

# Identifying The Factors That Influence Retail Customer Loyalty And Capitalising Them

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## ABSTRACT

*Much has been said about loyalty and the advantages that a loyal customer base offers to an organisation and more specifically to retail customers. With more than 2 billion loyalty programme memberships including hotel, supermarket, airline and financial services in the United States alone it is clear that loyalty programmes are an essential part of the marketing plan and strategy of retail organisations – a road to survival, growth and profits. This study focussed on one particular clothing retailer in Gauteng that on its own represents 20.3% of the market making it the largest clothing retailer in South Africa. Gauteng was selected due to its stature as the largest clothing retailer in South Africa and also the nature of its customer base which consists of three distinct groups of customers: (1) cash only non-loyalty programme members, (2) cash only loyalty programme members, and (3) credit customers who purchase on terms.*

*This study investigated the factors that influence customer loyalty amongst members of a retail loyalty programme in the apparel retail industry and found that the two most important drivers of customer loyalty were merchandise availability and customer service related variables. Price did not feature as an important driver of loyalty opening opportunities for retailers to focus on loyalty marketing strategies that do not revolve solely around price but rather focus on long-term relationship building. The responses received from this research were illuminating and will be of value to retailers who have an existing loyalty programme or are contemplating the starting of a programme.*

**Keywords:** Customer Loyalty; Customer Loyalty Programmes; Merchandise Customer Service

## 1. INTRODUCTION

Loyalty and loyalty programmes have been contentious issues amongst marketing academics for many years (Dowling & Uncles, 1997; Wu, Hai-Chen & Chung-Yu, 2012), yet the business world, and especially the retail industry, has continued to implement loyalty programmes at a fast pace with virtually all major retail players having some sort of loyalty programme. According to the 2011 COLLOQUY Loyalty Census, there were more than 2 billion loyalty programme memberships including hotel, supermarket, airline and financial services in the United States alone (Sisolak, 2012). Many marketing authors cite the benefits of loyalty programmes and the mechanics behind them (Griffin, 2002; Hallberg, 2004; Kumar, 2006; Reichheld, 2006), but very few explore the factors that drive the customers to be loyal and more specifically, what drives a customer who is already a member of a loyalty programme to stay loyal or become even more loyal.

The worldwide economic turmoil of the past four years has placed renewed focus on customer loyalty, customer retention, and customer maintenance. Many organisations have come to realise that without loyal customers – with the requisite customer service and product offering – their businesses are doomed for failure. This however does not imply that a loyalty card holder will stay loyal when faced with harsh economic realities. Retailers need to understand the underlying factors that drive loyalty card holders' loyalty towards the organisation

in order to stimulate, support and maintain customer relationships. In fact it is becoming more and more important for retailers to establish what drives loyalty amongst customers in order to find alternative ways and means to ensure loyalty other than price and discounts. It is a well recognised fact that excessive price promotions and discounts are detrimental to retailers in the long-term as they negatively impact overall profitability and survival.

## **2. LITERATURE REVIEW**

Loyalty publications and theory is prolific, but it is not possible to find one definition that can be regarded as being universally acceptable. Loyalty as a noun is defined as “...the quality of being faithful [act] in your support of somebody or something [object]” (Oxford, 2012, sv. Loyalty). This is a very broad definition – one that allows the use of the word loyalty in a wide range of applications and settings, such as in brand loyalty, retail loyalty and organisational loyalty amongst others. In each expression of the concept, the act of being loyal remains the same but the object to which the act is directed changes. For example, brand loyalty implies being faithful to a particular brand while organisational loyalty implies faithfulness to a specific organisation. These terms are often confused by customers who, if loyal to a particular company, will be blindly loyal to the brands the company endorses or offers. Furthermore one type of loyalty can, and often does lead to a next type of loyalty, such as a customer who is loyal to a particular brand (brand loyal) and purchases it frequently from a particular store, may become a loyal customer of that store (store loyalty).

According to Griffin (2002), loyal purchase behaviour connotes a purchase behaviour that occurs not less than twice from the same organisation, implying that customers who return to repurchase from an organisation more than twice can be regarded as exhibiting loyal purchase behaviour. This is however, a very limited view as it does not quantify if these visits are over a specific period of time such as three months or even in the same year. Hallberg (2004) on the other hand, endorses an emotional attachment to an organisation’s brand as a definition of loyalty. Reichheld (2006) implies that customer loyalty is when a customer is willing to recommend the organisation to a friend or colleague. There is clearly a difference in the focal point of these three definitions: Griffin focuses on the behavioural aspect of loyalty, that is to say, an external, overt demonstration of the act by means of repurchase. Hallberg focuses on emotional attachment which is a more abstract concept that is internalised by the customer while Reichheld also focuses on external behaviour, but in terms of active organisational advocacy, rather than in terms of repurchase behaviour only. Clearly loyalty means different things to different people and will entice different reactions and actions from customers.

It therefore becomes clear that a comprehensive definition of loyalty must, include internal factors relating to the individual such as attitude or feelings as well as external factors that result in actions towards or about the organisation. An understanding of what loyalty is and how customers can be kept interested and “loyal” is therefore important to organisations if they want to reap the benefits of their various loyalty programmes.

Based on the various views and definitions of loyalty and for the purposes of this study a comprehensive definition of customer loyalty towards an organisation can be seen as a situation that exists when a customer consciously elects to repurchase from a particular organisation repeatedly over time, even when other options exist; contributing to the ongoing success and profitability of the organisation and recommending the organisation to their colleagues and peers where this decision is based on an emotional attachment to the organisation. A loyal customer can therefore be defined as one who has an emotional attachment to an organisation, acts positively towards the organisation by purchasing repeatedly from the organisation over a certain period of time and recommends the organisation to others including friends and colleagues. Loyal customers can therefore be said to be important to the organisation as both a source of revenue and a marketing tool for recommending the organisation.

While there may be different opinions as to what loyalty or a loyal customer is, most marketing academics do agree there are fundamental benefits of having loyal customers. These benefits include the fact that it provides the organisation with a competitive advantage, it can increase profitability; and loyal customers become brand ambassadors for the organisation. Each of these advantages are briefly addressed:

### **Competitive advantages of loyalty**

Having loyal customers provides the organisation with a number of competitive advantages (Allaway *et al.*, 2006; Griffin, 2002; Kumar, 2006; Yi & Jeon, 2003) which can be cited as follows:

- Loyal customers consciously select the organisation again and again, thereby reducing the market share of competitors.
- Loyal customers are less price-sensitive and, therefore, will not react to lower price offers from competitors.
- Loyal customers allow the organisation the opportunity to match a competitive offering or to correct a service failure before defecting.
- Having loyal customers reduces the marketing costs of acquiring new customers.
- Customer loyalty serves as a deterrent that prevents customers from easily changing to a competitive organisation or brand.

### **Impact of loyalty on organisational profitability**

Griffin (2002) notes a number of ways that customer loyalty can increase organisational profitability. The main ways identified are:

- *A reduction in marketing costs.* The costs of marketing to a loyal customer may be reduced owing to the fact that retaining a customer is cheaper than acquiring a new one. Customer acquisition implies more promotion and more customer education, which are more expensive than customer maintenance. When an organisation is spending less on marketing costs, it can, instead, invest more into improving the product quality or employee satisfaction (Allaway *et al.*, 2006; Griffin, 2002).
- *Lower transaction costs.* Loyal customers tend to be less price-sensitive and, therefore, not prone to consider the marketing efforts of competitors (Allaway *et al.*, 2006). Also, when selling to a loyal customer there is no need for extended negotiations with the customer regarding price, delivery, packaging etcetera, and rather a focus on maintaining and expanding the relationships. This lowers the transaction costs over time.
- *Reduced customer acquisition costs.* Acquiring new customers after unhappy customers have defected is expensive as it requires intensive marketing efforts. By keeping current customers happy, and having them loyal to the organisation means a reduction in funds needed that would normally have been spent on acquiring new customers.
- *Increased cross selling.* Because loyal customers are more familiar with the organisation and its product mix and have developed a trusting relationship, cross selling of additional items becomes easier. When customers purchase more from the organisation, the organisation has a larger share of the customer's wallet, which further strengthens the relationship and increases the cost of defection to the customer.
- *Reduced failure costs.* Over the lifetime of a relationship with the customer, both the organisation and the customer learn to act in certain ways and expect certain levels of service or respect. This reduces the costs of errors or failures in service delivery over time.
- *Increased word-of-mouth.* The definition of customer loyalty implies increased referral of the organisation to friends or colleagues. Word-of-mouth can lead to an increase in the number of customers, without additional marketing costs (Gomez *et al.*, 2006; Griffin, 2002).

The impact that loyalty may have on the profitability of an organisation must not be underestimated. In the same way it must be recognised that loyalty can only be as strong as the most recent interaction with the customer if not nurtured and protected by the organisation

### **Loyalty and Brand advocacy**

Reichheld (2006) believes that a loyal customer will be an advocate of that particular organisation. Blasberg, Vishwanath and Allen (2008) support Reichheld (2006) by arguing that the most useful way to measure

customer loyalty is to ask the question: “How likely are you to recommend this organisation to a friend or colleague?” customers who answer that they are highly likely to recommend the organisation to a friend or colleague are called “promoters” and represent the highest level of loyalty in Reichheld’s Net Promoter Score (NPS) (Reichheld, 2006). These “promoters” conform directly to the definition of a customer advocate.

Word-of-mouth communications and, more especially, advocacy by customers, are valuable to an organisation because of the following reasons suggested by Keiningham *et al.* (2008) and Steffes and Burgee (2008):

- Customer advocacy costs virtually nothing.
- Owing to technology, advocacy no longer occurs on a person-to-person basis but rather on a person-to-world basis.
- Customer advocacy is automatically more credible to a recipient than organisation-sponsored marketing communication.

### **Loyalty programmes and retailers**

Over the years many retailers have been investing huge amounts of money in loyalty programmes and the establishing of a loyal customer base. Offering a loyalty programme is generally regarded as one of the best ways to establish and nurture loyal customers (Anon1, 2012; Polevoi, 2012).

Loyalty programmes are employed by marketers as a strategic marketing tool designed to increase customer loyalty towards an organisation or brand. Loyalty per se, is often measured by the customer’s willingness to recommend the organisation to friends or colleagues; or by the return patronage (repeat buying behaviour) demonstrated by the customer (Griffin, 2002; Reichheld, 2006). Loyalty programmes are generally designed with the hope that enrolling more customers into the programme will result in more referrals and more return patronage or, at the very least, an expression of willingness to return to the organization. Having a large number of loyalty programme members does not however guarantee that the members will be active loyal customers. It is important therefore, to research the factors and drivers that influence customer loyalty.

Loyalty programmes are used by marketers to encourage loyalty amongst customers by offering incentives or rewards to customers based on their frequency or volume of purchases at a particular outlet (Gomez *et al.*, 2006, p. 388 & Meyer-Waarden, 2006). This has led to loyalty programmes also being known as reward schemes or frequent shopper programmes (Gomez *et al.*, 2006; Rosenbaum *et al.*, 2005). For the purposes of this study, a definition of loyalty programmes was derived from interpretations of loyalty programmes by Gomez *et al.* (2006), Meyer-Waarden (2006) and Rosenbaum *et al.* (2005). Loyalty programmes are, therefore, defined as integrated systems of marketing actions that are aimed at developing long-term emotional attachments with member customers, increasing product or service usage and encouraging repeat purchase behaviour, while increasing profitability over the long-term by rewarding customers for specific actions and gathering valuable customer data in the process. The basic premise of the loyalty programme is that customer behaviour can be modified in a manner that is advantageous to the organisation by appealing to the customer’s rational reasoning that the more they purchase, the more they will be rewarded (Hallberg, 2004; Lara & Madriaga, 2007). Typically, loyalty programmes consist of frequent shopper cards, store credit cards with tiered benefits or co-branded credit cards (Cigliano *et al.*, 2000). In all instances retailers want to entice customers to become members of their loyalty programmes and to use these loyalty cards in such a way that the retail organisation will benefit. Unfortunately many retailers focus primarily on price and specials to promote their cards. The aim of this study was however to investigate what specific factors drive loyal customers and to see if these factors cannot benefit retailers in a more positive way.

### **3. METHODOLOGY**

The apparel industry in South Africa comprising the sales of both clothing and footwear represents yearly sales in millions of Rands 151,454.8 (2011 figures) (Anon 2, 2012). The South African apparel retail market consists of five big retailers who jointly represent 38.5% of the total annual turnover. This study focussed on one particular clothing retailer in Gauteng, who on its own represents 20.3% of the market, making it the largest clothing

retailer in SA. The retailer was therefore selected owing to its stature as the largest clothing retailer in South Africa and also the unique nature of its customer base which consist of three distinct groups of customers - ‘cash only’ customers, loyalty programme members who also pay cash and credit customers who purchase on terms. For reasons of confidentiality, the retailer will be referred to as RetailerX from this point on.

A total of 308 shoppers at various shopping malls in the Gauteng province in South Africa were included in the survey. Convenience sampling, which is a method of sampling where the sample is selected at the convenience of the researcher (Hair *et al.*, 2004), was used to identify shopping malls based on their availability for research (some shopping malls do not allow research to be conducted on their premises), their geographic location (the study was limited to Gauteng) and their demographic representation of customers (malls were selected based on their representation of the various Living Standards Measure (LSM) groups in order to obtain a even spread of customers from all LSM groups). The Living Standards Measure (LSM) is an index developed by the South African Advertising Research Foundation (SAARF) to segment the South African population according to 29 lifestyle variables such as ‘having access to electricity’, ‘owning a vehicle’ and ‘having access to digital satellite television’. LSM is the most widely used marketing research tool in Southern Africa (Anon3, 2012). Individual respondents were selected by the fieldworkers who conducted mall-intercept interviews.

Of the 308 shoppers interviewed, a total of 103 were members of the loyalty programme of the particular retailer which is a strong indication of the popularity of this retailers’ loyalty programme.

The questionnaire used for this study was a structured questionnaire consisting of 18 individual questions with subsections. The questionnaire was formulated based on the literature study, and included elements designed to measure the respondents’ emotional attachment to the retailer, their satisfaction with the retailer and current and future behavioural intentions. These three groupings are indicated below in order to provide a clear distinction between the elements that were researched as each measured specific issues related to the respondents views. Each of the three questionnaire design elements is briefly shown below:

**Emotional attachment to the organisation**

Emotional attachment to the retailer was measured using a five point Likert scale. Respondents were asked to indicate if they strongly agreed, agreed, neither agreed nor disagreed, disagreed or strongly disagreed with the following statements:

1.1	I am very committed to RetailerX
1.2	It would matter a lot to me if I could not buy from RetailerX
1.3	I buy most of my clothes from RetailerX
1.4	I am likely to buy even more of my clothes from RetailerX in the future

**Customer satisfaction with the organisation**

Customer satisfaction refers to the customer’s evaluation of expectations versus actual performance (Jordaan & Prinsloo, 2004). Respondents were asked to rate their degree of agreement or disagreement on a five point Likert scale with the following statements, which measured their opinions regarding store atmosphere (including music and layout), merchandise, service and pricing:

2.1	I enjoy the atmosphere in RetailerX Stores
2.2	RetailerX products are reasonably priced
2.3	I get good service at RetailerX
2.4	I always get the products that I want from RetailerX
2.5	I like the music that RetailerX play in their stores
2.6	I shop where the prices are best
2.7	RetailerX has a good selection of products
2.8	I do not wait long when paying at the tills at RetailerX
2.9	RetailerX products are fashionable and up to date
2.10	There is sufficient help available when I need it
2.11	RetailerX has quality products

2.12	RetailerX staff are very friendly
2.13	The prices at RetailerX are competitive
2.14	I like the design of the store, the way things are arranged
2.15	I buy most of my clothes from RetailerX
2.16	I love finding bargains

**Current and future behavioural intentions**

Responses were recorded using a five point Likert scale in order to indicate the degree of agreement with the following statements:

3.1	I always get the products that I want from RetailerX
3.2	I shop where the prices are best
3.3	It would matter a lot to me if I could not buy from RetailerX
3.4	I buy most of my clothes from RetailerX
3.5	I love finding bargains
3.6	I would recommend RetailerX to my friends
3.7	I am likely to buy even more of my clothes from RetailerX in the future

The literature study emphasised the importance for retailers to create and maintain loyal customers through a deeper understanding of the factors that influence customer loyalty. A total of 103 members of the loyalty programme completed the questionnaire over a period of two weeks, the main findings are indicated below.

**4. MAIN FINDINGS OF THE RESEARCH**

Factor analysis was used to examine the correlations between the variables that influence the behaviour of the respondents at RetailerX and to identify underlying themes that influenced their loyalty towards RetailerX. Factor analysis statistics (Table 1.1) confirmed the appropriateness of factor analysis as a statistical technique for analysing the dataset consisting of loyalty programme members (results are significant at the 5% level and KMO > 0.6). The rotated factor matrix for loyalty programme respondents is displayed in Table 1.2 and indicates which of the variables are aligned to each of the identified factors.

**Table 1.1 Factor analysis statistics for loyalty programme members**

<b>Kaiser-Meyer-Olkin Measure of Sampling Adequacy.</b>	.818
<b>Sig.</b>	.000

**Table 1.2 Rotated factor matrix - loyalty programme members**

<b>Variables</b>	<b>Component</b>	
	<b>Factor 1<sup>a</sup></b>	<b>Factor 2<sup>a</sup></b>
2.1 Enjoy atmosphere in RetailerX	<u>.578</u>	.340
2.3 Products are reasonably priced	<u>.736</u>	.180
2.4 Get good service at RetailerX	.163	<u>.768</u>
2.5 Always get products I want from RetailerX	.398	<u>.529</u>
2.6 Like music played in store	.358	<u>.515</u>
2.7 Shop where prices are best	<u>.454</u>	.051
2.8 RetailerX has good selection of products	<u>.745</u>	.061
2.9 Do not wait long when paying at RetailerX tills	.054	<u>.741</u>
2.10 RetailerX' products are fashionable and up to date	<u>.573</u>	.268
2.11 Sufficient help is available when needed	.201	<u>.779</u>
2.12 RetailerX has quality products	<u>.602</u>	.292
2.14 RetailerX staff are very friendly	.170	<u>.767</u>
2.15 RetailerX' prices are competitive	<u>.786</u>	.141
2.16 Like design of store, way things are arranged	<u>.581</u>	.239
2.18 Love finding bargains	.223	.215
Cumulative Rotation Sums of Squared Loadings = 46.88%		

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

<sup>a</sup> Rotation converged in 3 iterations.

The rotated factor matrix displayed in Table 1.2 resulted in only two factors which were named ‘merchandise’ and ‘service’. Variables 2.1, 2.3, 2.7, 2.8, 2.10, 2.12, 2.15 and 2.16 loaded more heavily on the first factor, with the majority of these variables being directly related to merchandise issues. This factor was, therefore, named “merchandise”.

Variables 2.4, 2.5, 2.6, 2.9, 2.11 and 2.14 in table 1.2 loaded more heavily on factor two namely, ‘service’. Four of the six variables related directly to customer service at RetailerX, therefore, the factor was labelled “service”. Variable 2.18 did not load heavily on either factor and was, therefore, ignored.

The composition of each of the factors relates directly to variables that are controllable within a retail environment. Retailers can control merchandise variables such as product quality, stock availability and ensuring that the merchandise selection is fashionable and up to date with current trends. Service variables such as the amount of service staff available at any point in time and the number of open pay points are also within the retailer’s control. In order to determine the strength of influence of the two factors on the loyalty of members, composite variables were created to represent each of the factors. Reliability analyses were performed on the two composite variables, and the results are indicated in Table 1.3.

**Table 1.3 Results of reliability analyses for merchandise and service variables**

<b>Composite variable</b>	<b>Number of items in scale</b>	<b>Cronbach's Alpha</b>
Service	6	.809
Merchandise	8	.813

Table 1.3 indicates that both the merchandise and service composite variables are reliable (Cronbach’s Alpha = 0.813 and 0.809, respectively). A composite variable was created to represent the resultant customer loyalty. The loyalty composite comprised five variables represented by statements from the questionnaire, each selected for their representation of traditional loyalty theory and the definition of loyalty discussed previously. The composition and reliability of the loyalty variable is represented in Table 1.4:

**Table 1.4 Reliability analysis for composite loyalty variable**

<b>Loyalty composite variable</b>	<b>Cronbach's Alpha .819</b>
I am very committed to RetailerX	
It would matter a lot to me if I could no longer buy from RetailerX	
I buy most of my clothes from RetailerX	
I would recommend RetailerX to friends	
I am likely to buy even more clothes from RetailerX in the future	

Cronbach’s Alpha, as indicated in Table 1.4, is 0.819, which indicates a reliable scale (Cronbach’s Alpha > 0.6). Multiple regression analysis was employed to reveal the extent to which the composite variables (merchandise and service) influence the loyalty variable. Results of the multiple regression analysis are depicted in Table 1.5.

**Table 1.5 Results of multiple regression analysis for Loyalty programme members**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.770	.592	.584	2.44357

a. Predictors: (Constant), Merchandise, Service

Table 1.5 indicates that 59.2% (R Square = 0.592) of the variation in the loyalty variable is accounted for by variations in the merchandise and service variables. Correlations between the loyalty variable, the merchandise variable and the service variable are indicated in Table 1.6.

**Table 1.6 Correlations between merchandise, service and loyalty**

		Loyalty	Merchandise	Service
<b>Loyalty</b>	Pearson Correlation	1	.690**	.665**
	Sig. (2-tailed)		.000	.000
	N	102	101	100
<b>Merchandise</b>	Pearson Correlation	.690**	1	.550**
	Sig. (2-tailed)	.000		.000
	N	101	102	100
<b>Service</b>	Pearson Correlation	.665**	.550**	1
	Sig. (2-tailed)	.000	.000	
	N	100	100	101

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Table 1.6 indicates that while both the merchandise variable and the service variable correlate positively with the loyalty variable, the merchandise variable has the closest correlation (P = 0.690). Table 1.6 indicates the nature and direction of the correlation between the variables while the strength of the correlation is indicated by the Beta value B, as depicted in Table 1.7 derived from regression analysis.

**Table 1.7 Regression coefficients for loyalty programme members**

Model	Unstandardised Coefficients	
	B	Sig.
(Constant)	-3.372	0.093
Service	0.370	0.000
Merchandise	0.421	0.000

a. Dependent Variable: Loyalty

Table 1.7 indicates that variations in the merchandise variable have the strongest influence on variations in loyalty (B = 0.421), followed by variations in service (B = 0.370). The analysis of variance (ANOVA) analysis depicted in table 1.8 confirms that the variation in the loyalty variable is in fact due to variations in the merchandise and service variables.

**Table 1.8 ANOVA results for the Loyalty programme members**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	833.325	2	416.662	69.780	.000 <sup>a</sup>
Residual	573.221	96	5.971		
Total	1406.545	98			

a. Predictors: (Constant) Merchandise, Service

b. Dependent Variable: Loyalty

The ANOVA results depicted in Table 1.8 indicate that the variation in loyalty is due to variations in merchandise and service and not to random fluctuations in the dataset (P < 0.05 and F > 1). It can be concluded that merchandise and service are the factors that influence customer loyalty towards RetailerX amongst the loyalty programme members.

**Importance of the findings**

The study aimed to identify the factors that drive loyalty towards a clothing retailer amongst customers who were already members of a loyalty programme. Two major outcomes can be inferred from the results.

- Firstly, members of the loyalty programme’s loyalty towards the retailer were most strongly influenced by the merchandise on offer.
- Secondly, programme members loyalty is not at all influenced by price.

The merchandise variable represented two aspects of the retailers’ market offering, namely the quality of the merchandise and the availability of the merchandise as being of overriding importance to customers. The



implication for retailers and especially for clothing retailers of this finding is that the buying function of the retailer has a crucial role to play in the total marketing drive and future of the loyalty programme of the retailer. Retailers cannot afford to have situations where the quality is of a sub-standard, do not meet the target markets' requirements in terms of style or design, or have out of stock situations as these situations will not be tolerated by loyalty programme members.

At the bare minimum retailers must meet and even exceed customers expectations in this regard and it stands to reason that an improvement in these merchandise related areas can result in an increase in loyalty towards the retailer. This in turn will manifest itself in benefits for the retailers such as increased profitability and customer advocacy.

The second factor, identified by the research that drives customer loyalty amongst loyalty programme members is service. Customers are today more than ever expecting better and improved service and it can be expected that these demands and expectations will increase further as the economy becomes more pressing and the customers disposable income comes under even more strain. The service variable includes basic service elements such as friendliness of staff and availability of help in a store. Many retailers tend to slack off on these basic service elements resulting in customers (and loyalty card holders) feeling neglected and discouraged – and ripe for change away from the retailer. This highlights an area where retailers can influence customer loyalty relatively easily through service training programmes and strict controls over service delivery amongst staff members. Clothing retailers can promote additional service options that are available only to loyalty programme members thereby influencing their loyalty while at the same time increasing the advocacy potential. Customers who receive special treatment are generally more willing to tell others about the VIP service they received which will benefit the retailer and the programme.

A significant and interesting outcome of the study was that price was not seen as an important factor that influences programme members' loyalty towards the retailer. It is highly likely that customers mentally assume that a loyalty programme de facto already means a better price – that it is already imbedded in the loyalty programme. It is therefore not something they consciously focus on. This has specific implications for retailers in that they can forego price promotions to members and concentrate rather on service or merchandise related rewards. Reward options that provide special unique service opportunities to programme members will cost less for the retailer to implement than additional discounts or money-back rewards. Allowing programme members access to merchandise before it is available to the general public or allowing members to have an influence in the buying process may engender more loyalty than price discounts and rewards.

## **CONCLUSION**

The retail industry and the impact it has on a countries economy is huge and infiltrates all households and sectors. Retailers that want to either expand or at least maintain their positions should be more aware of their customers and specifically of the behaviour of their loyal customers. The research clearly indicated that loyal customers can become more loyal if the focus is placed on merchandise offering and the providing of sound service. In essence this means only that retailers need to meet the needs and expectations of their customers – something that the marketing concept tells all marketers to do- and to maintain this in order to ensure loyalty.

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