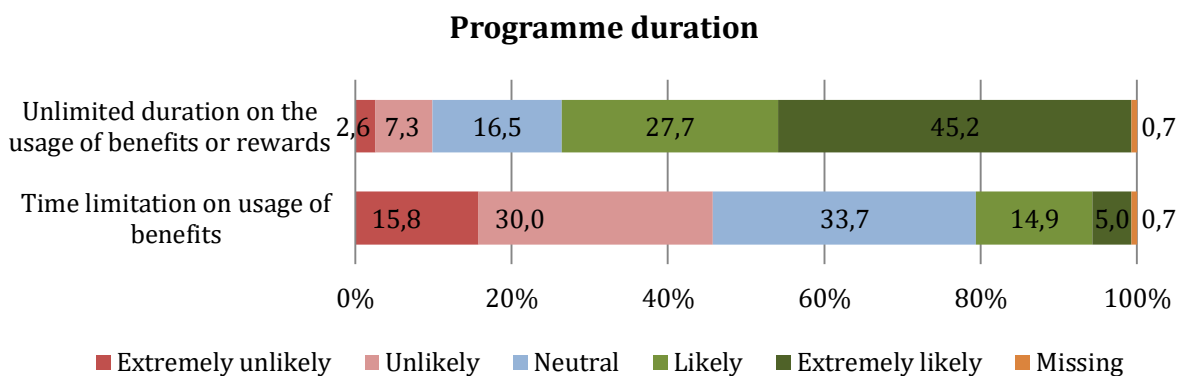
joining a loyalty programme. Table 5.33 and Figure 5.9 below provide a breakdown of the results.

**Table 5.33: Programme duration mean scores**

<b>Factor 8: Programme duration</b>		Mean
Characteristic 8.1	A retail loyalty programme with unlimited duration on the usage of benefits or rewards.	4.06
Characteristic 8.2	A retail loyalty programme that places a time limitation on the usage of benefits or rewards.	2.63

As seen in Table 5.33, Characteristic 8.1 was found to have the highest mean rating with an above average (> 3) of 4.06, with Characteristic 8.2, found to have a below average (< 3) mean rating of 2.63.

**Figure 5.9: Programme duration rating percentages**



With regards to ratings, the majority of respondents assigned ratings of 'Likely' (27.7%) and 'Extremely likely' (45.2%) to 'A loyalty programme with unlimited duration on the usage of benefits or rewards', with 'Neutral' (33.7%), 'Unlikely' (30%) and 'Extremely unlikely' (15.8%) ratings assigned to Characteristic 8.2, as seen in Figure 5.9.

The data suggests that respondents prefer a loyalty programme where no time limitation is placed on the usage of benefits or rewards as opposed to a programme that requires the usage of benefits or rewards within a specific timeframe. This is in agreement with the

findings of Code Broker (2018:6), who found that 32 per cent of U.S. Millennials get frustrated with retail loyalty programmes because their points expire before they can use them.

In order to examine statistical differences between respondents studying towards a pre-degree/certificate and respondents studying towards a degree, an independent sample t-test was conducted on the characteristics of programme duration were a significant difference was found. Table 5.34 below provides a breakdown of the results.

**Table 5.34: Mean differences between pre-degree/certificate and degree respondent groups on programme duration on Characteristic 8.2**

		Pre-degree/Certificate mean	Degree mean	Sig.
<b>Factor 8: Programme duration</b>				
Characteristic 8.2	A retail loyalty programme that places a time limitation on the usage of benefits or rewards.	2.82	2.57	.035*

\*Significant at the  $p < .05$  level

As seen in Table 5.34, a statistical significant ( $p < .05$ ) lower mean rating was found for the 'Degree' group with regards to Characteristic 8.2 as opposed to the 'Pre-degree/certificate' group. Despite this, the mean ratings for both the groups were found to be below average ( $< 3$ ). Respondents studying towards a degree may thus be more unlikely to join a loyalty programme if it involves travel to redeem rewards or a time limitation on the usage of benefits or rewards.

In summary, in order to evaluate Factor 9, 'Programme duration', respondents were asked to answer Question 14.1 and Question 14.2. The data suggest that students are more likely to participate in a retail loyalty programme where no time limitation is placed on the usage of benefits or rewards as opposed to a programme that requires the usage of benefits or rewards within a specific timeframe.

The next section describes a statistical comparison based on demographic variables in order to gain further insight into the target market and retail loyalty programmes.

## 5.6 STATISTICAL COMPARISONS BASED ON DEMOGRAPHIC VARIABLES

In order to gain further insight into the factors and characteristics that influence the likelihood of respondents in joining a loyalty programme, statistical comparisons using independent sample t-tests and ANOVAs were also examined based on the various demographic variables of gender, age, race, level of qualification and whether or not respondents currently participate in loyalty programmes or not. The results are indicated by use of cross tabulation. In the interest of clarity only statistically significant differences will be reported and examined for each factor.

### 5.6.1 Gender

With regards to the statistical comparisons between the various gender groups, only the male and female groups were compared due to the small group sizes of the other gender groups within the sample. Independent sample t-tests were thus used to compare the groups on the various characteristics. Table 5.35 below provides a breakdown of the characteristics for which significant differences were found:

**Table 5.35: Mean differences between males and females on characteristics**

		Male mean	Female mean	Sig.
<b>Factor 1: Personal data release</b>				
Characteristic 1.1	A retail loyalty programme that requires you to give basic information such as your name and address	3.50	3.81	.015*
<b>Factor 2: Purchase frequency</b>				
Characteristic 2.1	A retailer that I buy from frequently, or on a regular basis such as weekly or monthly.	3.77	3.99	.041*
<b>Factor 5: Programme benefits</b>				
<b>Characteristic 5.1</b>	A retail loyalty programme that rewards you by sending product information.	<b>2.75</b>	<b>3.04</b>	.016*
<b>Characteristic 5.2</b>	A retail loyalty programme that rewards you by sending you product information, and additional information.	<b>2.94</b>	<b>3.26</b>	.005**



		Male mean	Female mean	Sig.
Characteristic 5.3	A retail loyalty programme that rewards you by giving you immediate rewards.	3.85	4.21	.001**
Characteristic 5.4	A retail loyalty programme that rewards you by giving you immediate rewards and product information.	3.74	3.98	.040*
Characteristic 5.5	A retail loyalty programme that rewards you by giving you immediate rewards, product information and additional information.	3.60	3.94	.009**
<b>Factor 6: Number of programme providers</b>				
Characteristic 6.1	A retail loyalty programme that allows you to use your loyalty card at more than one retailer.	4.02	4.36	.008**
<b>Factor 8: Structure of the loyalty programme/rewards</b>				
Characteristic 8.2	A retail loyalty programme where rewards are based on your purchase frequency, and all members are eligible for the same rewards.	3.38	3.76	.004**
Characteristic 8.3	A retail loyalty programme where you receive immediate discounts on certain items at purchase.	4.16	4.38	.037*
Characteristic 8.4	A retail loyalty programme where you receive a free product after you have purchased a pre-determined amount of products. For example, for every 5th purchase, you get 1 product for free.	3.86	4.38	.029*
Characteristic 8.5	A retail loyalty programme where you receive points based on how much money you spent at the retailer.	3.52	3.86	.005**

\*Significant at the  $p < .05$  level & \*\* Significant at the  $p < .01$  level

In general, female respondents were found to have statistically significant ( $p < .05$  &  $p < .01$ ) higher mean ratings than their male counterparts on all the characteristics where significant differences were found. Although this may be the case, both males and females were found to have above average ( $> 3$ ) mean ratings for the majority of the characteristics where differences were found. Males were found to have below average ( $< 3$ ) mean ratings for

Characteristic 5.1 and Characteristic 5.12 in contrast to their female counterparts (as seen in Table 5.35). Females within the sample thus seem more likely to be influenced to join a loyalty programme that rewards members with product information or additional information than males.

### 5.6.2 Age

In order to examine whether statistically significant differences could be found between the various age groups, an independent sample t-test was conducted. Once again, only the age groups of '18 – 23' and '24 – 28' were included in the analysis due to the small or non-existent group sizes of the other age groups. Table 5.36 below provides a breakdown of the results.

**Table 5.36: Statistically significant differences between age groups**

		18-23 Mean	24-28 Mean	Sig.
<b>Factor 1: Personal data release</b>				
Characteristic 1.1	A retail loyalty programme that requires you to give basic information such as your name and address	3.76	3.25	.004**
<b>Factor 4: Participation effort</b>				
Characteristic 4.4	A retail loyalty programme that allows you to join/register online.	3.53	2.95	.003**
<b>Factor 5: Programme Benefits</b>				
Characteristic 5.3	A retail loyalty programme that rewards you by giving you immediate rewards.	4.13	3.65	.013*
Characteristic 5.4	A retail loyalty programme that rewards you by giving you immediate rewards and product information.	3.96	3.53	.018*
Characteristic 5.5	A retail loyalty programme that rewards you by giving you immediate rewards, product information and additional information.	3.88	3.30	.001**
<b>Factor 8: Structure of the loyalty programme and structure of rewards</b>				
Characteristic 8.3	A retail loyalty programme where you receive immediate discounts on certain items at purchase.	4.36	3.88	.012*
Characteristic 8.4	A loyalty programme where you receive a free product after you have purchased a pre-determined amount of products. For example, for every 5th purchase, you get 1 product for free.	4.07	3.68	.024*

\*Significant at the  $p < .05$  level & \*\* Significant at the  $p < .01$  level

The results of the independent sample t-test, in Table 5.36, indicated that statistically significant differences between the age groups existed on several of the characteristics associated with loyalty programmes.

In general, the '24 – 28' age group were found to have statistically significant ( $p < .05$  &  $p < .01$ ) lower mean ratings on the various characteristics than the '18 – 23' age group. Interestingly, while the '18 – 23' age group was found to have an above average mean rating characteristic 10.4, the '24 – 28' age group was found to have a below average mean rating for this characteristic. Respondents within the younger age group may thus be more likely to join a loyalty programme that allows consumers to join/register online than their older counterparts.

### 5.6.3 Race

An ANOVA, utilising a Games-Howell post-hoc test, was again used to evaluate whether statistically significant differences existed between the various race groups. Table 5.37 below provides a breakdown of the results.

**Table 5.37: Statistically significant differences between race groups**

		Df	F	Sig.
<b>Factor 4: Participation effort</b>				
Characteristic 4.4	A retail loyalty programme that allows you to join/register online.	3, 282	2.750	.043*
<b>Factor 5: Programme benefits</b>				
Characteristic 5.6	A retail loyalty programme that rewards you by giving you postponed rewards.	3, 287	4.197	.006**
Characteristic 5.9	A retail loyalty programme that rewards you by giving you postponed rewards and immediate rewards.	3, 289	5.065	.002**
Characteristic 5.10	A retail loyalty programme that rewards you by giving you postponed rewards, immediate rewards and product information.	3, 289	4.741	.003**

\*Significant at the  $p < .05$  level & \*\* Significant at the  $p < .01$  level

The ANOVA indicated that statistical differences existed between the race groups for one characteristic related to 'Participation effort' and three characteristics related to 'Programme benefits', as seen in Table 5.37 above. Table 5.38 below provides an indication between which groups significant differences were found.

**Table 5.38: Group comparison – Race groups**

Characteristic		Race	Mean	Race	Mean	Sig.
Characteristic 4.4	A retail loyalty programme that allows you to join/register online.	Black	3.38	White	3.90	.010**
<b>Characteristic 5.6</b>	A retail loyalty programme that rewards you by giving you postponed rewards.	Black	<b>2.70</b>	White	<b>3.24</b>	.006**
Characteristic 5.9	A retail loyalty programme that rewards you by giving you postponed rewards and immediate rewards.	Black	3.17	White	3.83	.004**
Characteristic 5.10	A retail loyalty programme that rewards you by giving you postponed rewards, immediate rewards and product information.	Black	3.14	White	3.71	.013*

\*Significant at the  $p < .05$  level & \*\* Significant at the  $p < .01$  level

As seen in Table 5.38, statistically significant differences were found between the 'Black' and 'White' race groups for the various characteristics. Overall, the 'White' race group were found to have statistically significant ( $p < .05$  &  $p < .01$ ) higher mean ratings than the 'Black' race group. Despite this, all the mean ratings for the race groups were still found to be above average ( $> 3$ ) except with regards to Characteristic 5.6. The 'Black' race group was found to have a below average ( $< 3$ ) mean rating as opposed to the 'White' race group. This may indicate that respondents within the 'White' race group will be more likely to join a loyalty programme that offers postponed rewards than respondents from the 'Black' race group.

### 5.6.4 Level of Qualification

In order to examine statistical differences between respondents studying towards a pre-degree/certificate and respondents studying towards a degree, independent sample t-tests were conducted. Table 5.39 below provides a breakdown of the results.

**Table 5.39: Mean differences between pre-degree/certificate and degree respondent groups on characteristics**

		Pre-degree/Certificate mean	Degree Mean	Sig.
<b>Factor 2: Purchase frequency</b>				
Characteristic 2.1	A retailer that I buy from frequently, or on a regular basis such as weekly or monthly.	3.65	3.97	.009**
<b>Factor 3: Participation exclusivity</b>				
Characteristic 3.2	A retail loyalty programme that is exclusive to a group that you belong to, such as students.	3.29	3.81	.001**
<b>Factor 4: Participation effort</b>				
<b>Characteristic 4.3</b>	A retailer that you do not live or work close to and have to travel far in order to redeem rewards.	<b>2.41</b>	<b>1.96</b>	<b>.003**</b>
<b>Factor 5: Programme benefits</b>				
Characteristic 5.3	A retail loyalty programme that rewards you by giving you immediate rewards.	3.75	4.16	.001**
Characteristic 5.4	A retail loyalty programme that rewards you by giving you immediate rewards and product information.	3.59	3.98	.003**
<b>Characteristic 5.9</b>	A retail loyalty programme that rewards you by giving you postponed rewards and immediate rewards.	<b>2.89</b>	<b>3.35</b>	<b>.005**</b>

		Pre-degree/Certificate mean	Degree Mean	Sig.
<b>Characteristic 5.10</b>	A retail loyalty programme that rewards you by giving you postponed rewards, immediate rewards and product information.	<b>2.88</b>	<b>3.32</b>	.005**
<b>Factor 6: Number of programme providers</b>				
Characteristic 6.1	A retail loyalty programme that allows you to use your loyalty card at more than one retailer.	3.89	4.33	.010*
<b>Factor 7: Programme duration</b>				
<b>Characteristic 7.2</b>	A retail loyalty programme that places a time limitation on the usage of benefits or rewards.	<b>2.82</b>	<b>2.57</b>	.035*
<b>Factor 8: Structure of the loyalty programme/rewards</b>				
Characteristic 8.3	A retail loyalty programme where you receive immediate discounts on certain items at purchase.	3.98	4.39	.001**
Characteristic 8.4	A retail loyalty programme where you receive a free product after you have purchased a pre-determined amount of products. For example, for every 5th purchase, you get 1 product for free.	3.68	4.12	.002**

\*Significant at the  $p < .05$  level & \*\* Significant at the  $p < .01$  level

As seen in Table 5.39, for the majority of the characteristics, respondents studying towards a degree were found to have statistically significant ( $p < .05$  &  $p < .01$ ) higher mean ratings than respondents studying towards a pre-degree/certificate. The two groups predominantly, however, were still found to have above average ( $> 3$ ) mean ratings for the various characteristics (see Characteristic 2.1, 3.2, 5.3, 5.4, 6.1, 8.3, and 8.4 in Table 5.39). In contrast to this, the 'Pre-degree/certificate' were found to have statistically significant lower mean ratings for 'A retail loyalty programme that rewards you by giving you postponed

rewards and immediate rewards' and 'A retail loyalty programme that rewards you by giving you postponed rewards, immediate rewards and product information' (see Characteristics 5.9 and 5.10, in Table 5.39, indicated in bold). These mean ratings were also found to be below average ( $< 3$ ) for this group in comparison with above average ( $> 3$ ) mean ratings for the 'Degree' group. This may serve to indicate that respondents studying towards a degree will be more likely to join a loyalty programme that provides both immediate and postponed rewards as opposed to respondents studying towards a pre-degree/certificate.

Finally, statistically significant ( $p < .05$  &  $p < .01$ ) lower mean ratings were found for the 'Degree' group with regards to 'A retailer that you do not live or work close to and have to travel far in order to redeem rewards' and 'A retail loyalty programme that places a time limitation on the usage of benefits or rewards' as opposed to the 'Pre-degree/certificate' group (see Characteristics 4.3 and 7.2, Table 5.39, indicated in bold). Despite this, the mean ratings for both the groups were found to be below average ( $< 3$ ). Respondents studying towards a degree may thus be more unlikely to join a loyalty programme if it involves travel to redeem rewards or a time limitation on the usage of benefits or rewards.

#### **5.6.5 Current participation in loyalty programme/programmes**

Independent sample t-tests were conducted in order to statistically compare the respondent group who indicated that they 'do currently', and the respondent group who indicated that they 'do not currently' participate in a loyalty programme. Table 5.40 below provides a breakdown of the characteristics for which significant differences were found.

**Table 5.40: Mean differences between respondents who currently participate in a loyalty programme and respondents who do not participate in a loyalty programme on characteristics**

		Participation		Sig.
		Yes	No	
<b>Factor 1: Personal data release</b>				
Characteristic 1.1	A retail loyalty programme that requires you to give basic information such as your name and address	3.79	3.42	.014*
<b>Factor 2: Purchase frequency</b>				
Characteristic 2.1	A retailer that I buy from frequently, or on a regular basis such as weekly or monthly.	3.97	3.70	.028*
<b>Factor 4: Participation effort</b>				
Characteristic 4.1	A retail loyalty programme that requires you to carry a card around in order to have it present when purchasing.	3.71	3.41	.027*
<b>Factor 8: Structure of the loyalty programme/rewards</b>				
Characteristic 8.5	A retail loyalty programme where you receive points based on how much money you spent at the retailer.	3.86	3.42	.001**

\*Significant at the  $p < .05$  level & \*\* Significant at the  $p < .01$  level

Table 5.40 shows that overall, the group consisting of respondents who currently participate in a loyalty programme were found to have statistically significant ( $p < .05$  &  $p < .01$ ) higher mean ratings for the various characteristics for which differences were found than the group of respondents who do not participate in a loyalty programme. Respondents who already participate in a retail loyalty programme may thus be more likely to join another loyalty programme of a retailer that they shop from more frequently, that requires you to carry a loyalty card, that grants points in relation to money spent and that requires only basic personal information. The next section describes the validity and reliability of the study.



## 5.7 VALIDITY AND RELIABILITY

Validity determines the accuracy of the measurement, in other words, does each question used to measure a concept, truthfully represent the given concept (Zikmund & Babin, 2016:250). When a measurement lacks validity the conclusions based on the given data will not be accurate or truthful. For results to be interpreted correctly and applied successfully, it is essential for the scale to be valid (Zikmund & Babin, 2016:250). Due to the exploratory nature of the study, a wide validity testing is not the aim, as factors are explored and hypotheses are not tested (Wankel & Wankel, 2016:152). To test the validity of the current study a pre-test was used, as discussed in Section 4.2.6.6. The researcher asked students to indicate any questions that they deemed as unclear and questions were changed accordingly. The validity was also assured by use of content validity testing on a panel of two marketing and research experts (Taniguchi, 2015:171). The wording of two questions were then reworded based on their opinions.

Reliability is used to test the internal consistency of a questionnaire or research instrument. This means that a questionnaire will be seen as reliable if the different attempts used to measure a construct converge the same result (Zikmund & Babin, 2016:249). In simple terms, reliability measures if a question asked in numerous ways results in a consistent answer. The most popular method for measuring internal reliability or the internal consistency of a research instrument or measurement is Cronbach's alpha reliability coefficient test. The coefficient alpha, also known as Cronbach's alpha, is generally used to determine the internal consistency of the measuring of a construct (Zikmund & Babin, 2016:249). According to Zikmund and Babin (2016:249), a scale with a Cronbach's alpha between 0.80 and 0.96 is considered as highly reliable. A scale with a Cronbach's alpha between 0.70 and 0.80 has good reliability, and a Cronbach's alpha value between 0.60 and 0.70 is seen as fairly reliable. When a Cronbach's alpha value is reported below 0.60 the scale has low reliability.

If items in a Likert scale are written in opposite directions, as in the case with the current study, the results of a Cronbach's alpha of could result in reduced value, due to item correlations being affected (Spector, 2014). The current study therefore did not make use of a Cronbach's alpha for each factor analysed, but rather calculated the Cronbach's alpha for

the entire scale. The result of the scales' Cronbach's alpha is 0.868, indicating a good reliability. To ensure further reliability, the study used research instrument scale items from previous studies.

## **5.8 SUMMARY**

The primary aim of the current study was to explore factors that influence South African tertiary students to participate in retail loyalty programmes.

The study found that a retail loyalty programme that has the characteristics of only requiring basic information to join; a loyalty programme from a retailer that they buy from frequently; a retail loyalty programme that allows the use of a loyalty card at more than one retailer; and a retail loyalty programme that places no time limitation on the usage of benefits and rewards will increase the likelihood of South African tertiary students joining the loyalty programme. Furthermore, it was evident that respondents may be more likely to join a retail loyalty programme that provides convenience in the form of online services and a loyalty card as opposed to characteristics that may require extra effort and time on the part of the consumer which may cause inconvenience. In addition, the presence of immediate rewards as a characteristic within a retail loyalty programme as well as immediate discounts and free products based on purchase frequency was found to be key considerations in increasing the likelihood of respondents in joining a retail loyalty programme.

## CHAPTER 6.

### CONCLUSIONS AND RECOMMENDATIONS

#### 6.1 INTRODUCTION

The main purpose of this research study, as explained in Chapter 1, was to explore factors that influence South African tertiary students to participate in retail loyalty programmes. The research findings were discussed in Chapter 5 and specific results from the research instrument were presented. In this chapter, the research objectives are revisited and conclusions and recommendations are made based on the data collected. The contribution that the study makes to the South African retail trade industry will then be discussed, followed by the limitations of the study. The chapter concludes with suggestions for future research related to this topic.

#### 6.2 CONCLUSIONS OF THE STUDY

The research objectives, as stated in Chapter 1, are revisited in this chapter in order to determine whether they were achieved. Secondary objectives 2 to 8 is explored by investigating students ranking of the characteristic of each factor as listed below in Table 6.1.

**Table 6.1: Factors and characteristics explored that influence students to participate in retail loyalty programmes**

<b>Factor 1: Personal data release</b>		<b>Mean</b>
Characteristic 1.1	A retail loyalty programme that requires you to give basic information such as your name and address.	3.69
Characteristic 1.2	A retail loyalty programme that requires you to give extended information such as contact information, income, relationship status, race, age etc.	2.37
<b>Factor 2: Purchase frequency</b>		<b>Mean</b>
Characteristic 2.1	A retailer that I buy from frequently, or on a regular basis such as weekly or monthly.	3.89
Characteristic 2.2	A retailer that I do not buy from frequently or on an irregular basis, such as once every few weeks, or only as the need arises.	2.60

<b>Factor 3: Participation exclusivity</b>		<b>Mean</b>
Characteristic 3.1	A retail loyalty programme that is open to everyone to join.	3.77
Characteristic 3.2	A retail loyalty programme that is exclusive to a group that you belong to, such as students.	3.69
<b>Factor 4: Participation effort</b>		<b>Mean</b>
Characteristic 4.1	A retail loyalty programme that requires you to carry a card around in order to have it present when purchasing.	3.63
Characteristic 4.2	A retail loyalty programme where you have to redeem points or rewards before being able to use them when purchasing.	3.35
Characteristic 4.3	A retailer that you do not live or work close to and have to travel far in order to redeem rewards.	2.05
Characteristic 4.4	A retail loyalty programme that allows you to join/register online.	3.45
Characteristic 4.5	A retail loyalty programme that allows you to check your points online.	3.88
<b>Factor 5: Structure of the loyalty programme and structure of rewards</b>		<b>Mean</b>
Characteristic 5.1	A retail loyalty programme where your rewards are based on the level of the loyalty programme you belong to, for example being a gold card member.	3.17
Characteristic 5.2	A retail loyalty programme where rewards are based on your purchase frequency, and all members are eligible for the same rewards.	3.63
Characteristic 5.3	A retail loyalty programme where you receive immediate discounts on certain items at purchase.	4.30
Characteristic 5.4	A retail loyalty programme where you receive a free product after you have purchased a pre-determined amount of products. For example, for every 5th purchase, you get 1 product for free.	4.02
Characteristic 5.5	A retail loyalty programme where you receive points based on how much money you spent at the retailer.	3.74
Characteristic 5.6	A retail loyalty programme where you receive rewards that are based on your personal purchase behaviour.	3.23

<b>Factor 6: Programme benefits</b>		<b>Mean</b>
Characteristic 6.1	A retail loyalty programme that rewards you by sending product information.	2.94
Characteristic 6.2	A retail loyalty programme that rewards you by sending you product information, and additional information.	3.15
Characteristic 6.3	A retail loyalty programme that rewards you by giving you immediate rewards.	4.06
Characteristic 6.4	A retail loyalty programme that rewards you by giving you immediate rewards and product information.	3.89
Characteristic 6.5	A retail loyalty programme that rewards you by giving you immediate rewards, product information and additional information.	3.81
Characteristic 6.6	A retail loyalty programme that rewards you by giving you postponed rewards.	2.79
Characteristic 6.7	A retail loyalty programme that rewards you by giving you postponed rewards and product information.	2.72
Characteristic 6.8	A retail loyalty programme that rewards you by giving you postponed rewards, product information and additional information.	2.73
Characteristic 6.9	A retail loyalty programme that rewards you by giving you postponed rewards and immediate rewards.	3.25
Characteristic 6.10	A retail loyalty programme that rewards you by giving you postponed rewards, immediate rewards and product information.	3.22
Characteristic 6.11	A retail loyalty programme that rewards you by giving you postponed rewards, immediate rewards and additional information.	3.27
Characteristic 6.12	A retail loyalty programme that rewards you by giving you postponed rewards, immediate rewards, product information and additional information.	3.25
<b>Factor 7: Number of programme providers</b>		<b>Mean</b>
Characteristic 7.1	A retail loyalty programme that allows you to use your loyalty card at more than one retailer.	4.24
Characteristic 7.2	A retail loyalty programme that allows you to use your loyalty card at only one retailer.	2.81

<b>Factor 8: Programme duration</b>		<b>Mean</b>
Characteristic 8.1	A retail loyalty programme with unlimited duration on the usage of benefits or rewards.	4.06
Characteristic 8.2	A retail loyalty programme that places a time limitation on the usage of benefits or rewards.	2.63

Conclusions are drawn from the results of the analysis of each secondary objective explored and recommendations are made accordingly.

### **6.2.1 Primary research objective**

The primary objective of the study was to explore factors that influence South African tertiary students to participate in retail loyalty programmes. The secondary objectives used to reach a conclusion were listed in Chapter 1 and is discussed below. In this section, the main findings and the conclusion will be summarised.

The data suggests that students are more likely to join a retail loyalty programme that requires only basic personal information to join, a loyalty programme from a retailer that they buy from frequently, a loyalty programme that allows the use of a loyalty card at more than one retailer, and a retail loyalty programme that places no time limitation on the usage of benefits and rewards. Furthermore, although a slight difference was found, respondents indicated no clear preference towards a loyalty programme that is open for everyone to join or a loyalty programme that is exclusive to only a specific group. In terms of effort, students may be more likely to join a retail loyalty programme that provides convenience to check your points online, have a loyalty card for purchasing, and register online. By exploring the structure of a loyalty programme and rewards students indicated that immediate discounts and free products based on purchase frequency were the main characteristics that would influence their likelihood of joining a retail loyalty programme. Immediate rewards as a factor that might influence students to participate in retail loyalty programmes is also seen in exploring loyalty programme benefits, where students showed a greater preference for characteristics that include immediate rewards as opposed to postponed rewards or

information. The likelihood that immediate rewards might influence students to participate in retail loyalty programmes is also seen in Figure 6.1.

**Figure 6.1: Characteristics that might influence students to participate in retail loyalty programmes**

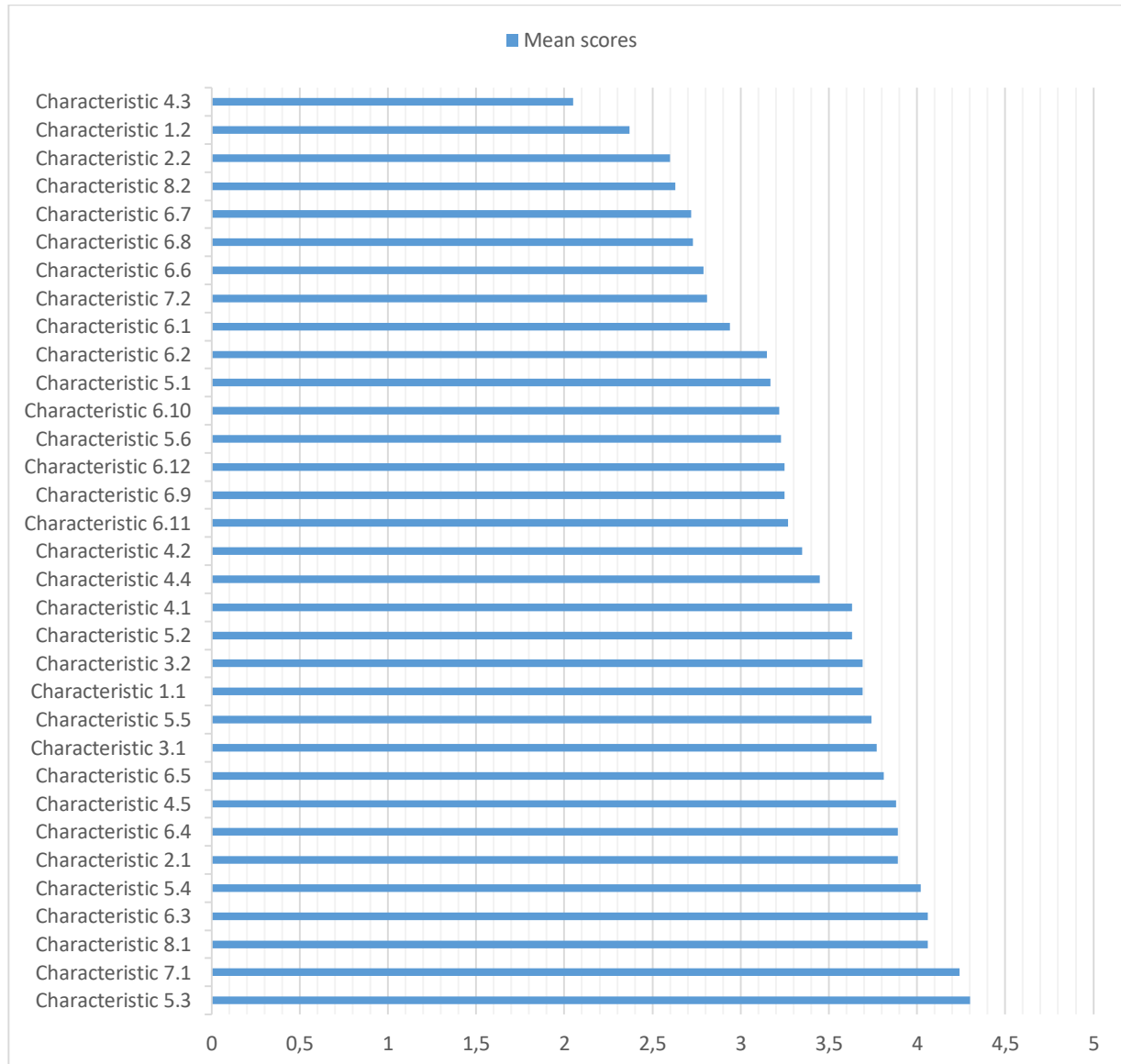


Figure 6.1 list the characteristics, as named in Table 6.1, in order of lowest to highest mean score as rated by participating students. As discussed in Chapter 5, Question 7 to Question 14 of the research questionnaire asked respondents to rate the characteristics as named in Table 6.1 on a Likert-scale ranging from ‘1 – Extremely unlikely’ to ‘5 - Extremely likely’, to indicate how likely they are to join a loyalty programme based on the identified characteristic.

As seen in Figure 6.1, the characteristic that is least likely to influence students to participate in a retail loyalty programme is Characteristic 4.3 – ‘A retailer that you do not live or work close to and have to travel far in order to redeem rewards’, with a mean score of 2.05. The two characteristics that are the third most likely to influence students to participate in a retail loyalty programme is Characteristic 8.1 – ‘A retail loyalty programme with unlimited duration on the usage of benefits or rewards’, and Characteristic 6.3 – ‘A retail loyalty programme that rewards you by giving you immediate rewards’ with both a mean score of 4.06. The characteristic that is the second most likely to influence students to participate in a retail loyalty programme is Characteristic 7.1 – ‘A retail loyalty programme that allows you to use your loyalty card at more than one retailer’, with a mean score of 4.24. The characteristic that is the most likely to influence students to participate in a retail loyalty programme is Characteristic 5.3 – ‘A retail loyalty programme where you receive immediate discounts on certain items at purchase’, with a mean score of 4.3.

For the primary research objectives to be confirmed, nine supporting secondary research objectives were formulated. Each of the secondary research objective findings is presented in the next section.

## **6.2.2 Secondary research objectives**

Nine secondary objectives were formulated for this study. Each objective and the recommendation based on the objective will now be discussed.

### **6.2.2.1 Secondary objective 1: Determine the proportion of South African tertiary students who participate in retail loyalty programmes.**

Section 3.5 explains that this study will look at retailers who own well-established loyalty programmes in terms of participation members, and who contribute considerably to the South African economy in terms of retail and trade sales. These retailers include Pick n Pay, Edgars, The Foschini Group, Woolworths, Clicks and Dis-Chem. The loyalty programmes of each of these retailers are discussed in detail in Section 3.6.



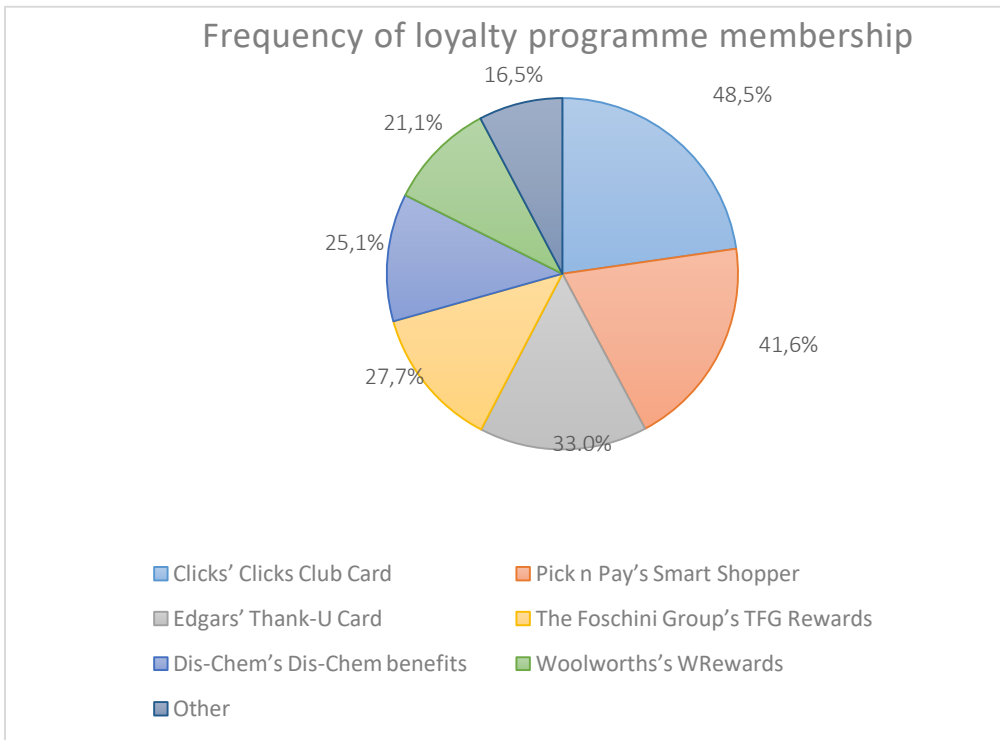
As indicated in Table 6.2, the majority of students participate in retail loyalty programmes; 72.3 per cent of students participate in at least one retail loyalty programme, and only 27.4 per cent do not participate in any retail loyalty programme. From those who do participate in retail loyalty programmes, the majority (44%) participate in between one and three programmes.

**Table 6.2: Participation in loyalty programmes**

	Percentage
<b>Participation in loyalty programme</b>	
Yes	72.3
No	27.4
<b>Number of loyalty programmes</b>	
1 – 3	44.9
4 – 6	25.1
7 – 10	3.0
More than 10	1.7

Furthermore, as seen in Figure 6.2 the most popular retail loyalty programme among students is Clicks ClubCard (48.5%), the second most popular is the Smart Shopper programme (41.6%), followed by the Thank U card (33.0%).

**Figure 6.2: Frequency of participation in loyalty programmes**



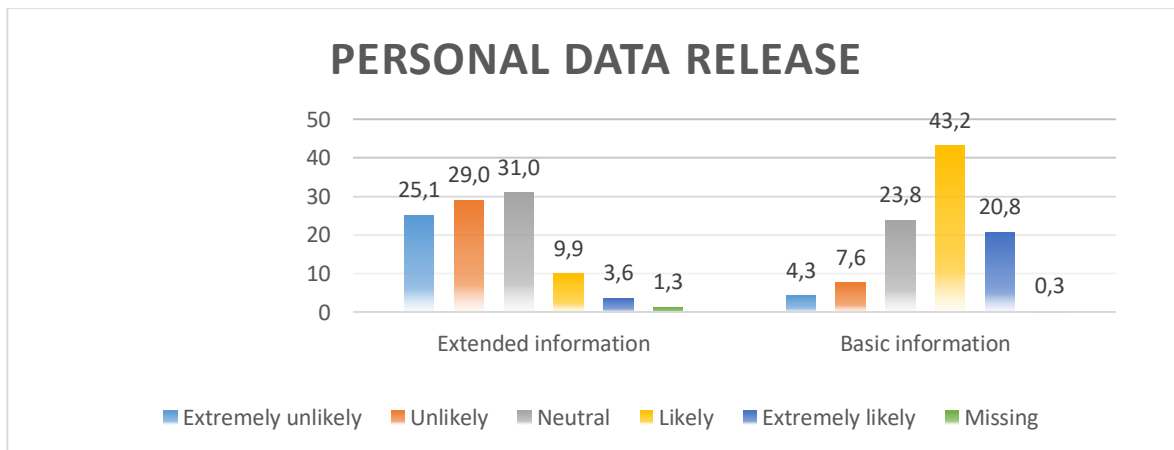
The findings above were expected as students are already shopping at retailers that sell beauty and health care products, groceries and clothing (Student Village, 2017), as discussed in Chapter 1.

Retail outlets need to be aware of the fact that students are part of their market, and they are generating a portion of their income through their buying behaviour. As discussed in Chapter 1, South African students spend on average R2 714 per month, this results in an annual spending of R32 568 per student, which is a higher spending than the average South African citizen per annum, i.e. R31 215 (Student Village, 2017:35). The South African student population is therefore a valuable market to be considered by retailers when creating or adjusting their loyalty programmes.

### 6.2.2.2 Secondary objective 2: Explore personal data release as a factor that influence South African tertiary students to participate in retail loyalty programmes

The research study found that students are more likely to join a retail loyalty programme that requires the release of basic personal data. As seen in Figure 6.3, the majority of respondents indicated that they are 'Likely' (43.2%) and 'Extremely likely' (20.8%) to join a retail loyalty programme that requires students to provide basic information, as opposed to a programme that requires students to provide extended information, where respondents assigning ratings of 'Neutral' (31%), 'Unlikely' (29%) and 'Extremely unlikely' (25.1%) to this characteristic.

Figure 6.3: Personal data release rating percentages



As discussed above, the South African student population is a valuable market to be considered by retailers when creating or adjusting their loyalty programmes. The data for secondary objective 2, as seen in Figure 6.3, suggest that retail outlets need to consider that students are more likely join a retail loyalty programme that requires them to provide basic information.

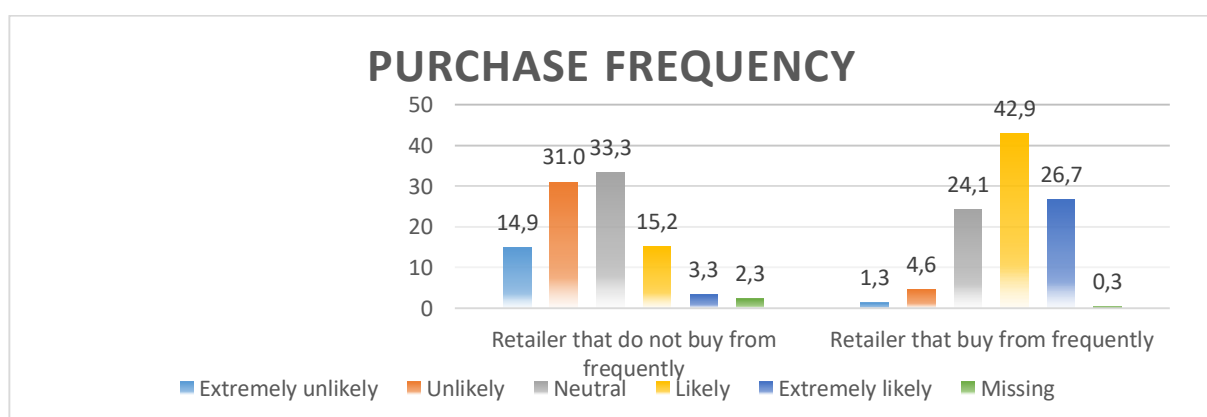
Under the loyalty programmes considered by the current study, Pick n Pay, Edgars, The Foschini Group and Woolworths' loyalty programmes require a prospective participant to provide the following information: name, surname, title, ID number (or passport number for non-South African citizens), contact number, email address, postal and physical address

(Pick n Pay, 2019; Thank U, 2018; TFG, 2018). Clicks and Dis-Chem are the only two retailers whose loyalty programmes ask more than the above stated information. In addition to the information stated above, to join Clicks' ClubCard, a prospective participant will also have to state their gender (Clicks ClubCard, 2016), and to join Dis-Chem benefits a prospective participant will also have to state their gender and marital status (Dis-Chem, 2017). This is surprising as Clicks is the most popular retail loyalty programme among students, the second most popular being the Smart Shopper programme, followed by the Thank U card, as indicated in Figure 6.2. It is suggested that future research establish what students consider to be basic information and extended information in order for retail loyalty programmes to consider this factor when creating or adjusting their loyalty programmes.

### 6.2.2.3 Secondary objective 3: Explore purchase frequency as a factor that influence South African tertiary students to participate in retail loyalty programmes

By exploring purchase frequency as a participation factor, the study found that students are more likely to join a loyalty programme form a retailer that they buy from frequently, or on a regular basis such as weekly or monthly. As seen in Figure 6.4, the majority of students indicated that they are 'Likely' (42.9%) and 'Extremely likely' (26.7%) to join a retail loyalty programme that they buy from frequently. The majority of respondents assigned ratings of 'Neutral' (33.3%), 'Unlikely' (31%) and 'Extremely unlikely' (14.9%), to joining a retail loyalty programme that they do not buy from frequently.

Figure 6.4: Purchase frequency rating percentages



As discussed in Chapter 1, the South African student population is a valuable market to be considered by retailers when creating or adjusting their loyalty programmes. The data for secondary objective 3 suggest that retailers need to consider that students are more likely join a retail loyalty programme that they buy from frequently, as seen in Figure 6.4.

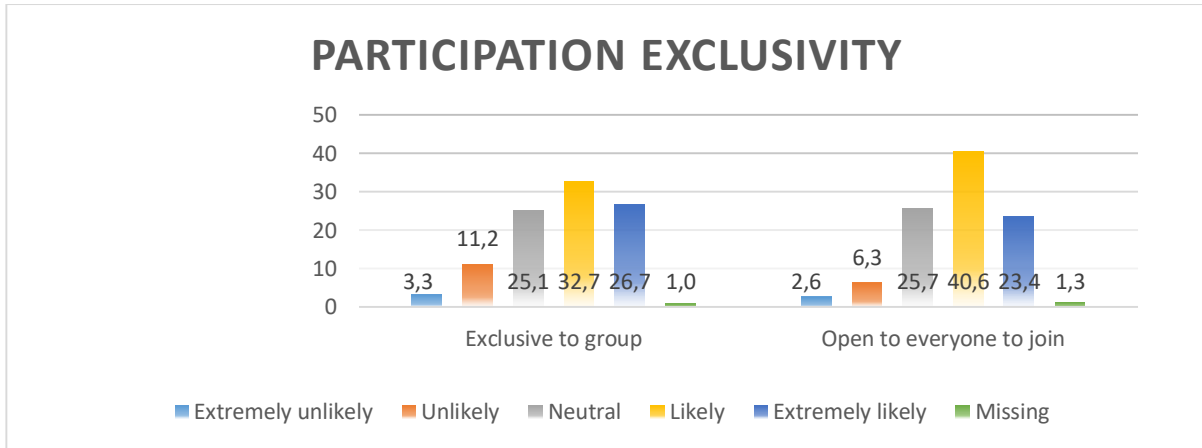
No research prior to the current study investigated which retailers South African students frequently purchase from. While investigating spending behaviour of South African students, Student Village (2012) indicated that the second most common expenditure for South African tertiary students are toiletries and cosmetics, followed by food and groceries, and cellular airtime (as explained in Section 1.2.4, and illustrated in Table 1.2). Student Village (2017:17) indicated that a student spends an average of R546 per month on groceries, R184 per month on toiletries and cosmetics, and R633 per month on clothing and jewellery. The findings of Student Village (2015 & 2017) correlate with the findings of the study. As indicated in Figure 6.2, most popular retail loyalty programme among students is Clicks ClubCard, second is Pick n Pay's Smart Shopper programme, and the third most popular programme is Edgars' Thank U card. What can be drawn from this data is that there might be a correlation between the retailers that South African students are frequently shopping at and the retail loyalty programmes that they belong to. It is recommended that retailers who sell toiletries, food and groceries, and clothing consider students as a valuable market, and the characteristics that might influence them to join a retail loyalty programme when creating or adjusting their loyalty programmes.

#### **6.2.2.4 Secondary objective 4: Explore participation exclusivity as a factor that influence South African tertiary students to participate in retail loyalty programmes**

The data suggest that South African students are not more likely to join a retail loyalty programme that offers them exclusive participation rights. As seen in Figure 6.5, participating students primarily assigned a rating of 'Likely' (40.6%), 'Extremely likely' (23.4%) and 'Neutral' (25.7%) to the likelihood of joining a loyalty programme that's open to everyone to join, with similar ratings of 'Likely' (32.7%), 'Extremely likely' (26.7%) and

'Neutral' (25.1%) assigned to the likelihood of joining a loyalty programme that's exclusive to a specific group.

**Figure 6.5: Participation exclusivity rating percentages**



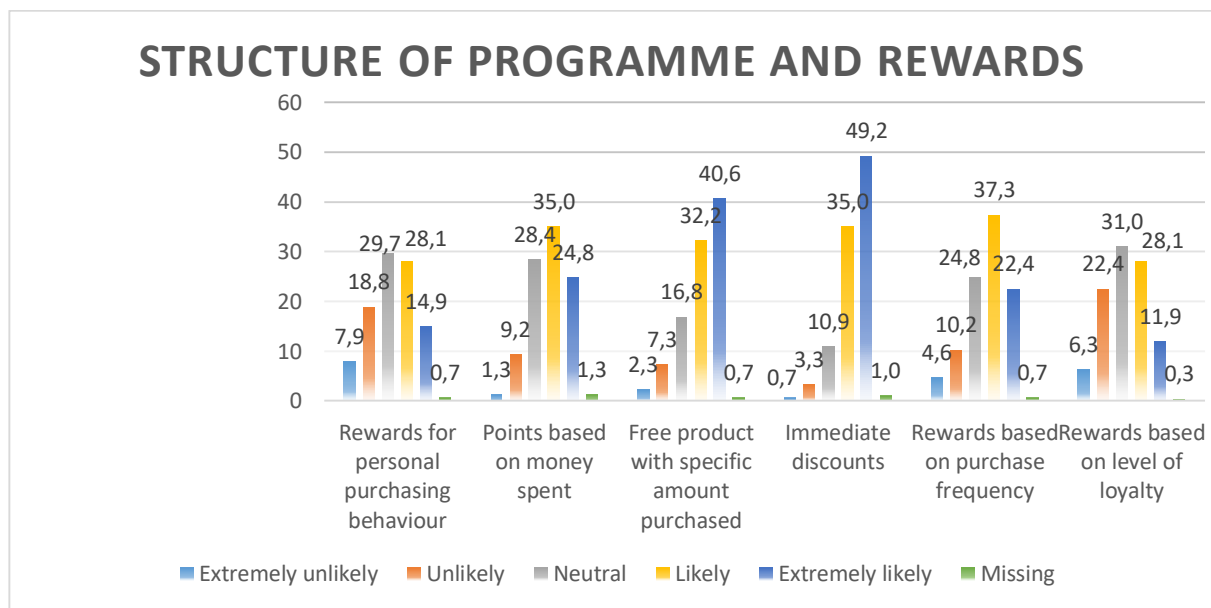
Among the loyalty programmes considered by the current study, Pick n Pay, Edgars, The Foschini Group, Woolworths, Clicks and Dis-Chem’s loyalty programmes are all open to any South African or non-South African citizen with a passport number (Pick n Pay, 2019; Thank-u-rewards, 2017; TFG, 2018; Clicks ClubCard, 2016; Dis-Chem, 2017). In 2018, Dis-Chem was the first among the retailers considered to create an exclusive loyalty programme that specifically target young adults between the age of 18 – 25 (the average age of a student). With the data of the study suggesting that exclusivity does not influence students to participate in retail loyalty programmes, the study recommends that retailers place focus on other factors that might influence students to participate in retail loyalty programmes, such as offering immediate discounts when creating or adjusting their loyalty programmes, as indicated in Figure 6.1.

**6.2.2.5 Secondary objective 5: Explore the structure of the loyalty programme and structure of rewards as a factor that influence South African tertiary students to participate in retail loyalty programmes**

With regards to the structure of a loyalty programme and rewards, participating students indicated that immediate discounts and free products based on purchase frequency were the main characteristics that would influence their likelihood of joining a retail loyalty

programme. Although these characteristics emerged as the primary characteristics in influencing their likelihood, other rewards also emerged as characteristics which would increase their likelihood of joining a loyalty programme, albeit to a possibly slightly lesser degree. As seen in Figure 6.6, the majority of participating students assigned ratings of 'Likely' and 'Extremely likely' to the characteristics 'A loyalty programme where you receive immediate discounts on certain items at purchase' and 'A loyalty programme where you receive a free product after you have purchased a pre-determined amount of products. For example, for every fifth purchase, you get 1 product for free'.

**Figure 6.6: Structure of loyalty programme/rewards rating percentages**

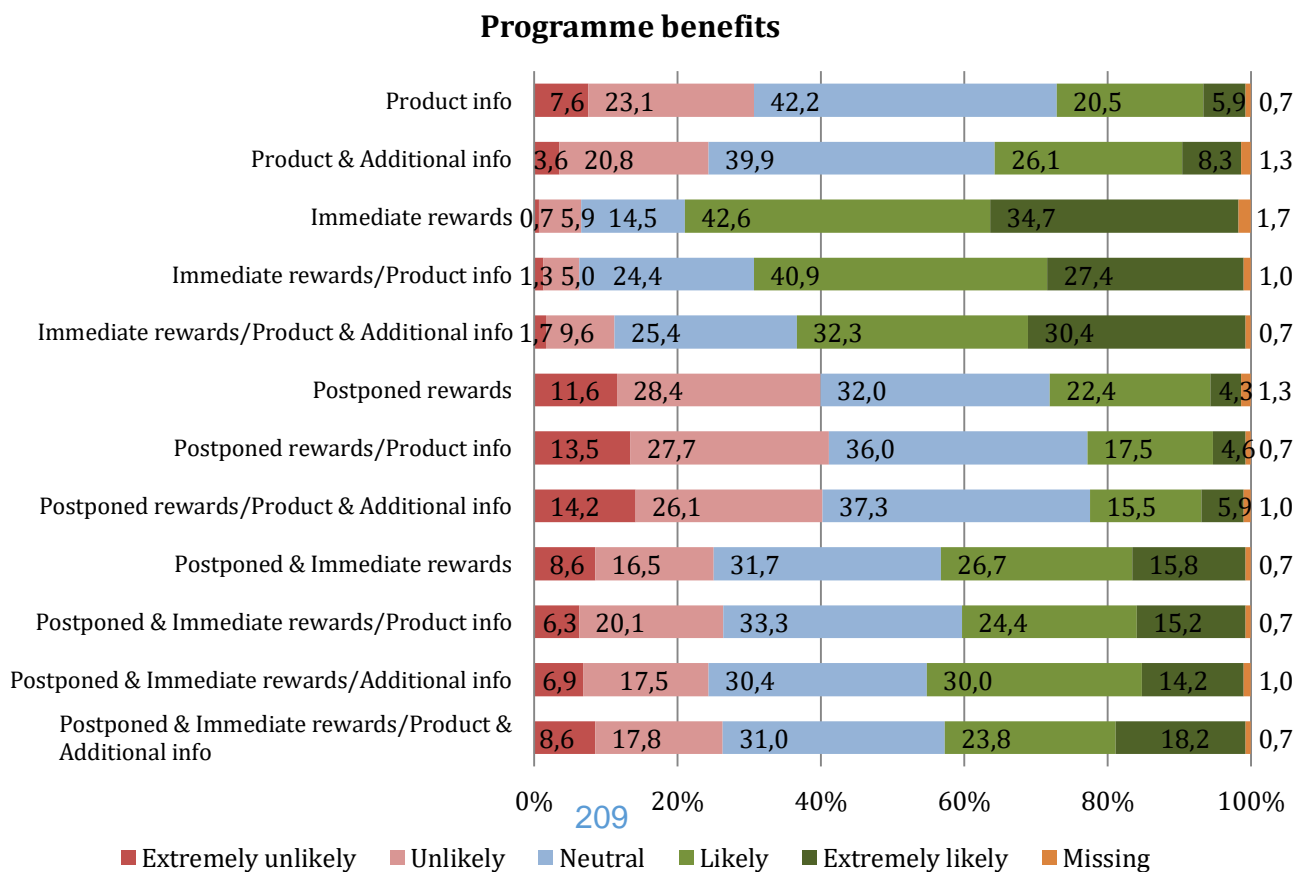


The findings of the current study, as seen in Figure 6.6, are in line with the results of Truth (2018:31) who pointed out that South African consumers between the age of 25 - 34 are motivated more than any other age group to join a loyalty programme by collecting points and receiving rewards. What is not in line with the findings of the study is that the most popular retail loyalty programme among students is Clicks ClubCard, which is a loyalty programme based on tiers. With immediate rewards highlighted again, it is recommended that retailers consider using immediate rewards when creating or adjusting their loyalty programmes, with future research needed to investigate the characteristics of Clicks ClubCard that students are attracted to.

### 6.2.2.6 Secondary objective 6: Explore loyalty programme benefits as a factor that influence South African tertiary students to participate in retail loyalty programmes

The data suggests that immediate reward, and hard benefits, as opposed to postponed rewards and soft benefits, seem to be the main characteristic that will influence the likelihood of students to join a retail loyalty programme. As seen in Figure 6.7, 'A retail loyalty programme that rewards you by giving you immediate rewards', 'A loyalty programme that rewards you by giving you immediate rewards and product information' and 'A retail loyalty programme that rewards you by giving you immediate rewards, product information and additional information', were predominantly assigned positive ratings of 'Likely' or 'Extremely likely' by participating students. On the other hand, 'A retail loyalty programme that rewards you by giving you postponed rewards and product information', 'A retail loyalty programme that rewards you by giving you postponed rewards, product information and additional information' and 'A retail loyalty programme that rewards you by giving you postponed rewards', were assigned ratings leaning towards the lower end of the scale with ratings of 'Neutral', 'Unlikely' and 'Extremely unlikely'.

Figure 6.7: Programme benefits rating percentages



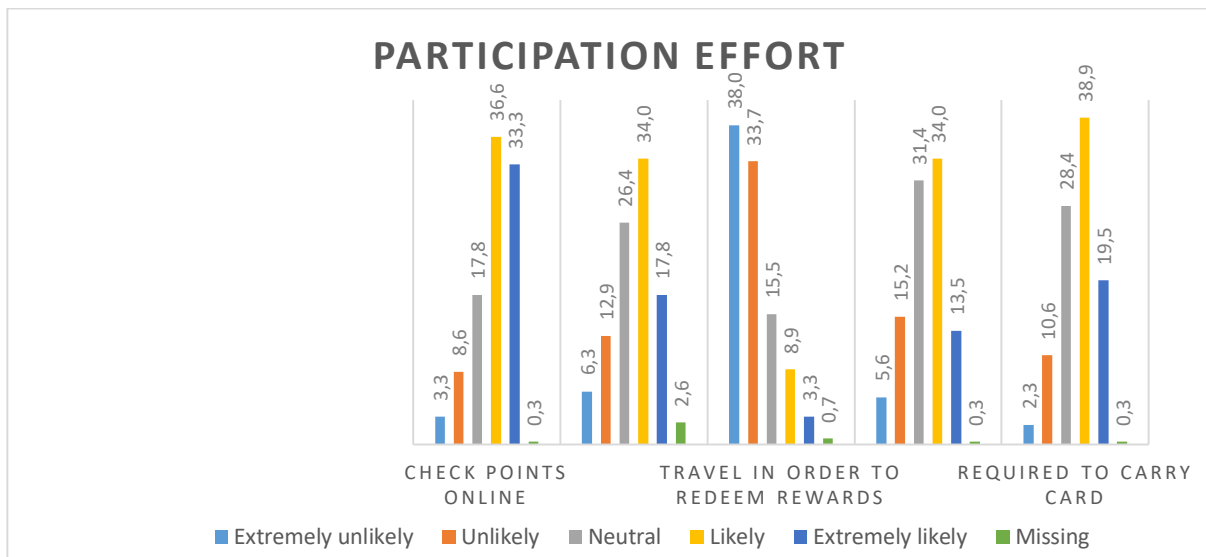


Among the loyalty programmes considered by the current study, Pick n Pay and Clicks offer a combination immediate and postponed rewards, and hard and soft benefits. Pick n Pay offers postponed rewards in the form of Smart Shopper points, and recently stated offering Smart Shopper members immediate and hard rewards via personal discounts every week to participating loyalty card members, on the products they buy most often (Pick n Pay, 2019). Clicks also offers postponed rewards in the form of ClubCard points, and immediate rewards by offering Clicks ClubCard members exclusive three-for-two specials (Clicks ClubCard, 2016). Edgars and Dis-Chem only offer postponed rewards in the form of loyalty programme points (Thank-u-rewards, 2017). Woolworths and Foschini offer participating members immediate and hard benefits. WRewards members receive instant savings at purchase on selected items. Members can save up to 20 per cent when purchasing (Marketing Spread, 2018). Foschini provides members immediate, unique rewards based on the customers' specific needs (TFG, 2018). With students indicating that they are more likely to be influenced by hard benefits and immediate rewards to join a retail loyalty programme, it is recommended that retailers consider using these benefits when creating or adjusting their loyalty programmes.

#### **6.2.2.7 Secondary objective 7: Explore participation effort as a factor that influence South African tertiary students to participate in retail loyalty programmes**

In terms of the factor 'Participation effort', it is evident that respondents may be more likely to join a retail loyalty programme which provides convenience in the form of online services and a loyalty card as opposed to characteristics which may require extra effort and time on the part of the consumer which may cause inconvenience. As seen in Figure 6.8, a retail loyalty programme where you have to redeem points or rewards before being able to use them when purchasing, a retail loyalty programme that allows you to join/register online, and a retail loyalty programme that allows you to check your points online, were all assigned similar ratings which predominantly leaned towards the positive end of the scale of 'Likely' and 'Extremely likely', with the majority of respondents assigning ratings of 'Extremely unlikely' and 'Unlikely' to 'A retailer that you do not live or work close to and have to travel far in order to redeem rewards'.

**Figure 6.8: Participation effort rating percentages**



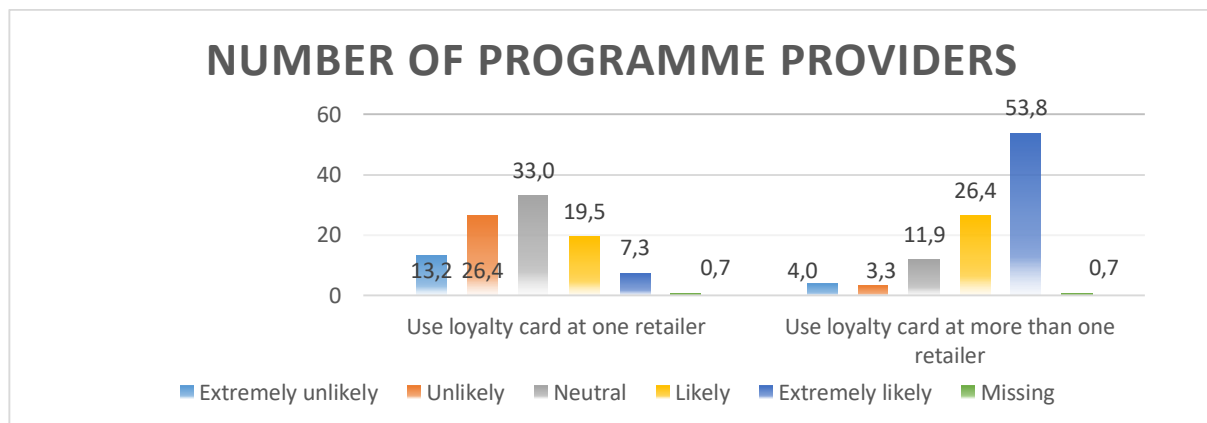
All the retail loyalty programmes considered by this study, as named in Section 6.2.2.1, the Edgars Thank U programme is the only loyalty programme where customers must join in store, and who does not have the option of joining through an online platform. All the programmes as named in Section 6.2.2.1 do, however, offer participants the option to monitor their rewards via a smartphone application. Consumers who do join via online or smartphone app for the above mentioned programmes, still have to collect their physical cards in store and provide proof of their South African ID or passport. With South African students indicating that they are more likely to join a retail loyalty programme with an online option to join and check rewards online, the current study recommends that retailers consider using online options when creating or adjusting their loyalty programmes.

**6.2.2.8 Secondary objective 8: Explore number of programme providers as a factor that influence South African tertiary students to participate in retail loyalty programmes**

By exploring the number of ‘Programme providers’ as a factor that influence South African tertiary students to participate in retail loyalty programmes the data from the study suggest that the ability to use a retail loyalty card at more than one retailer would increase the likelihood of South African students to join a retail loyalty programme. As seen in Figure 6.9, the majority of participating students assigned a rating of ‘Likely’ (26.4%) and ‘Extremely

likely' (53.8%) for 'A retail loyalty programme that allows you to use your loyalty card at more than one retailer'. With regards to 'A retail loyalty programme that allows you to use your loyalty card at only one retailer', the majority of respondents assigned ratings of 'Neutral' (33.0%), 'Unlikely' (26.4%) and 'Extremely unlikely' (13.2%).

**Figure 6.9: Number of programme providers rating percentages**



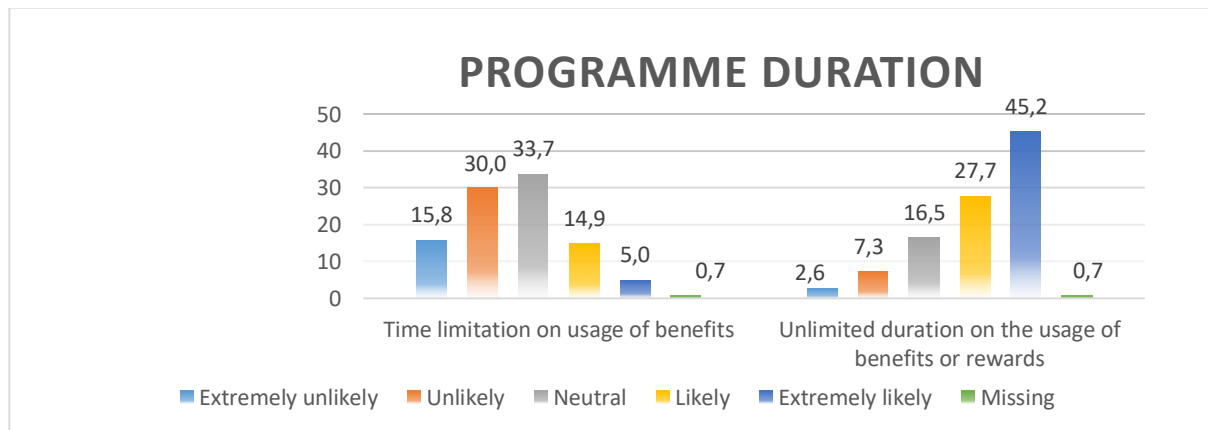
The findings as seen in Figure 6.9, support the research of Kutlu (2015:37) and De Wulf *et al.* (2013:76) who both found that customers will have higher joining intention towards multi-vendor loyalty programme than a single-vendor programme. Some of South African's major retailers discussed in this study incorporated the use of multi-vendor loyalty programmes. Clicks, Edgars and Foschini uses a multi-vendor loyalty programme. Clicks ClubCard allows customers to obtain points by shopping at Courtyard, The Body Shop, Net Florist, Musica, Sorbet, SpecSavers and Claire's, staying at City Lodge and Town Lodge hotels, buying fuel at Shell service stations, hiring a car at Europcar, and buying movie tickets at NuMetro (Clicks ClubCard, 2016). Edgars Thank U card members can obtain Thank U points by shopping at Edgars, Edgars Active, Edgars Connect, Red Square, Topshop, Jet, Dune, Calvin Klein, Boardmans, CNA, and TM Lewin (thank U, 2018). The Foschini Group's TFG Rewards awards participating members for shopping at Foschini, Totalsports, Sportscene, American Swiss, Duesouth, Exact!, @home, @homelivingspace, Sterns, Charles and Keith, G-star Raw, Markham, Donna, The Fix, Fabiani, Mat & May, Next, Sodabloc and Colette (TFG, 2018). Pick n Pay, Woolworths and Dis-Chem's loyalty programmes can only be used at the hosting retailer, making use of a single-vendor programme structure (Pick n Pay, 2019; Woolworths, 2017; Dis-Chem, 2017). With students indicating that they are more likely

to join a retail loyalty programme that can be used at more than one retailer, it is suggested that retailers consider joining forces with other retailers/organisations when creating or adjusting their loyalty programmes.

### 6.2.2.9 Secondary objective 9: Explore programme duration as a factor that influence South African tertiary students to participate in retail loyalty programmes

While exploring programme duration as a factor that might influence South African tertiary students to participate in retail loyalty programmes, the data suggests that participating students prefer a loyalty programme where no time limitation is placed on the usage of benefits or rewards as opposed to a programme that requires the usage of benefits or rewards within a specific timeframe. As seen in Figure 6.9, the majority of participating assigned ratings of ‘Likely’ (27.7%) and ‘Extremely likely’ (45.2%) to ‘A loyalty programme with unlimited duration on the usage of benefits or rewards’, with ‘Neutral’ (33.7%), ‘Unlikely’ (30%) and ‘Extremely unlikely’ (15.8%) ratings assigned to ‘A loyalty programme that places a time limitation on the usage of benefits or rewards’.

Figure 6.10: Programme duration rating percentages



The findings of the study are in agreement with the findings of Code Broker (2018:6), who found that 32 per cent of U.S. Millennials get frustrated with retail loyalty programmes because their points expire before they can use them. Out of the major South African retailers considered by this study, as discussed in Chapter 1, Dis-Chem is currently the only retailer who has not placed a limitation on their loyalty programme benefits collection (Dis-

Chem, 2017). Programme duration is not applicable to Woolworths' WRewards, as discounts are received instantly upon purchase (Woolworths, 2017). With students indicating that they prefer a retail loyalty programme with no time limitations placed on benefits, it is recommended that retailers consider this when creating or adjusting their loyalty programmes. It is also recommended that future research investigates the characteristics of Clicks ClubCard that students are attracted to.

Based on the conclusions to the various secondary objectives, it can be said that the primary objective was fully achieved. In the next section, some additional findings from the study are highlighted.

### **6.3 ADDITIONAL FINDINGS**

In order to gain further insight into the factors and characteristics that influence the likelihood of students to join a retail loyalty programme, statistical comparisons using independent sample t-tests and ANOVAs were also examined based on the various demographic variables of gender, age, race, level of qualification and whether or not respondents currently participate in loyalty programmes or not. In the interest of clarity only statistically significant differences will be reported and examined.

Various statistically significant differences were found between the groups within the sample including the gender groups, age groups, race groups, level of qualification groups, and between respondents who currently participate in loyalty programmes or not. These differences predominantly provide a robust indication to which factors and characteristics may increase the likelihood of South African tertiary students joining a retail loyalty programme for specific demographic groups. The several instances where one group was found to have a below average (< 3) mean rating as opposed to an above average (> 3) mean rating for the other group or groups, provide a unique insight into the way different factors and characteristics may influence different demographic groups.

In the examination of statistical comparisons between the various groups based on the demographic variables, female respondents were found to have statistically significant higher mean ratings in general than their male counterparts on all the characteristics where

significant differences were found, though above average mean ratings were still found for the majority of these characteristics for both groups. Furthermore, males were found to have below average mean ratings for 'A loyalty programme that rewards you by sending product information' and 'A loyalty programme that rewards you by sending you product information, and additional information' in contrast to their female counterparts. This suggests that female respondents are possibly more likely to be influenced to join a loyalty programme that rewards members with product information or additional information than their male counterparts.

In line with the above, the '24 – 28' age group were found to have statistically significant lower mean ratings on the various characteristics than the '18 – 23' age group, though all the groups were found to have above average mean rating for the majority of the characteristics. Interestingly, while the '18 – 23' age group were found to have an above average mean rating for 'A retail loyalty programme that allows you to join/register online', the '24 – 28' age group were found to have a below average mean rating for this characteristic. Respondents within the younger age groups may thus be more likely to join a retail loyalty programme that allows consumers to join online than their older counterparts.

In terms of race, statistically significant differences were found between the 'Black' and 'White' race groups on several characteristics. Generally, the 'White' race group were found to have statistically significant higher mean ratings than the 'Black' race group, though all the mean ratings for the race groups were still found to be above average, except with 'A retail loyalty programme that rewards you by giving you postponed rewards' where it was found that the 'Black' race group had a below average mean rating. The data thus suggests that respondents from the 'White' race group may be more likely to join a loyalty programme that offers postponed rewards than respondents from the 'Black' race group.

For the majority of the characteristics, respondents studying towards a degree were found to have statistically significant higher mean ratings than respondents studying towards a pre-degree/certificate. The two groups predominantly, however, were still found to have above average mean ratings for the various characteristics. Similarly, statistically significant lower mean ratings were found for the 'Degree' group with regards to 'A retailer that you do

not live or work close to and have to travel far in order to redeem rewards' and 'A loyalty programme that places a time limitation on the usage of benefits or rewards' as opposed to the 'Pre-degree/certificate' group. Despite this, the mean ratings for both the groups were found to be below average. Interestingly, it was found that the 'Pre-degree/certificate' had statistically significant lower mean ratings for 'A retail loyalty programme that rewards you by giving you postponed rewards and immediate rewards' and 'A retail loyalty programme that rewards you by giving you postponed rewards, immediate rewards and product information'. These mean ratings were also found to be below average for this group in comparison with above average mean ratings for the 'Degree' group. This may suggest that respondents studying towards a degree will be more likely to join a loyalty programme that provides both immediate and postponed rewards as opposed to respondents studying towards a pre-degree/certificate.

Finally, in terms of current participation in a retail loyalty programme, the group consisting of respondents who currently participate in a retail loyalty programme were found to have statistically significant higher mean ratings for the various characteristics than the group of respondents who do not participate in a retail loyalty programme. The data thus suggests that respondents who already participate in a retail loyalty programme may be more likely to join another loyalty programme of a retailer that they shop from more frequently, that requires you to carry a loyalty card, that grants points in relation to money spent, and requires only basic information.

Despite the presence of statistically significant differences between the various groups on several of the characteristics associated with the main factors; the majority of instances where the differences were found, revealed that the groups were still found to all have above average mean ratings. This thus merely serves to indicate a difference in the degree of influence that the specific characteristic may have for the different groups, but not necessarily on the fact that this is an overall positive influence. In evaluating the differences between the various groups, it is thus essential to consider the statistically significant differences where one group was found to have a below average ( $< 3$ ) mean rating as opposed to an above average ( $> 3$ ) mean rating for the other group or groups.

In the next section, the study's contribution to the South African retail trade sector is highlighted below.

#### **6.4 CONTRIBUTION OF THE STUDY TO THE SOUTH AFRICAN RETAIL TRADE SECTOR**

Based on the literature review provided in Chapter 1, it is evident that there is a lack of knowledge about what drives loyalty programme participation. Furthermore, no research to date have investigated factors that may influence loyalty programme participation among South African tertiary students, as searched on Google Scholar and databases such as Emerald, EBSCOhost, ScienceDirect and SAGE, despite students forming a substantial part of the South African population and contributing to the GDP (Student Village, 2017).

The current study sought to understand the tertiary student market, by exploring which factors influences them to participate in retail loyalty programmes. This knowledge can possibly help retailers to better serve this segment of the population, as well as to adapt their offerings to this segment, which owns a significant amount of spending power as shown in Chapter 1.

The research study encountered some limitations, which are addressed in the subsequent section.

#### **6.5 LIMITATIONS OF THE STUDY**

The primary limitation of the current study centres on the non-probability, convenience sampling technique that was used in the study. Although the study was explorative in nature, the sampling technique limits the generalisability of the results. Furthermore, the sampling technique may have contributed to smaller sample sizes for the various groups within the sample, which made statistical comparison between all the groups included in the sample difficult. Small sample sizes of certain groups within the data may have impacted on the findings, with smaller sample sizes being less robust with regards to outliers within the data. Furthermore, the sample was taken primarily from students studying at Pearson Institute of Higher Education/CTI Pretoria, and it was therefore not geographically representative.



However, the goal of the study was not to be representative, but rather to use the insight gathered for a better understanding on the topic at hand. Furthermore, with no prior knowledge about South African students' use of retail loyalty programmes, the study did not explore the characteristics of retail loyalty programmes that influenced students to join the programmes they currently participate in.

Future research suggestions based on the results obtained from this research study are provided in the following section.

## **6.6 FUTURE RESEARCH SUGGESTIONS**

From the research findings, conclusions and limitations discussed, various suggestions for future research opportunities can be offered:

- The current study was explorative in nature. The findings from the current study thus serve as a valuable baseline for further studies examining the various factors and characteristics that may influence the likelihood of South African tertiary students in joining a loyalty programme.
- Possible future studies can utilise the baseline data derived from the current study to design a conjoint analysis study in order to provide an in-depth investigation into the interaction between the various factors and characteristics identified and their influence on the likelihood of South African tertiary students in joining loyalty programmes.
- Due to the sample taken primarily from students studying at Pearson Institute of Higher Education/ CTI Pretoria, and was therefore not geographically representative. Future research could therefore aim to identify a more representative sample of students, targeting different institutions (private and public) across South Africa.

- Participants of the current study consisted of 61.7 per cent females, and 34.7 per cent males. Future research could therefore aim to identify a more representative sample of female and male students, targeting students across South Africa.
- Difference in preferences towards structure of the loyalty programme, and structure of the rewards, where indicated between pre-degree/certificate students and students studying towards a degree (undergraduate students). The reason for this difference might be an opportunity for future research to explore.
- The current study explored loyalty programme benefits as a factor that might influence students to participate in a retail loyalty programmes, by looking at hard and soft benefits, and immediate and postponed rewards together. Future research could explore hard and soft benefits, and immediate and postponed rewards separately, and in more detail, for a more in-depth understanding of how programme benefits influence students to participate in retail loyalty programmes.
- The current study explored the structure of a retail loyalty programme and the structure of rewards as a factor that might influence students to participate in a retail loyalty programmes. Future research could explore the structure of a loyalty programme and the structure of rewards separately, and in more detail, for a more in-depth understanding of how the structure of a loyalty programme and the structure of rewards influences students to participate in retail loyalty programmes.
- The findings indicated that younger students may be more likely to join a retail loyalty programme that allows consumers to join online than their older counterparts. The reason for this difference might be an opportunity for future research to explore.
- In the current study, factors that influence students to participate in retail loyalty programmes was based on the research of De Wulf et al. (2013:69-83). It would be interesting to explore students' satisfaction with each characteristic of the retail loyalty programmes that they currently belong to, and the factors that influenced them to join the programme in order to gain comprehensive insights.

## **6.7 SUMMARY**

The primary aim of the current study was to explore factors that influence South African tertiary students to participate in retail loyalty programmes.

The study found that a retail loyalty programme that only requires basic information to join, a loyalty programme from a retailer students buy from frequently, a loyalty programme that allows the use of a loyalty card at more than one retailer, and a loyalty programme that places no time limitation on the usage of benefits and rewards will increase the likelihood of South African tertiary students joining the loyalty programme. Furthermore, it was evident that respondents may be more likely to join a retail loyalty programme that provides convenience in the form of online services and a loyalty card as opposed to characteristics which may require extra effort and time on the part of the consumer which may cause inconvenience. In addition, the presence of immediate rewards as a characteristic within a loyalty programme as well as immediate discounts and free products based on purchase frequency was found to be key considerations in increasing the likelihood of respondents in joining a loyalty programme.

Finally, various statistically significant differences were found between the groups within the sample including the gender groups, age groups, race groups, level of qualification groups and between respondents who currently participate in loyalty programmes and those who do not. These differences predominantly provide a robust indication to the various factors and characteristics that may increase the likelihood of South African tertiary students to join a retail loyalty programme for specific demographic groups.

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**APPENDIX A**  
**RESEARCH INSTRUMENT**



**Consent for participation in an academic research study**  
**Department of Marketing and Retail Management:**

**EXPLORING FACTORS THAT INFLUENCE SOUTH AFRICAN TERTIARY STUDENTS  
TO PARTICIPATE IN RETAIL LOYALTY PROGRAMMES**

Research conducted by:

Ms. Zandri le Roux

E-mail: zan3ki@gmail.com

Supervisor:

Mr. Ricardo Machado

Email: machar@unisa.ac.za

Dear Respondent,

You are invited to participate in an academic research study conducted by Ms. Zandri le Roux, a Master's student from the Department of Marketing and Retail Management at the University of South Africa. The purpose of this study is to explore factors that influence student participation in retail loyalty programmes.

Please note the following:

- You were selected to participate in the study as you are 18 years and older, and registered as a student at a tertiary institution in South Africa.
- This study involves an **anonymous** survey. Your name will not appear on the questionnaire and the answers you give will be treated as strictly **confidential**.

- Your participation in this study is very important to the researcher. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences.
- Please answer the questions in the attached questionnaire as completely and honestly as possible. This should not take more than **15 - 20 minutes** of your time.
- In completing the questionnaire, you are assisting the researcher in developing a better understanding of factors that influence student participation in retail loyalty programmes.
- The results of this study will be used for academic purposes only.
- The research study was approved by the Bureau of Market Research (BMR) as well as the Ethical Clearance Committee at UNISA.
- Electronic copies of your responses will be stored by the researcher for a period of five years on a password protected computer, after which it will be deleted.
- Ethical clearance was obtained from the Ethical Clearance Committee at Unisa, Research reference number: 2018\_MRM\_007.
- Ethical clearance was also obtained from Pearson Institute of Higher Education, research ethical clearance No: PIHE/2018/0406/01.
- If you would like to be informed of the final research findings or require any further information, please feel free to contact the researcher.

You also agree to the following:

- You have read and understand the information provided above.
- You have sufficient opportunity and contact details of researchers available to ask questions, if the need arises.
- You give your consent to participate in the study on a voluntary basis.
- You are aware that the findings of this study will be anonymously processed into the research report, a journal publication and/or a conference proceeding.
- You agree to the recording of your responses in a numeric data set.

Please sign below to indicate that you agree to participate in this study:

I agree to participate in this study:	
---------------------------------------	--

Signature

Research reference number: 2018\_MRM\_007

Respondent number

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**EXPLORING FACTORS THAT INFLUENCE SOUTH AFRICAN TERTIARY STUDENTS TO PARTICIPATE IN RETAIL LOYALTY**

Dear respondent,  
 Thank you for your time and willingness to complete the following survey. The purpose of the study is to explore loyalty programme participation factors amongst students. There are no correct or incorrect answers. We are merely interested in your personal opinion regarding the subject matter. Please answer the questions by placing a cross (X) in the appropriate block.

**Question 1**

Are you currently a registered student at a tertiary institution in South Africa?

Response	
Yes	1
No	2

- Please continue with question 2
- Please discontinue with the questionnaire

**Question 2**

Are you between the ages of 18 and 65?

Response	
Yes	1
No	2

- Please continue with question 3
- Please discontinue with the questionnaire

### Question 3

Do you buy any of the following items at retailers on a regular or irregular basis: clothing, groceries (such as food and/or toiletries), books and/or CD's?

Response	
Yes	1
No	2

→ Please continue with question 4

→ Please discontinue with the questionnaire

### Question 4

Please read the definitions below before answering the following question.

- **Retailer:** a retailer is defined as an enterprise that sells goods to the final consumer. A retailer typically buys in bulk and sells in smaller quantities suitable for the end consumers. Retail stores include grocery stores, drug & beauty departments, and convenience stores. Restaurants and fast food outlets are not considered to be retailers.
- **Loyalty programme:** A loyalty programme is defined as a structured and rule based programme designed by a company, such as a retailer, in an effort to reward participating customers for their loyal buying behaviour. In essence, participating members receive rewards for their purchases.

Do you currently participate in one or more retail loyalty programme?

Response	
Yes	1
No	2

→ Please continue with question 5

→ Please continue to question 7

### Question 5

If yes, please indicate how many retail loyalty programmes you participate in.

1-3	1
4-6	2
7-10	3
More than 10	4

**Question 6**

Indicate which of the following retail loyalty programmes you participate in. (Mark all applicable options with an **X**).

Pick n Pay's Smart Shopper	1
Edgars' Thank U Card	2
Clicks' Clicks ClubCard	3
The Foschini Group's TFG Rewards	4
Woolworths' WRewards	5
Dis-Chem's benefits	6
Other	7

Other

(specify).....

...

**Question 7**

When joining a loyalty programme, the retailer might ask you for some personal data. Evaluate each of the descriptions below, indicating how likely you are to join a loyalty programme with the described characteristic. (Mark with an **X** in the appropriate block).

Loyalty programme characteristic	1 Extremely unlikely	2 Unlikely	3 Neutral	4 Likely	5 Extremely likely
Personal data release					



7.1. A retail loyalty programme that requires you to give basic information such as your name and address.	1	2	3	4	5
7.2. A retail loyalty programme that requires you to give extended information such as contact information, income, relationship status, race, age etc.	1	2	3	4	5

### Question 8

Purchase frequency is defined as ‘the number of purchases a consumer makes at a company within a specific period of time’. Evaluate each of the descriptions below, indicating how likely you are to join a loyalty programme based on your purchase frequency. (Mark with an **X** in the appropriate block).

Loyalty programme characteristic	1 Extremely unlikely	2 Unlikely	3 Neutral	4 Likely	5 Extremely likely
<b>Purchase frequency</b>					
8.1. A retailer that I buy from frequently, or on a regular basis such as weekly or monthly.	1	2	3	4	5

8.2. A retailer that I do not buy from frequently or on an irregular basis, such as once every few weeks, or only as the need arises.	1	2	3	4	5
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**Question 9**

Some retail loyalty programmes might be open for everyone to join, while others are exclusive to a specific group. Evaluate each of the descriptions below, indicating how likely you are to join a loyalty programme with the described characteristic. (Mark with an **X** in the appropriate block).

Loyalty programme characteristic	1 Extremely unlikely	2 Unlikely	3 Neutral	4 Likely	5 Extremely likely
<b>Participation exclusivity</b>					
9.1. A retail loyalty programme that is open to everyone to join.	1	2	3	4	5
9.2. A retail loyalty programme that is exclusive to a group that you belong to, such as students.	1	2	3	4	5

**Question 10**

When you join a retail loyalty programme there is a certain amount of effort that is expected from you in order to redeem your benefits or rewards. Evaluate each of the descriptions below,

indicating how likely you are to join a loyalty programme with the described characteristic. (Mark with an **X** in the appropriate block).

Loyalty programme characteristic	1 Extremely unlikely	2 Unlikely	3 Neutral	4 Likely	5 Extremely likely
<b>Participation effort</b>					
10.1. A retail loyalty programme that requires you to carry a card around in order to have it present when purchasing.	1	2	3	4	5
10.2. A retail loyalty programme where you have to redeem points or rewards before being able to use them when purchasing.	1	2	3	4	5
10.3. A retailer that you do not live or work close to and have to travel far in order to redeem rewards.	1	2	3	4	5
10.4. A retail loyalty programme that allows you to join/register online.	1	2	3	4	5
10.5. A retail loyalty programme that allows you to check your points online.	1	2	3	4	5

### Question 11

Retailers structure their loyalty programmes in different ways. Evaluate each of the descriptions below, indicating how likely you are to join a retail loyalty programme with the described characteristic. (Mark with an **X** in the appropriate block).

Loyalty programme characteristic	1 Extremely unlikely	2 Unlikely	3 Neutral	4 Likely	5 Extremely likely

<b>Structure of the loyalty programme and structure of rewards</b>	1	2	3	4	5
11.1. A retail loyalty programme where your rewards are based on the level of the loyalty programme you belong to, for example being a gold card member.	1	2	3	4	5
11.2. A retail loyalty programme where rewards are based on your purchase frequency, and all members are eligible for the same rewards.	1	2	3	4	5
11.3. A retail loyalty programme where you receive immediate discounts on certain items at purchase.	1	2	3	4	5
11.4. A retail loyalty programme where you receive a free product after you have purchased a pre-determined amount of products. For example, for every 5th purchase, you get 1 product for free.	1	2	3	4	5
11.5. A retail loyalty programme where you receive points based on how much money you spent at the retailer.	1	2	3	4	5
11.6. A retail loyalty programme where you receive rewards that are based on your personal purchase behaviour.	1	2	3	4	5

**Question 12**

By participating in a retail loyalty programme you receive certain benefits or rewards. Please read the following definitions, and then evaluate each of the descriptions in the block below, indicating how likely you are to join a loyalty programme with the described characteristic. (Mark with an **X** in the appropriate block).

- **Product information** includes newsletters, brochures and benefits about products.
- **Additional information** includes member only news such as upcoming sales, specials or events.
- **Immediate rewards** are rewards that are redeemed at purchase such as discounts or free products.
- **Postponed rewards** are rewards that you can redeem at your next purchase, or when you have reached a pre-determined amount of points or have bought a pre-determined amount of products.

Loyalty programme characteristic	1 Extremely unlikely	2 Unlikely	3 Neutral	4 Likely	5 Extremely likely
<b>Programme benefits</b>					
12.1. A retail loyalty programme that rewards you by sending product information.	1	2	3	4	5
12.2. A retail loyalty programme that rewards you by sending you product information, and additional information.	1	2	3	4	5
12.3. A retail loyalty programme that rewards you by giving you immediate rewards.	1	2	3	4	5
12.4. A retail loyalty programme that rewards you by giving	1	2	3	4	5

you immediate rewards and product information.					
12.5. A retail loyalty programme that rewards you by giving you immediate rewards, product information and additional information.	1	2	3	4	5
12.6. A retail loyalty programme that rewards you by giving you postponed rewards.	1	2	3	4	5
12.7. A retail loyalty programme that rewards you by giving you postponed rewards and product information.	1	2	3	4	5
12.8. A retail loyalty programme that rewards you by giving you postponed rewards, product information and additional information.	1	2	3	4	5
12.9. A retail loyalty programme that rewards you by giving you postponed rewards and immediate rewards.	1	2	3	4	5
12.10. A retail loyalty programme that rewards you by giving you postponed rewards, immediate rewards and product information.	1	2	3	4	5
12.11. A retail loyalty programme that rewards you by giving you postponed rewards, immediate rewards and additional information.	1	2	3	4	5

12.12. A retail loyalty programme that rewards you by giving you postponed rewards, immediate rewards, product information and additional information.	1	2	3	4	5
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### Question 13

Some retail loyalty programmes can only be used at one retailer, for example, the WRewards card can only be used at Woolworths. Other retail loyalty programmes can be used at multiple retailers, for example, the Thank-U card can be used at Edgars, Jet, CNA, etc. Evaluate each of the descriptions below, indicating how likely you are to join a loyalty programme with the described characteristic. (Mark with an **X** in the appropriate block).

Loyalty programme characteristic	1 Extremely unlikely	2 Unlikely	3 Neutral	4 Likely	5 Extremely likely
<b>Number of programme providers</b>					
13.1. A retail loyalty programme that allows you to use your loyalty card at more than one retailer.	1	2	3	4	5
13.2. A retail loyalty programme that allows you to use your loyalty card at only one retailer.	1	2	3	4	5

**Question 14**

Some retail loyalty programmes give a duration or limit in which you are allowed to redeem or use benefits or rewards before they expire, while others place no limit on the duration of benefits or rewards. Evaluate each of the descriptions below, indicating how likely you are to join a loyalty programme with the described characteristic. (Mark with an **X** in the appropriate block).

Loyalty programme characteristic	1 Extremely unlikely	2 Unlikely	3 Neutral	4 Likely	5 Extremely likely
<b>Programme duration</b>					
14.1. A retail loyalty programme with unlimited duration on the usage of benefits or rewards.	1	2	3	4	5
14.2. A retail loyalty programme that places a time limitation on the usage of benefits or rewards.	1	2	3	4	5

**Question 15**

Please indicate your **gender** group.

Female	1
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Male	2
Transgender	3
Other	4
Prefer not to say	5

### Question 16

Please indicate your **age** group.

18	1
19-23	2
24-28	3
29-33	4
33-37	5
38-42	6
43-47	7
48-52	8
53-57	9
58-62	10
63-65	11

### Question 17

How would you describe yourself in terms of a population group?

Black	1
White	2
Coloured	4
Indian	5
Asian	6

Other	7
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Other (specify).....

**Question 18**

Please indicate whether you are studying towards a **Higher Certificate, Pre-Degree; or a Degree.**

Certificate or Pre-degree (you are studying towards a Higher Certificate or Pre-Degree).	1
Degree (you are an undergraduate student studying towards a degree).	2

**Thank you for your time and consideration.**

**Should you have any queries relating to the survey please contact the researcher:**

**Ms Z. le Roux  
zan3ki@gmail.com**

**APPENDIX B**  
**UNISA ETHICAL CLEARANCE**

UNISA DEPARTMENT OF MARKETING AND RETAIL  
MANAGEMENT ETHICS REVIEW  
COMMITTEE

Date 28-08-2018

Dear Ms Zandri le Roux

Decision: Ethics Approval from  
2018 - 2021

NHREC Registration # : (if  
applicable)

ERC Reference #

2018\_MRM\_007

Name : Ms Z le Roux

Student 5765815

Staff N/A

Researcher(s): Ms Zandri le Roux, zandri@cti.ac.za, 0720862859

Supervisor (s): Mr Ricardo Machado, machar@unisa.ac.za, 0824497502

Working title of research:

Exploring factors that influence South African tertiary students participating in retail loyalty programmes

Qualification: Degree purpose

Thank you for the application for research ethics clearance by the Unisa Department of Marketing and Retail Management Ethics Review Committee for the above mentioned research. Ethics approval is granted for 3 years.

The low risk application was reviewed by the Department of Marketing and Retail Management Ethics Review Committee on 1 August 2018 in compliance with the Unisa Policy on Research Ethics and the Standard Operating Procedure on Research Ethics Risk Assessment.

The proposed research may now commence with the provisions that:

1. The researcher(s) will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.



2. Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study should be communicated in writing to the Department of Marketing and Retail Management Research Ethics Committee.
3. The researcher(s) will conduct the study according to the methods and procedures set out in the approved application.
4. Any changes that can affect the study-related risks for the research participants, particularly in terms of assurances made with regards to the protection of participants' privacy and the confidentiality of the data, should be reported to the Committee in writing, accompanied by a progress report.
5. The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study. Adherence to the following  
South African legislation is important, if applicable: Protection of Personal Information Act, no 4 of 2013; Children's act no 38 of 2005 and the National Health Act, no 61 of 2003.
6. Only de-identified research data may be used for secondary research purposes in future on condition that the research objectives are similar to those of the original research. Secondary use of identifiable human research data require additional ethics clearance.
7. Minor changes suggested by the committee be amended on the Form 1.

Note:

The reference number **2018\_MRM\_007** should be clearly indicated on all forms of communication with the intended research participants, as well as with the Committee.

Yours sincerely,



Signature  
Chair of Depi

Chair of Department of  
Marketing and Retail Management ERC  
E-mail: jwiid@unisa.ac.za



Signature

Executive Dean: College of Economic and  
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**APPENDIX C**  
**PEARSON INSTITUTE OF HIGHER EDUCATION ETHICAL**  
**CLEARANCE**

4 June 2018

**To Whom It May Concern:**  
**Pearson Institute of Higher Education (PIHE)**  
**University of South Africa (UNISA)**

**Research Ethical Clearance No: PIHE/2018/0406/01**

**Research Topic: Exploring factors that influence South African tertiary students to participate in retail loyalty programmes.**

This is to confirm that the Research Ethics Committee of the Pearson Institute of Higher Education, acting on behalf of the Research Committee and Management of PIHE, has granted Miss Zandri le Roux approval to undertake a research project using a select sample of students from the institution.

It is understood that appropriate protocols, with particular reference to consent by, and confidentiality for, all participants will be observed. It is further understood that the results of the research will be made available to the Research Ethics Committee and to Management.

The Research Ethics Committee and Management of PIHE wish Miss Zandri le Roux success with her research project.

Sincerely, and on behalf of the PI Research Ethics Committee,

Dr Shaheda Mahomed



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