

**NELSON MANDELA**  
UNIVERSITY

**Business School**

**LOYALTY PROGRAMMES IN THE SOUTH AFRICAN AIRLINE  
INDUSTRY**

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14 December 2018

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## I. DECLARATION

I, the undersigned, hereby declare that:

- The work contained in this treatise is my own original work;
- This treatise was not submitted in full or partial fulfilment to any other recognised university for any other degree;
- This treatise is being submitted in partial fulfilment of the requirements for the degree of Masters in Business Administration; and
- All sources used or referred to have been documented and recognised.

Ayanda

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14 December 2018

**Date**

## II. ACKNOWLEDGEMENTS

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### III. ABSTRACT

While there has been substantial research on Loyalty Programmes in the last two decades, little has been done in the South African Airline Industry. This study uses the Social exchange theory, Relationship marketing theory and Commitment-trust theory to provide an understanding of the factors, which influence loyalty programmes in the South African Airline Industry.

The methodology used involved a self-administrated on-line questionnaire from the sample, which comprised of 1090 respondents. From the total respondents, 172 belonged to one or more Airline Loyalty Programmes. This study focused on the latter. An email containing a Universal Resource Link (URL) to the survey was sent to the Nelson Mandela University Business School's Marketing Department to distribute to current first-year MBA students, who also had to circulate the survey to at least ten other people.

A proposed conceptual model was compiled and tested using exploratory factor analysis. The result of the study confirmed that the measurement instrument is in order and that attitude and behaviour are strong determinants of the loyalty programme. Communication, flexibility, general assessment, rewards personal, rewards tangible, rewards monetary and trust are factors that influence the loyalty programme, which are driven by the attitude of the participant in the programme. On the other hand, communication, flexibility, general assessment, rewards personalisation, purchase behaviour and trust are factors that influence the loyalty programme, which are driven by the behaviour of the participant in the programme.

This study concludes with managerial recommendations that will enable managers to identify factors which influence loyalty programmes in the South African Airline Industry. This will enable managers to make informed decisions when formulating and implementing successful programmes. Some of the recommendations call for a review and repositioning of the value proposition for the existing loyalty programmes. It is also recommended that loyalty programmes are value-based in order to convert loyalty programme customers to loyal customers. In addition, majority of the loyalty programme customers call for loyalty programmes that offer programmes that non-

expiry points with personalised service offering. The organisations that offer loyalty programmes in the Airline Industry also need to design clear communication strategies that will provide a holistic and targeted approach to customer engagement.

**Key Words:** loyalty programmes, customer commitment, customer satisfaction, customer trust, loyalty programmes, purchase behaviour, communication, personalisation, flexibility, trust, rewards and method of participation.

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## V. LIST OF ABBREVIATIONS

Abbreviation	Meaning
<b>A.C</b>	Attitude Communication
<b>A.G</b>	Attitude Assessment in General
<b>A.F</b>	Attitude Flexibility
<b>A.R1</b>	Attitude Rewards (Personal)
<b>A.R2</b>	Attitude Rewards (Tangible)
<b>A.R3</b>	Attitude Rewards (Monetary)
<b>A.T</b>	Attitude Trust
<b>B.C</b>	Behaviour Communication
<b>B.G</b>	Behaviour Assessment in General
<b>B.F</b>	Behaviour Flexibility
<b>B.PB</b>	Behaviour Purchase Behaviour
<b>B.R</b>	Behaviour Rewards
<b>B.T</b>	Behaviour Trust
<b>BA</b>	British Airways
<b>CFA</b>	Confirmatory Factor Analysis
<b>CFI</b>	Comparative Fit Indices
<b>EFA</b>	Exploratory Factor Analysis
<b>FF</b>	Frequent Flyer
<b>M</b>	Mean or Average
<b>m</b>	Number of Items
<b>n</b>	Sample Size
<b>NFI</b>	Normed Fit Index
<b>NMU</b>	Nelson Mandela University
<b>R</b>	Correlation Coefficient
<b>Rcrit or  r </b>	Correlation Coefficient Critical
<b>SRW</b>	Standardised Regression Weight
<b><math>\chi^2</math></b>	Chi-square

# **1. CHAPTER 1 - LITERATURE REVIEW**

## **1.1. Introduction**

Loyalty refers to faithfulness; it is unwavering devotion (Nunes & Dreze, 2016). In the business context, this devotion is directed to the organisation and/or the product offering. Customer loyalty is gained when a customer recognises personal identity in the brand of the organisation; it is the customers' self-expression (Wolter, Bock, Smith & Cronin Jr, 2017). Customer loyalty emanates from a positive emotional experience, product or service satisfaction and the perceived value from a customer's perspective (Magatef & Tomalieh, 2015). Customer loyalty contributes largely to the organisation's profitability. It is therefore imperative for the organisations in the Airline Industry to retain their existing customers. It is understood that retaining old customers is worth more than winning new ones (Nunes & Dreze, 2016). Hence the shift to focus on loyalty programmes.

Loyalty programmes are now seen as a critical tool by many organisations (Lara & Ponzoa, 2008). The fact that there has been massive adoption by organisations in many industries is not accompanied by a good understanding of the core factors that influence the basic structural elements (Lara & Ponzoa, 2008). According to Chaney and Martin (2017), organisations ought to share the same values as their customer in order to develop lasting relationships, while also enhancing the legitimacy of the organisation from the customer perspective. The shared values are likely to influence the repeat customer buying behaviour pattern (Chaney & Martin, 2017). The factors that influence the loyalty programme are imperative in the development and implementation of a successful programme. Loyalty Programmes have been extensively discussed by scholars (Watson IV, Beck, Henderson & Palmatier, 2015; Chaudhuri & Ligas, 2009). This is largely due to the rising competition and the need to build long lasting relationships with customers (Tripathi, 2017).

Customer Loyalty is at the core of any organisation's strategy to gain competitive advantage. Many organisations have adopted several strategies to gain customer loyalty; these include the adoption of loyalty programmes. These loyalty programmes are delivered to the end user in different ways such as points systems, tier systems, non-monetary programmes, multi-partner discount offering, loyalty card programmes, frequent buyer programmes, frequent flyer programmes, gift cards and

money back programmes (Magatef & Tomalieh, 2015). The loyalty programmes are meant to enhance the organisation's value proposition through offering rewards for customers' repeat purchase behaviour (Thompson & Chmura, 2015). This is not always the case, since many organisations adopt the use of loyalty programmes without any real differentiation on the offering (Lara & Ponzoa, 2008) from other organisations in the same industry. This is mostly due to the inadequate understanding of the factors that influence the loyalty programmes.

The problem identified is that the factors that influence customer loyalty programmes in the South African Airline Industry have not been determined. Thus, this study aims to provide an understanding of the factors which influence loyalty programmes in the South African Airline Industry. This chapter will provide an outline of the study, it will introduce the topic and the research problem, research objectives and the research questions of this study. The chapter will also provide a summary of the research methodology and design that is employed in order to address the identified problem. Lastly, the limitation of the study and the process that was used to obtain ethical clearance is outlined. The layout of the chapter is reflected in Figure 1.1.

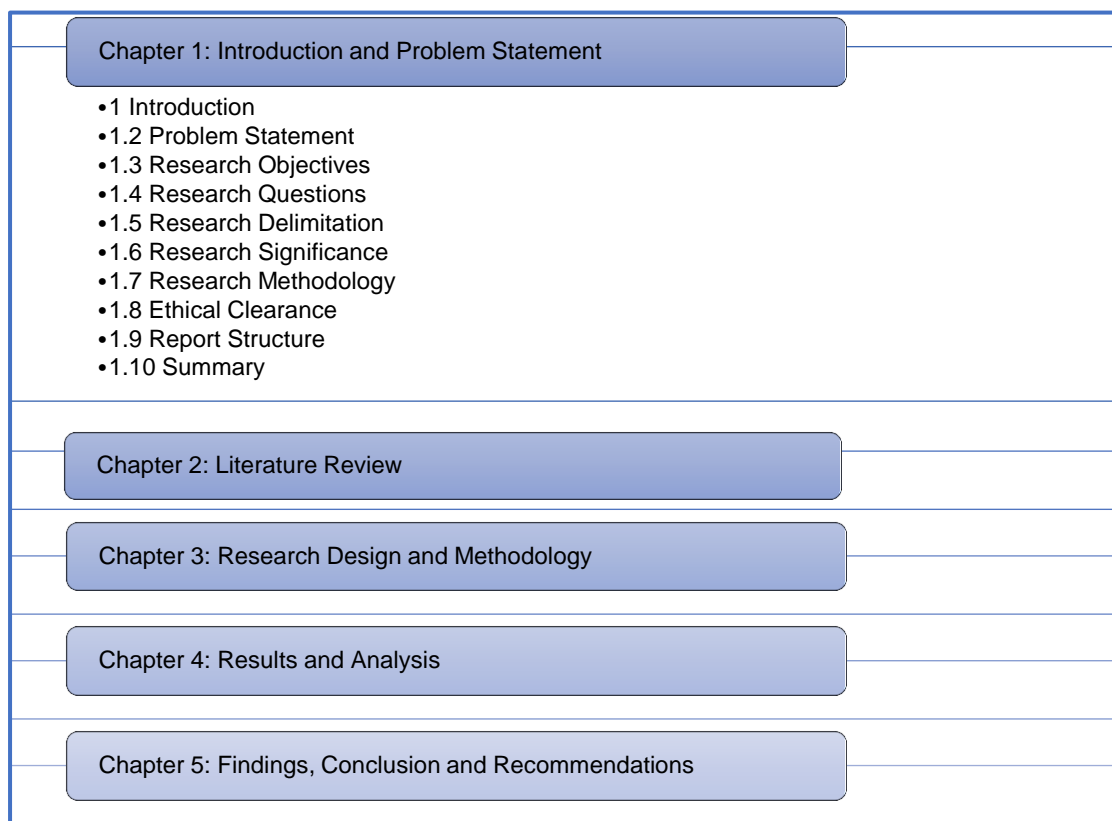


Figure 1.1: Overview of Chapter 1

## **1.2. Problem statement**

Loyalty programmes have gained popularity over the 40 years since the advent of the frequent flyer offering that was pioneered by American Airlines (Bagchi & Li, 2011). In spite of the maturity of the airline industry globally, there has been inadequate research done on factors which influence the South African Airline industry. Most operators in the South African Airline Industry have adopted similar 'frequent flyer' loyalty programmes in the South African context, this is despite the different factors that ought to differentiate the programme offering.

Loyalty programmes are used as a strategic tool to improve customer loyalty and perceptions of the value offering (Yin & Jeon, 2003). Understanding the factors which influence loyalty programmes in the South African Airline Industry is important, particularly because of the turbulent and competitive nature of the industry. Understanding the factors will enable the organisation to develop successful loyalty programmes that will help grow the market share within the industry.

The South African Airline industry generates revenue in excess of R3 Billion annually with a volume of over 17 million passengers (MarketLine, 2017). This is a sizeable industry with high potential of growth considering the rapid increase of the middle class (Truth, 2017). Specific attention therefore needs to be given to the factors which influence the success of the loyalty programme to ensure customer satisfaction. In particular, the factors that influence the loyalty programmes in the South African Airline Industry.

Several studies have been conducted to better understand loyalty programmes in general. The study conducted by Wolter, Bock, Smith and Cronin Jr (2017) found that customer satisfaction can't be translated to loyalty. The findings of the study conducted by Thompson and Chmura (2015) show that loyalty programmes do not work equally well in all countries. Therefore, it is important to understand the loyalty programmes in the South African context. In their research, Thompson and Chmura (2015) found that loyalty programmes increase profitability and also create a customer base that is less sensitive to the competitors' offerings (Thompson & Chmura, 2015). In addition, Nunes and Dreze (2016) agree that there has been an influx of loyalty programmes launched, but most of these programmes are scuttled and are not aligned to the long-term strategic objective of the organisation (Nunes &



Dreze, 2016). These studies support the use of loyalty programmes to enhance the organisation's value proposition. They also identify the need to understand the factors that influence loyalty programmes in the different settings.

Loyalty programmes have become critical in retaining and growing business yet very little is known about the factors that influence the South African Airline Industry Loyalty Programmes, which leads to the problem researched in this study.

**Research Problem:** Loyalty programmes in the South African Airline Industry have not been adequately researched.

### **1.3. Research questions**

The Main Research Question (RQ<sub>M</sub>) was formulated and based on the Research Problem in Section 1.2. The RQ<sub>M</sub> for this study is stated as follows:

RQ<sub>M</sub>: What factors influence loyalty programmes in the South African Airline Industry?

In order to address the primary question, the following secondary questions need to be answered:

- RQ<sub>1</sub>: What is the definition of customer loyalty?
- RQ<sub>2</sub>: What is the definition of loyalty programme?
- RQ<sub>3</sub>: What is the historical context of loyalty programmes in the South African Airline industry?
- RQ<sub>4</sub>: What research design will be used in this study?
- RQ<sub>5</sub>: What are the factors of a successful loyalty programme?

### **1.4. Research objectives**

In order to address the primary question, the Main Research Objective (RO<sub>M</sub>) is noted as follows:

RO<sub>M</sub>: To provide an understanding of the factors which influence loyalty programmes in the South African Airline Industry.

The following are the secondary objectives that will be addressed:

- RO<sub>1</sub>: To review definitions and theories surrounding customer loyalty;
- RO<sub>2</sub>: To consider definitions and theories surrounding customer loyalty programmes;
- RO<sub>3</sub>: To review and understand the history context of loyalty programmes in the South African Airline Industry;
- RO<sub>4</sub>: To establish the appropriate research design and methodology;
- RO<sub>5</sub>: To ascertain critical factors of a successful loyalty programme.

The Research Alignment PLAN (RAP) for this study is outlined in Table 1.1.

<b>Title: Loyalty programmes in the South African Airline Industry</b>		
<b>Problem Statement:</b> Loyalty programmes in the South African Airline Industry have not been adequately researched.		
<b>Main Research Question:</b> What factors influence loyalty programmes in the South African Airline Industry?		
<b>Main Research Objective:</b> To provide an understanding of the factors which influence loyalty programmes in the South African Airline Industry.		
<b>Chapter</b>	<b>Research Questions</b>	<b>Research Objectives</b>
<b>Chapter 2 Literature Review</b>	<p><i>RQ<sub>1</sub></i>: What is the definition of customer loyalty?</p> <p><i>RQ<sub>2</sub></i>: What is the definition of customer loyalty programme?</p> <p><i>RQ<sub>3</sub></i>: What is the historical context of loyalty programmes in the South African Airline industry?</p>	<p><i>RO<sub>1</sub></i>: To review definitions and theories surrounding customer loyalty.</p> <p><i>RO<sub>2</sub></i>: To consider definitions and theories surrounding customer loyalty programmes</p> <p><i>RO<sub>3</sub></i>: To review and understand the history context of loyalty programmes in the South African Airline Industry.</p>

<b>Chapter 3</b> <b>Research Design and Methodology</b>	<i>RQ<sub>4</sub></i> : What research design will be used in this study?	<i>RO<sub>4</sub></i> : To establish the appropriate research design and methodology
<b>Chapter 4</b> <b>Empirical Study</b>	<i>RQ<sub>5</sub></i> : What are the factors of a successful loyalty programme?	<i>RO<sub>5</sub></i> : To ascertain critical factors of a successful loyalty programme
<b>Chapter 5</b> <b>Findings, conclusion and recommendations</b>	<i>RQ<sub>M</sub></i> : What factors influence loyalty programmes in the South African Airline Industry?	<i>RO<sub>M</sub></i> : To provide an understanding of the factors which influence loyalty programmes in the South African Airline Industry.

Table 1.1: Research Alignment Plan

### 1.5. Research delimitation

This study is limited to understating the factors that influence loyalty programmes in the South African Airline Industry. This study is based on the quantitative research approach using a self-administrated e-survey. The survey included Likert scale questions, which limited the respondent's responses to the prescribed responses to either agree or disagree with the statement. This limited the quality of feedback, which may have been extracted if there were open ended questions. The survey is self-administered, which limits the respondents from seeking clarity on some of the questions asked.

### 1.6. Research significance

It appears that scholars are interested in understanding loyalty programmes in general and how value can be derived by the implementation of such programmes. There are however no prior studies on understanding the factors that influence loyalty programmes in the South African Airline Industry. This study intends to fill in this gap. In light of this, this study makes an academic contribution. This study contributes to the limited empirical findings of understanding the factors that are critical for a successful loyalty programme. It also looks at the relationship that exists between attitudinal and behavioural aspects, which include the relation that exists

with the following variables: purchase behaviour, communication, personification, flexibility, rewards and method of participation.

The academic contribution of this empirical research is in the unique approach that will be undertaken to investigate the available literature on factors, which influence loyalty programmes in the South African Airline Industry. The new insight may benefit scholars in future research on loyalty programmes. In addition, this study makes managerial contribution: it will enable managers to identify factors which influence loyalty programmes in the South African Airline Industry. This will enable managers to make informed decisions when formulating and implementing successful programmes in the South African Airline Industry. This could potentially lead to increase customer loyalty.

## **1.7. Research methodology**

### **1.7.1. Research approach**

This study followed the positivism philosophy, in particular the quantitative research paradigm. The quantitative research method was used as it allows for a broader study. It allows a certain level of generalisability of the results on what factors influence the loyalty programmes. A quantitative study tests the objective theories by examining the relationship among variables (Cresswell, 2009). It yields information that is numerical in nature or information that can easily reduce to numbers (Leedy & Ormrod, 2015).

Quantitative research will be employed in this study. The benefit of using quantitative research is the ease of use and the reduced time and money with regard to the distribution of the questionnaire as well as the data collection from respondents. With this approach the researcher is able to use large samples to gather information. The purpose of the research was to describe the cause and effect relationships between the mediating variables of attitude and behaviour with the independent variables demographics, purchase behaviour, trust, communication, personalisation, flexibility rewards and method of participation with the dependent variable Loyalty programmes. An e-survey was conducted to gather information that will help ascertain the components of a successful loyalty programme.

### **1.7.2. Literature review**

The literature review for this study was conducted by reviewing various academic sources to satisfy the research objectives that were outlined in Section 1.3. The academic resources used included academic journals, books, conference papers, working papers publications and reports. The literature review conducted focused on the current body of knowledge, particularly pertaining to loyalty programmes, the South African Airline Industry and the factors that influence loyalty programmes. All the references that were used in this study are cited in-text and a full reference list as outlined in Section 6.

### **1.7.3. Data collection**

This research study used a structured e-survey with a questionnaire to collect primary data from respondents. The questionnaire is a closed-ended questionnaire, which consists of two sections; demographics questions and the questions that relate to the predetermined dependent and independent variables. The questions relating to the predetermined dependent and independent variables use 5-point Likert scales - the scale ranges from Strongly Disagree (1) to Strongly Agree (5). The participants were presented with a number of questions using the e-survey. The feedback received from participants was then collated and summarised to produce statistical indices to draw inference on the population.

### **1.8. Ethical clearance**

The ethical clearance in accordance to the criteria used at the Nelson Mandela University (NMU) was obtained. Full ethics was approved for this study H-18-BES-BUS 033.

### **1.9. Report structure**

This section provides a summary of the document structure, which links with the Research Alignment Plan. The structure of this study is outlined in Figure 1.2. The research objectives and questions are also outlined.

### **1.9.1. CHAPTER 1: INTRODUCTION AND PROBLEM STATEMENT**

This chapter provides the introduction to the study. It also outlines the Research Problem, Research Questions and Research Objectives that need to be addressed for this study. The research methodology for the study is outlined to provide clarity and to indicate the approach. It further summaries the research delimitation, significance and the ethical clearance.

### **1.9.2. CHAPTER 2: LITERATURE REVIEW**

This chapter provides an understanding of the concepts and theories that underpin the concept of loyalty programmes. This chapter addresses RO<sub>1</sub> by providing definitions and theories surrounding customer loyalty. It addresses RO<sub>2</sub> by exploring the definitions and theories surrounding customer loyalty programmes in general and RO<sub>3</sub> by understanding the historical context of loyalty programmes in the South African Airline industry through the available literature. Figure 2.1 provides an illustration of the chapter.

### **1.9.3. CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY**

This chapter explores the research design and the methodology applied in this study. It therefore addresses RO<sub>4</sub>: *To establish the appropriate research design and methodology*. The positivism paradigm was employed to investigate the relationships.

### **1.9.4. CHAPTER 4: RESULTS AND ANALYSIS**

Chapter 4, results of the empirical study are presented, discussed and analysed. Descriptive statistics were used to describe the basic features of the data of this study. Then the inferential statistics were used to address the last research objective. This Chapter addresses the RO<sub>5</sub>: *To ascertain critical factors of a successful loyalty programme*.

### **1.9.5. CHAPTER 5: FINDINGS, CONCLUSION AND RECOMMENDATION**

In this chapter, the findings of the study are presented based on the results and analysis obtained in Chapter 4. This chapter makes managerial recommendations

based on the findings. This chapter also makes conclusions based on the research problem identified in this chapter. It addresses RO<sub>M</sub>: To determine the components loyalty programmes in the airline industry should include.

The structure of the chapters is illustrated in Figure 1.2 below.

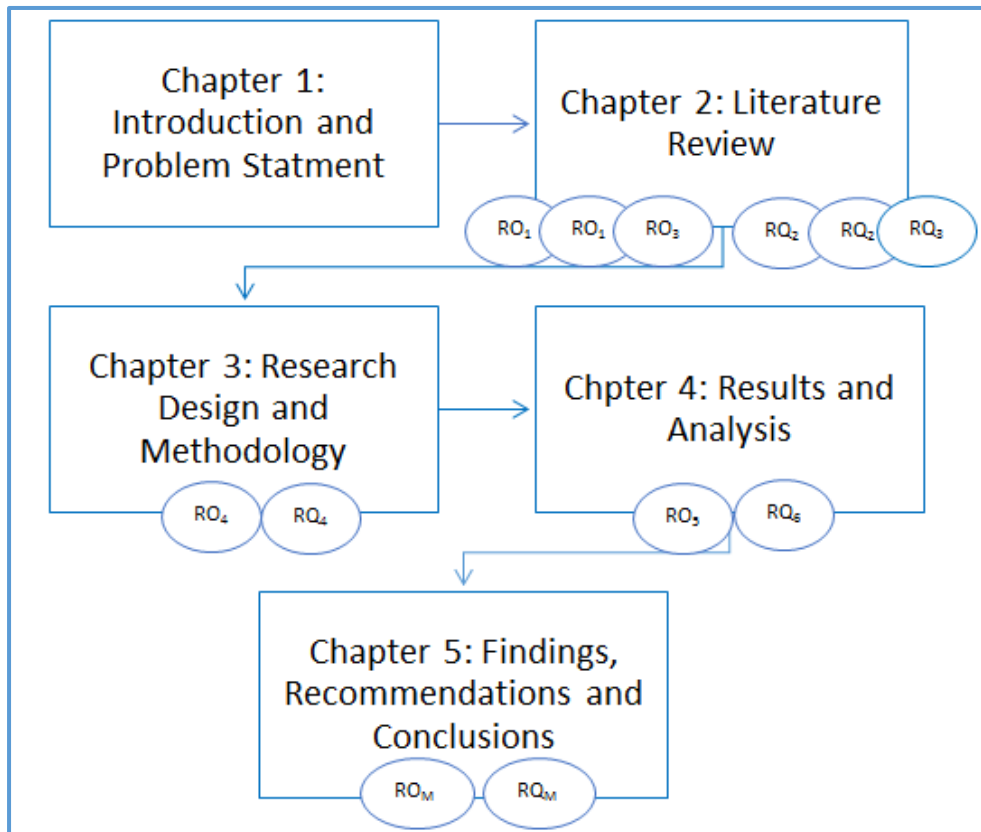


Figure 1.2: Chapter Structure as well as ROs and RQs

## 1.10. Summary

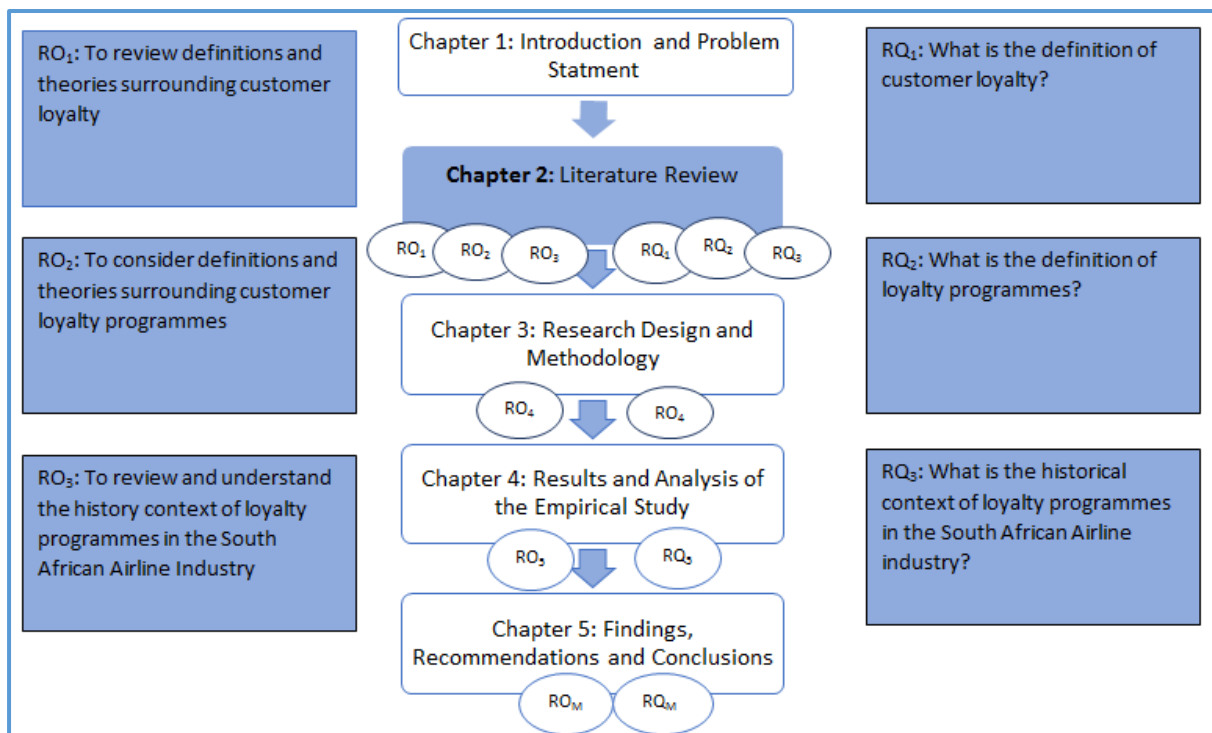
This chapter introduced the topic, research problem, research objectives and the research questions of the study. The chapter also provided a summary of the research methodology and the design that was employed to address the identified problem. It also highlighted the data collection methods and analysis that will be conducted for this study. This study concluded by outlining the ethical requirements required by Nelson Mandela University. In the following chapter, the literature relating to loyalty programmes in the Airline industry will be discussed.

## 2. CHAPTER 2 LITERATURE REVIEW

### 2.1. Introduction

In Chapter 1, an outline of this study was provided. The topic for this study was introduced and the research problem, research objectives and the research questions of this study were outlined. The chapter also provided a summary of the research methodology and design that will be employed in order to address the research problem. The chapter also highlighted the limitations of the study as well the process used to obtain ethical clearance. The research approach and data analysis were highlighted.

The purpose of this chapter is to review literature on the concepts significant to the study such as the relationship between loyalty programmes in the Airline Industry and the independent variables. This chapter provides an understanding of the concepts and theories that underpin the concept of loyalty programmes. This chapter addresses RO<sub>1</sub> by providing definitions and theories surrounding customer loyalty. It addresses RO<sub>2</sub> by exploring the definitions and theories surrounding customer loyalty programmes in general and RO<sub>3</sub> by understanding the historical context of loyalty programmes in the South African Airline industry through the available literature. Figure 2.1 provides an illustration of the chapter.





Chapter 1: Introduction and Problem Statement
Chapter 2: Literature Review <ul style="list-style-type: none"> <li>•2.1 Introduction</li> <li>•2.2 The origin of the loyalty concept</li> <li>•2.3 Theoretical Grounding</li> <li>•2.4 Definitions of terms</li> <li>•2.5 Loyalty in the Airline Industry</li> <li>•2.6 Components of loyalty programmes</li> <li>•2.7 Conceptual Model</li> <li>•2.8 Summary</li> </ul>
Chapter 3: Research Design and Methodology
Chapter 4: Results and Analysis
Chapter 5: Findings, Conclusions and Recommendations

**Figure 2.1: Overview of Chapter 2**

## **2.2. The origin of the loyalty programme concept**

The genesis of loyalty programmes in the airline industry can be traced back to the early 1980's. These programmes targeted business travellers (Mhlanga & Steyn, 2016). According to Hossain and Farhana (2017), one of the most important aspects of having a customer loyalty programme is that it is effective in managing the perception around switching costs for customers, which results in customer retention. This requires that the organisation looks at ways to support the core product or services offering. This happens in a variety of ways including offering loyalty programmes.

Loyalty programmes are a structured marketing plan that is intended to enhance customer loyalty by rewarding loyal customers (Gandomi, 2013). In this instance, the classification of loyal customers is based on repeat purchase behaviour. These programmes are intended to encourage customers to shift from a myopic or single-

period perspective to a dynamic or multiple-period perspective (Magatef & Tomalieh, 2015).

Loyalty programmes are crucial in the organisation's relationship management strategy (Terblanche, 2015). It is therefore no surprise that many organisations attempt to improve customer loyalty by implementing customer loyalty programmes (Soderlund & Colliander, 2015). Service oriented organisations have to focus their attention on the quality of service that they render and also on the perceived value of the service offering (Yi & Gong, 2009). Most organisations are under extreme pressure to grow their businesses and to achieve financial profit. In pursuit for sustained growth and financial profits, organisations have to build and maintain long-term relationships with their customers (Wever, 2016).

It is noted in studies that it takes four to ten times more effort to get new customers than to keep the existing ones (Colakoglu & Artuger, 2013; Wever, 2016). It is therefore less expensive to retain the existing clients. It is still challenging for most organisations to build loyalty and to leverage the rewards of having loyal customers (Watson IV, Beck, Henderson & Palmatier, 2015). This has triggered the need to have stronger bonds with their customers (Beneke, Cumming & Parkfelt, 2015).

The loyalty programmes are considered part of a detailed customer relationship strategy (Magatef & Tomalieh, 2015). According to Magatef and Tomalieh (2015:80) organisations should focus on the below mentioned rules when designing a rewards program:

- The programme should acquire customers that are likely to have repeat purchases;
- The company should be able to recognise customers that are unlikely to make repeat purchases to limit the marketing efforts to those customers; and
- The organisation must focus the marketing budget on those that have the potential to make repeat purchases.

### **2.2.1. Customer loyalty programmes**

Customer satisfaction, loyalty and retention are crucial in any business especially in a competitive service industry like the airline industry. According to Sukri, Abdullah

and Waemustafa (2014), there is a positive correlation between customer satisfaction, loyalty and retention. Therefore, most organisations continuously strive to gain customer satisfaction, loyalty and retention through the introduction of loyalty programmes.

Customer loyalty programmes are a defensive marketing strategy, which focus on value creation for existing customers in an effort to retain those customers and to increase sales and market share (Sharp & Sharp, 1997). The loyalty programme remunerates customers with rewards when they repeatedly use the organisation's products and services (Liu & Yang, 2009). Loyalty programmes enable the customer and organisation to build relations by reinforcing the trust and commitment (Gomez, Arranz & Cillian, 2006).

### **2.2.2. Structure of loyalty programmes**

There are a number of loyalty programmes that exist in different industries. The different types of loyalty programmes include: points systems, tier systems, non-monetary programmes, multi-partner discount offering, loyalty card programmes, frequent buyer programmes, frequent flyer programmes, gift cards and money back programmes (Magatef & Tomalieh, 2015). This indicates that organisations have shifted emphasis from only focusing on customer satisfaction to fostering customer loyalty (Pi & Huang, 2011).

Companies need to incorporate loyalty programmes in their offering to have a holistic approach to maintaining customer relationships. This entails capitalising on the customer's lifetime value. Their loyalty programmes are used as a promotional tool to develop customer loyalty in an effort to enhance repeat purchasing behaviour (Atalik, 2014).

### **2.2.3. Benefits of loyalty programmes**

Well-designed loyalty programmes benefit both organisations and the customers. A number of authors (Magatef & Tomalieh, 2015; Lee, Capella, Taylor, & Gabler, 2014; Nunes & Dreze, 2016) agree on the benefits that can be realised by the organisation by the introduction of loyalty programmes. The identified benefits are listed below:

- The cost of servicing loyal customers is less than continuously striving to get new customers as an organisation;
- The customers that are loyal customers to the organisation are less price sensitive than those that are not. This implies those customers are unlikely to shift to other organisations based on an increase in the cost of goods and/or services rendered. As a result, the loyalty programmes create barriers to switching in order to reduce the possibility of customers moving to competitors;
- The organisation is likely to benefit more from lifetime value of loyal customers, as loyal customers tend to spend more on the organisation that they are loyal to;
- The loyal customers are likely to make positive recommendations about the product to friends and family. This enables the organisations to the loyalty programmes help create loyalty and greater share of sales that could be made more frequently;
- The loyalty programmes provide the organisation with rich information pertaining to the customer purchasing habits. With this information the organisation is able to create a need where there was previously none increasing the organisation's opportunity to increase the offering; and
- The loyalty programmes also enable the organisation to leverage on relationships fostered with affiliated partners.

In addition to the aforementioned benefits, Reinatz, Krafft and Hoyer (2004) assert that the real benefit of a loyalty programme is that it may enable an organisation to build true attitudinal and behavioural loyalty. It also helps the organisation to leverage on efficiency and effectiveness. This is in contrast with the view expressed by Weissenberg, Narula and Katz (2013) wherein it is stated that loyalty programmes result in unreal loyalty display by customers who are likely to shift in accordance with the benefits that they obtain from the organisation.

This implies that the organisation continuously needs to entice these customers by increasing benefits of the loyalty programmes. This approach is not sustainable in the long run. The benefits of the loyalty programme can also be viewed from a customer perspective wherein the customer also benefits from the use of such

programmes. The customer benefits financially as there are benefits because the rewards that are often linked to the programme and the customer also benefits socially as member of a programme (Acatrinei & Puiu, 2012).

This section illustrates that there are a number of benefits for an organisation to implement loyalty programmes as it enables the organisation to gain a sustained competitive advantage. There are however a number of drawbacks that need to be seriously analysed by the organisation. These drawbacks are discussed in the next section.

#### **2.2.4. Challenges related to loyalty programmes**

There are a number of successful loyalty programmes, which yield a number of benefits for organisations as noted in the previous section. With that said there are challenges that relate to loyalty programmes. Weissenberg, Narula and Katz (2013) identified a number of challenges which include: the high costs associated with implementing and promoting the loyalty programme, the possible loss of revenue should the programme not yield the desired outcome; the unreal loyalty display by customer, in that they will shift in accordance to what will benefit them and the confusing customer information messaging. In addition, once the loyalty programme is implemented the organisation will need to make more effort informing each customer about the programme and its benefits.

An organisation will also need to educate the customers about the use of the programme and that some form of incentive is linked to the programme (Acatrinei & Puiu, 2012). This exercise is not only costly, it is also time consuming. Other challenges that are noted as a major drawback for loyalty programmes include: design of appropriate structure, programme complexity, multi-program, unattractive rewards and lack of proper loyalty structure (Magatef & Tomalieh, 2015).

It is clear that with the identified drawbacks that organisations need to determine the success rate of the programme and compare it to the resources which will be lost if the programme is not a successful (Acatrinei & Puiu, 2012).

## **2.3. Theoretical grounding**

The study will focus on three grounding theories to define the context of loyalty programmes. The theories include the social exchange theory, given that there is an exchange relationship that occurs between customers and the organisations. It will further focus on the commitment-trust theory as the theory emphasises commitment and trust as the key driver for on-going relationships. Lastly, the relationship marketing theory, given that there is a need for organisations to create and maintain long-term relationships in order to gain customer loyalty. It is therefore imperative that these theories are understood in order to gain an enhanced perspective on loyalty programmes.

### **2.3.1. Social exchange theory**

The social exchange theory is defined as the exchange of tangible or intangible activities that exist between at least two people (Shiau & Luo, 2012). Trust is a key feature in these relationships as there is no explicit contract in the relationship that exists between the parties as a result no rewards can be guaranteed (Gefen, Karahanna & Straub, 2003). These are unspecified rewards though these relations have no explicit contract.

The rewards are still classified as the fundamental phenomena that influence the behaviour of the customer (Yi & Gong, 2009). These social exchange relationships are unspecified obligations that the organisation needs to be aware of (Shiau & Luo, 2012). It is noted that when there are high-quality and positive relationships between the organisation and its customer, the customer behaviour is likely to change to positively influence purchase behaviour in the future (Yi & Gong, 2009).

This concept theory was introduced by George Homans in the 1950's (Shiau & Luo, 2012). The social exchange theory is summarised using three propositions (Homans, 1958):

- Success proposition – people tend to repeat action when rewarded for their actions;
- Stimulus proposition – people who were previously rewarded are more likely to respond again; and

- Deprivation – people tend to put less value in a reward that is frequently given.

According to Yi and Gong (2009), the customer social exchange relationship influences the customer satisfaction and purchase behaviour. The social exchange theory focuses on the interrelationship that exists with the organisation and its customers from all perspectives including the cost-based perspective (Gefen, Karahanna & Straub, 2003). The theory deals with the trade-offs that exist between intangible social costs and benefits (Shiau & Luo, 2012). This theory is therefore essential in the development and implementation of successful loyalty programmes. It is therefore clear that the customer and the organisation have a level of dependency on each other (Gefen, Karahanna & Straub, 2003).

### **2.3.2. Relationship marketing theory**

Relationship marketing is an integral part of contemporary marketing theory and practice. This theory was formed by Berry (1983) in the early eighties. The need for a relationship stems from the turbulent and ever-changing business environment. The heightened need for long-term relationships in service-oriented organisations has given rise to the relationship management theory (Gummerus, von Koskull & Kowalkowaki, 2017). Marketing scholars have emphasized relationship marketing as one of the key drivers for customer loyalty (Yi & Gong, 2009; Yin & Jeon, 2003).

According to Berry (1983), relationship marketing refers to the need to attract and develop relationships between the company and its customers. Relationship marketing is built on the premise of establishing, developing and maintaining of long-term and sustainable relationships (Gummerus, von Koskull & Kowalkowaki, 2017). Relationship marketing is a consolidated effort by an organisation to create, maintain and build a relationship with an individual customer (Yi & Gong, 2009; Yin & Jeon, 2003).

The relationship marketing theory is said to be effective in an environment where there are alternative offerings and where brand switching is common (Fyall, Callod & Edwards, 2003). Successful relationship marketing is attributed to customer satisfaction, service quality, commitment and trust (Ndubisi, Malhotra & Wah, 2008).

Relationship marketing remains an untested concept for destination marketers, including marketers for hotels and travel (Fyall, Callo & Edwards, 2003).

Relationship marketing should therefore be supported by the whole organisation, not only by two departments i.e. marketing and client services (Fyall, Callod & Edwards, 2003). Organisations should be able to enhance the organisation's ecosystem by working as a collective instead of in silos (Gummerus, von Koskull & Kowalkowaki, 2017). Relationship marketing plays a central role in improved value creation for customers and the organisation.

Relationship marketing theory plays an important role in this study as it is noted as a key factor in enabling increased customer satisfaction, customer trust and customer commitment. Most importantly, aligned to this study, loyalty programmes are considered to be a strategic tool for relationship marketing in retaining loyal customers.

### **2.3.3. Commitment-trust theory**

The commitment-trust theory is based on on-going relationship exchanges. This theory was developed by Morgan and Hunt (1994). Commitment and trust are therefore key drivers in relationship marketing. Commitment and trust facilitate a relationship exchange by creating an inspiring environment between stakeholders in the relationship this helps eliminate the interest in competitor offerings (Hashim & Tan, 2015). The presence of both commitment and trust is crucial in that it promotes efficiency, productivity and effectiveness (Phelps & Campbell, 2012). Trust refers to the reliance on the credibility of the loyalty programme offering (Pi & Huang, 2011).

There are five antecedents of trust and commitment namely, relationship benefits, communication, opportunistic behaviour, shared value and relationship termination cost (Phelps & Campbell, 2012). These antecedents carry both positive and negative consequences namely; acquiescence, co-operation, functional conflict, propensity to leave and uncertainty.

Commitment-trust theory plays a crucial role in this study as it emphasises the importance of commitment and trust in relationship marketing. Its further emphasis



these factors as the key strategic tools that can be used by an organisation to gain sustained competitive advantage.

## **2.4. Definition of terms**

### **2.4.1. Customer loyalty**

There is no consensus on the broad definition of customer loyalty but there is a general agreement that customer loyalty does include a combination of attitude and behaviour (Watson IV, Beck, Henderson & Palmatier, 2015; Chaudhuri & Ligas, 2009). Customer loyalty is essential in ensuring business sustainability. Customer loyalty is a critical tool for growth and survival in any business environment (Rai & Srivastav, 2014). It is therefore critical to understand the theories underpinning customer loyalty in relation to loyalty programmes.

According to Watson IV, Beck, Henderson and Palmatier (2015: 791), customer loyalty can be defined as the combination of attitudes that are aligned to positive purchase behaviour that gives one organisation the competitive edge. In addition, Lee and Cunningham (2001) define customer loyalty as the customer's tendency to use the services of the current service provider based on experience and previous experiences. Customer loyalty develops according to four phases, namely; cognitive loyalty, affective loyalty, conative loyalty and action loyalty (Wever, 2016). These phases are explained as follows:

- Cognitive loyalty – the first phase wherein the customer believes that product or service is more superior to any other offering;
- Affective loyalty - the second phase is when the customer's expectations are met accordingly;
- Conative loyalty - this is there third phase wherein the customer is driven by intention of involvement; and
- Action loyalty, which is the final phase leads to action i.e. repeat purchase behaviour, affective loyalty, conative loyalty and action loyalty (Oliver, 1999). The behaviour components are related to repeat purchase behaviour (Watson IV, Beck, Henderson, & Palmatier, 2015).

Customer loyalty is at the heart of many marketers; therefore, most firms invest in loyalty programmes to build and manage customer programmes. Strong loyalty

attitude serves as defence to competitive offers (Watson IV, Beck, Henderson, & Palmatier, 2015). Customers with strong loyalty are less price sensitive and therefore it becomes easier to communicate with them (Rai & Srivastav, 2014). This is directly related to the organisation's profitability in that it is noted that customer retention is the best strategy to grow and increase profitability (Rai & Srivastav, 2014). Customer loyalty is more important for a service provider who offers an undifferentiated product offering, which also has low switching costs.

## **2.5. Loyalty programmes in the Airline Industry**

The airline industry, a sub-category within the aviation industry, is composed of all companies that provide air transport services for travelling passengers and freight (IATA, 2017). It can therefore be defined as a system of transportation (Mhlanga & Steyn, 2016). Airlines use aircrafts to supply services to passengers and for transporting cargo.

The airline industry has different players who form a part of the value chain namely; air manufacturers, airport operations, support industries and service providers. There are over 2000 registered airlines globally operating in more than 3700 airports (IATA, 2017). This equates to more than 28 million scheduled flights that carry over 2 billion passengers annually. This industry continues to grow but is also highly competitive. The airline industry is continuously trying to add more value in order to grow their businesses. The airline industry has grown to incorporate offering such as loyalty programmes.

Loyalty programmes in the airline industry can be traced back to the early 1980's. These programmes were firstly targeted at business travellers (Colakoglu & Artuger, 2013). The main objective of any customer loyalty programme is to promote customer retention, increase customer satisfaction to create value for customers (Beneke, Cumming & Parkfelt, 2015). Loyalty programmes are the key drivers to retention in a number of industries; credit card companies, hotel chains, retail and airline industries (Wirtz, Mattila & Lwin, 2007).

Customers participate in the loyalty programmes for a variety of reasons, which often include the following: economic benefits (discounts), emotional benefits (sense of belonging), recognition and access to an exclusive treatment or service (Hossain &

Farhana, 2017). The higher the customer satisfaction, the more likely the customer is to commit to a specific company. This translates to customer loyalty in the long run (Pi & Huang, 2011).

The airline industry has become very competitive especially since the advent of low-cost airlines (Dolnicar, Grabler & Grun, 2011). Loyalty programmes are offered by the organisation as part of their customer relationship management strategy (Wever, 2016). In a competitive market, most firms are forced to offer loyalty programmes. These programmes are at a cost to the organisation (Gandomi, 2013). The programme encourages repeat purchases and improves retention (Magatef & Tomalieh, 2015).

### **2.5.1. Global perspective**

There has been a significant growth of loyalty programmes globally as there has been renewed interest from practitioners and professionals on the topic (Sharp & Sharp, 1997). It is noted that more than 90% of European and USA customers are members of at least one loyalty programme (Meyer-Waarden, 2015). In the USA, in 2010, loyalty programmes grew by 27% and about \$48 billion was spent on loyalty programmes (Watson IV, Beck, Henderson & Palmatier, 2015). The USA alone have over 100 approved airlines and almost all these airlines have developed Frequent Flyer Programmes in order to improve operating performance and customer loyalty (Ernst & Young, 2014).

There are two main forms of Frequent Flyer Programmes namely; stand-alone programmes and coalition programmes (Ernst & Young, 2014). The stand-alone programme is redeemed from one service provider and the coalition programme is redeemed from a number of affiliated partners. The study conducted by Liu and Yang (2009) reflects that successful airline loyalty programmes are those who tend to be from high market share firms. There are more 70 Frequent Flyer Programmes worldwide, with more than 250 million members belonging to the top six programmes (Bondar, Lacki & Wittkopf, 2008).

The programmes are depicted in Table 2.1. These loyalty programmes have a large number of members, for an example SkyMiles, which is owned by Delta Airlines, has over 74 million members, followed closely by AA Advantage with over 72 million.

These programmes generate over a \$1 billion annually (Tripant et al., 2018). With the large volume of members, the loyalty programmes illustrated in Table 2.1 choose not to list separately. Only the Frequent Flyer Programmes that are highlighted in yellow namely, Aimia, Smilers and Multiplus have listed independently (Ernst and Young, 2014).

FFP	Airlines	Members (million)
Asia Miles	Cathay Pacific/Dragonair	4.0
Aeroplan - Aimia	Air Canada	4.7
Avios	British Airways/Iberia	5.9
Smiles	GOL	9.3
Qantas FFP	Qantas Airways	9.4
Multiplus	TAM	11.6
Air China	Air China	19.9
Flying Blue	Air France - KLM	21.0
Miles & More	Lufthansa	23.0
JAL Mileage	Japan Airlines	25.0
AA Advantage	American Airlines	72.0
SkyMiles	Delta Air Lines	74.0

**Table 2.1: Most well-known Frequent Flyer Programmes globally (Ernst and Young, 2014)**

Most Airlines have adopted Frequent Flyer Programmes. These programmes have become an imperative marketing tool of most airlines industry. These programmes have also been replicated in the hotel industry (Atalik, 2014). The frequent flyer programmes have a sole purpose of attracting new customers, whilst ensuring that that the existing customers are retained. This is achieved by providing customer centric offerings (Colakoglu & Artuger, 2013).

The airline carriers are faced with having to balance the need for cost reduction and the need to building attractive offers for customers (Wever, 2016). According to IATA (2017), much of the growth in the airline industry has been driven by low-cost carriers (LCCs), which now control some 25 percent of the worldwide market and which have been expanding rapidly in emerging markets (IATA, 2017).

### **2.5.2. South African context**

The African Airline industry is undergoing intense changes driven by growing African economies and a growing middle class (Mhlanga & Steyn, 2016). Competition is

fierce with more low cost carriers having entered the space. There have also been some airlines that went bankrupt because of the intense competition and other factors. The market size of the African Airline is relatively small when compared to the rest of the world, according to IATA (2017). The Africa airline passenger market is 2.2% of the world share. The South African market takes a sizeable share of that market.

The South African Airline industry dates back to 1929 with the industry protected from competition for over 40 years (Luke & Walters, 2013). The airline industry opened up to competition in 1991 (Ssamula, 2014). Opening up of the industry resulted in an influx of new competitors and paved the way for low-cost carriers, with over 15 new airlines between 1991 and 2016 as can be noted in Table 2.2 (Mhlanga & Steyn, 2016). The new entrants included; Kulula, Mango Airlines, Nationwide Airline, Cem Air, Velvet Sky, Fly Go Air, Skywise and Blue Crane (Mncube, 2014).

	AIRLINE	OPERATIONAL	
		FROM	UNTIL
1	Union Airways Ltd	August 1929	February 1934
2	SAA	February 1934	Still operating
3	Comair	February 1946	Still operating
4	Link Airways	April 1978	May 1992
5	SA Airlink	March 1992	Still operating
6	Bop Air	July 1979	September 1992
7	Flitestar	October 1991	April 1994
8	SA Express (SAX)	April 1994	Still operating
9	Sun Air	November 1994	August 1999
10	Phoenix Airways	December 1994	August 1995
11	Atlantic Airways	August 1995	October 1995
12	Nationwide Airways	December 1995	April 2008
13	Kulula.com	August 2001	Still operating
14	1time	February 2004	November 2012
15	CemAir	March 2006	Still operating
16	Mango	October 2006	Still operating
17	Velvet Sky	March 2011	February 2012
18	Fly Go Air	February 2012	Still operating
19	FlySaFair	October 2014	Still operating
20	Skywise	March 2015	December 2015
21	Fly Blue Crane	September 2015	Still operating

Table 2.2: The history of airlines in South African domestic market on a timeline (Mhlanga & Steyn, 2016)

Many of the new entrants did not make it in the long run as can be seen in Table 2.2. Over eleven of these airlines only operated for a couple of years and subsequently closed down because of the competitive nature of the airline industry (Luke & Walters, 2013). Only a few airlines have managed to stay in the industry. This was

due to the overall business model with the focus on customer offerings like loyalty programmes.

Similar to the global perspective, the airline industry was the first industry to introduce loyalty programmes in South Africa (Oliver, 1999). This was done through the introduction of the Frequent Flyer Programme, Voyager. This was in 1987 (Truth, 2017). According to Mhlanga and Steyn (2016), the introduction of the Voyager programme in 1987 resulted in a 14% increase in passenger numbers and a 16.5% increase in revenue. The Voyager programme was later followed by Clicks ClubCard in 1996, Discovery Health Vitality in 1998, then MTN and eBucks in 1999 and 2000 respectively (Olivier, 2007).

According to Truth (2017), 79% of South African customers use loyalty programmes. This has opened up opportunities for loyalty programmes in the Airline Industry. Air travel associated with loyalty programmes has become a commodity in the airline industry (Jaybind, 2016). Competition has been fiercer with more low-cost carriers having entered the space. The domestic airlines in South Africa consist of the following airlines; South African Airways, South African Express, Airlink, Kulula, Mango, Safair and British Airways (Brand South Africa, 2017). These airlines are classified according to low cost and full-service offering.

The low cost 'no-frills' airlines include; Kulula, Mango and Safair. On the other hand, South African Airways, South African Express, Airlink and British airways offer a full-service offering. Table 2.3 provides a summary of the top Airline loyalty programmes offered by these domestic airlines' programmes. The low-cost airlines (Mango and Safair) do not have existing loyalty programmes.

## **2.6. Components of loyalty programmes**

Loyalty is comprised of two components, namely; attitudes and purchase behaviour. This two-dimensional loyalty (behavioural and attitudinal) has been studied by a number of scholars (Wolter, Bock, Smith & Cronin, 2017; Oliver, 1999). The two-dimensional loyalty dimension refers to the behavioural component, which is an on-going behavioural action for a customer. In contrast the attitudinal component refers to the series of cognitive and affective states.

A number of studies have expanded to include the three or four dimensions. TaghiPourian and Bakhsh (2015) introduce the four dimensions to loyalty as depicted conceptualised by Oliver (1999). The multi-level dimensions are depicted in Figure 2.2. The four dimensions include cognitive loyalty, affective loyalty, conative loyalty and behavioural loyalty, which is a built up from the first three levels. The first level focuses on attitude; the second level includes behavioural loyalty and the third level further divides the attitudinal dimension to include cognitive and affective loyalty. Other components that should influence customer loyalty programmes comprise of satisfaction, commitment, trust and loyalty incentives (Watson IV, Beck, Henderson & Palmatier, 2015).

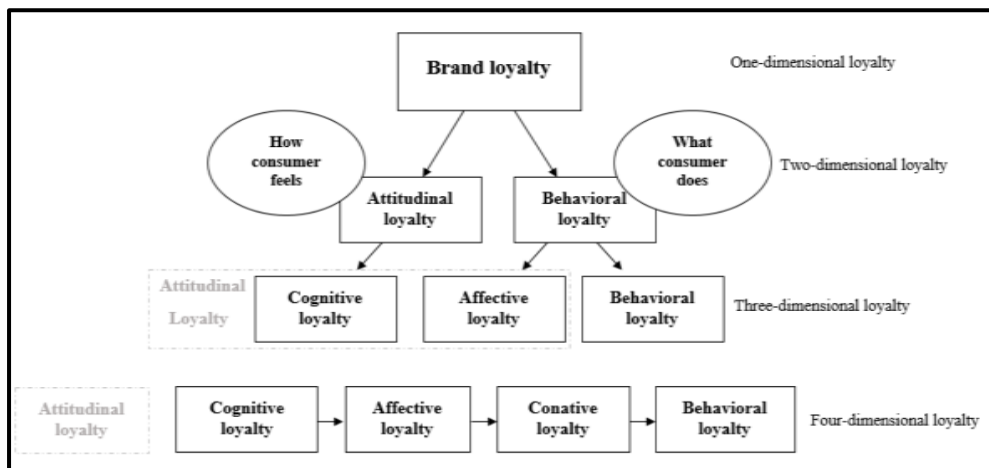


Figure 2.2: Dimensions of loyalty and four-dimensional loyalty (TaghiPourian & Bakhsh, 2015)




Name of the company	Loyalty Programme	Year launched	Benefits	Annual fee
Comair (Kulula)	Avios 	2013	Travel reward Points used as payment towards the customer's travel needs. For every R10 spent you will collect 3 Avios points.	No
Comair (British Airways)	 Avios and BA Executive Club		Tier Based Benefit	No
Mango	No loyalty programme	N/A	N/A	N/A
Safair	No loyalty programme	N/A	N/A	N/A
SAA and SA Express	SAA Voyager 		These Miles can be redeemed for flights, upgrades and other rewards. Earn one Mile for every R1.60	

Table 2.3: Summary of top Airline loyalty programmes in South Africa (Author's summary based on literature reviewed)

The loyalty programmes in the airline industry are often referred to as "Frequent Flyer Programmes". The purpose of these programmes is to ensure that there is customer loyalty (Colakoglu & Artuger, 2013). The study conducted by Atalik (2014) found five factors that determined the customer perceived value of the programme, namely; cash value, choice of redemption options, aspirational value, relevance and convenience.

In addition, studies conducted by O'Brien and Jones (1995) found that the similar contributing factors namely; the ease of use, monetary value, variety of rewards and the probability of reaching the set programme targets. The study conducted by Yan and Cui (2016) found that the number of partners that have a high number of affiliated partners positively contributed to the popularity of the rewards programme. The number of redemption options and the possibility of obtaining a higher elite status are critical factors in the popularity of loyalty programmes.



Customers are often interested in intangible benefits more than the tangible benefits (Colakoglu & Artuger, 2013). This is evident when assessing the factors that influence customer loyalty. The identified critical success factors of loyalty programme can be categorised into six components, namely; purchase behaviour, trust, communication, personification, flexibility, rewards and method of participation. These factors are discussed in the next section.

### **2.6.1. Purchase Behaviour**

Loyalty programmes have the ability to positively change the purchase behaviour of a customer resulting in repeat purchase (Sharp & Sharp, 1997). The repeat purchase behaviour triggers excess purchases. If the rewards of loyalty programmes are perceived to be adequate by customer then the repeat purchase behaviour should persist (Meyer-Waarden & Benavent, 2006). These programmes are used as a tool to attract loyal customers. Thus, repeat purchase is the main source of income for organisations (Hsu, Chan, & Chuang, 2015). According to Hsu et al., (2015) there is a positive relationship between trust and repeat purchase behaviour. Repeat purchase is reinforced by customer comfort levels and customer satisfaction (Meyer-Waarden & Benavent, 2006).

According to Dolnicar, Grabler and Grun (2011), loyalty programmes are strongly associated with business travellers or frequent travellers more than the casual or leisure travellers. This is based on the fact that casual or leisure travellers do not see value in the loyalty programmes. The loyalty programmes in the airline industry therefore do not have that much effect on the casual or leisure travellers (Dolnicar, Grabler, & Grun, 2011).

The perceived adequate rewards of loyalty programmes are expected to drive repeat purchase. The repeat purchase is however not only driven by the Frequent Flyer Programme. Customers also consider the price as well as the flight schedule (Bondar, Lacki and Wittkopf, 2008). The programmes do still play a vital role in building customer relationships. The loyalty programmes enhance customer loyalty and they generate higher footfalls in flights due to repeat purchases by its customers (Tripathi, Gupta and Mzumder, 2018).

### **2.6.2. Trust**

Studies indicate that trust is directly linked to customer loyalty (Deng, Lu, Wei, and Zhang, 2010). Trust is therefore important in creating, developing and maintaining successful relationships. Trust refers to the reliance on the credibility of the organisation's offering (Pi & Huang, 2011). Customer trust results in customers believing in the honesty and sincerity of the company. The study conducted by Hsu, Chang and Chuang (2015) found that repeat purchases are as a result of trust that customers have in the organisation. The study conducted by Pi and Huang (2011) shows that the higher the trust in the airline loyalty programme, the higher the customer commitment and the more willing the customers are to form a long-term relationship with the airline. Morgan and Hunt (1994) identify five factors of trust and commitment namely; communication, relationship benefits, opportunistic behaviour, relationship termination cost and shared value. These components deal with the buyers' confidence in the integrity and reliability of the seller (Watson IV et al., 2015).

Emphasis is on trustworthiness, credibility, benevolence and honesty (Watson IV et al., 2015). This shows that the transactional-oriented approach to customers does not have a positive effect on customer satisfaction and customer loyalty (Pi & Huang, 2011). Loyalty programmes favour the customer's trust and commitment to the company (Gomez, Arran & Cillian, 2006).

At the centre of the loyalty programme is the need to obtain quality data. This is possible if the information is received by customers. Customers are often willing to give their personal information to airlines in order to participate in the programme. What remains a critical question is the level of trust that the customers have in the airline. Some customers question the value of such loyalty programmes but most trust that they will benefit from the programme. The study of 11 airlines (300 million passengers) conducted by PwC (2016) found that more than 55% of the customers benefit from the frequent flyer programmes.

This is also supported by the study conducted by Whyte (2004) who found that the people who are on a higher status on the Frequent Flyer Programmes had a greater trust relationship than those who were on a lower status (Whyte, 2004). This is a direct result of those in lower status not benefiting largely on the programme. Trust is

derailed by changes in the structure of the programme without consultation from the customers as with the move from miles based to value-based programmes (PwC, 2016). However, some customers benefit through such changes. The study conducted by Whyte (2004) indicates that 52% of the respondents had an attachment to the airline programme and the rest were either not committed or had no opinion. This reflects that trust is a key component for a successful loyalty programme.

### **2.6.3. Communication**

The study conducted by Ndubisi, Malhotra and Wah, (2008) found that customer satisfaction is influenced by how the organisation communicates and disagreements are handled. The organisations have the opportunity to directly communicate with customers to form relationships. Therefore, the degree to which messages are customised, relevant and the frequency in which they are sent plays an important role in building relations with the customer (Bondar, Lacki and Wittkopf, 2008). Direct marketing is therefore required to influence the customer's attitude and feeling (Beneke, Cumming & Parkfelt, 2015).

The lack of customer information could result in confusion, which will ultimately negatively affect customer relations (Weissenberg, Narula & Katz, 2013). The way in which customers communicate has also changed drastically in recent years due to the proliferation of smartphones and speed data networks (Jaybind, 2016). The shift has been more towards social media wherein customers share their experiences. Social media has become a strategic communication tool for most of the Frequent Flyer Programmes with more than 161 registered on twitter in less than 4 years (Jaybind, 2016).

The airline industry needs to effectively develop relationships with its customers. Communication is an important tool that can be used to enhance customer relationships. Effective communication with the members of the programme leads to a more favourable relationship. The extent and relevance of the communication has a strong influence on the customer's perceived quality of the frequent flyer programme (Bondar, Lacki & Wittkopf, 2008). These customers prefer receiving tailored and personalised communication. The messages to the customers have to

be timely and relevant to ensure that customers are not overwhelmed and bombarded (Weissenberg, Narula & Katz, 2013). This therefore means that organisations need to have tailor made messages using the customer's preferred communication platform.

The study conducted by Joshi and Massod (2016) found that Frequent Flyer Programmes had to use a number of communication platforms in order to be successful. The platforms include: Mobile Apps, Social Platforms, Tablets/ Hand Held Devices (HHDs), Self-service Kiosks, call centres, SMS tools and emails. The different platforms enable the clients to use the communication platform that is best suited for them. The organisation has an opportunity communicate with clients at any of the eight touch points, namely; inspiration, booking, purchases, pre-trip, departure, in-flight and lounge time (Joshi & Massod, 2016). It is therefore also important that the relevant message is communicated at an appropriate touch-point. Effective and efficient communication is a key factor in airline industry loyalty programmes.

#### **2.6.4. Personalisation**

The personalisation of offerings is a high consideration for most in the industry. This is evident by the increased number of strategic alliances and cooperation across industry in order to offer personalised service to customers (Wever, 2016). These strategic alliances include frequent flyer programmes, access to lounges, expanded networks and corporation on certain routes. In order to enhance the personification of the frequent flyer programme for the customer, the airline should co-create the redemption avenues along with the customer, by allowing the customer to participate in the design of the programme (Jaybind, 2016).

The customers do not relate to the programme in the same way. It is therefore important for the organisation to be able to offer personalised offerings that will cater for the different customers. The SkyMiles programmes offer a personalised service offering depending on your Medallion Status. The higher your status, the more personalised your service (Delta, 2018). This is noted in the offer of the 'Diamond Status', which offers unlimited complementary upgrades, waived fees for bags and ticket changes, VIP phone lines, priority wait lists and exclusive benefits on

vacations (PwC, 2016). These benefits change based on your status and your personalised needs.

The personalisation of the frequent flyer programme is a key consideration for many airlines. The increase in the availability of digital customer information is enabling the frequent flyer programmes the ability to personify service delivery (Joshi & Massod, 2016). This has resulted in the shift from a mile's accumulation perspective to the value driven approach this is to align with the customer lifestyle changes (PwC, 2016).

Furthermore, the airlines have also come to a realisation that they need to offer benefits that are relevant and that make a difference in the lives of their customers, hence the move from travel-based rewards to more inclusive rewards that include dining and shopping. This has enabled the airlines to personalise rewards (Delta, 2018). In order to personalise the programme, the rewards offering needs to be localised and personalised in a way that the customer feels valued and that they receive personalised product recommendation.

### **2.6.5. Flexibility**

The variety of rewards offered by the programme to include gifts, discounts and other packages enables a high level of flexibility (Atalik, 2014). Some loyalty programmes are inflexible making it difficult for customers to accumulate or redeem points. The lack of flexibility affects customer commitment (Nunes & Dreze, 2016). Technology has now enabled the customer access to various platforms to access services. It is therefore imperative that the services rendered by the airlines are accessible across various platforms.

The flexibility of the Frequent Flyer Programme is important. This is clear when noting the interventions that are undertaken by Airlines to ensure that they offer the most flexible solutions. These interventions have evolved over last 30 years from legacy programmes, to advance programmes to autonomous next generation programmes in recognition of customer needs recognition (Boer & Gudmundsson, 2012). The legacy programmes focussed on travel related offerings i.e. hotels, cruises and car rentals (Tripart, Gupta & Mzumder, 2018).

The legacy programmes are often very similar with very little flexibility in how you can use the accumulated points or miles. Jaybind (2016) suggests that the organisations could increase the flexibility of the frequent flyer programme by allowing customers to buy sell and exchange of loyalty points through a common exchange platform, which will ensure that the miles do not get wasted and furthermore the loyalty programmes introduce non-expiry miles or loyalty points. This type of programme is classified as an autonomous next generation programmes, which allows for more flexibility from both a customer and organisation perspective (Boer & Gudmundsson, 2012).

The autonomous next generation programmes like the SkyMiles programme already offers miles that never expire (Delta, 2018). They have used this as one of the value propositions for their loyalty programme. The miles earned can be enjoyed on any Delta flight with no exceptions.

Providing a flexible offering is one of the key components of a successful loyalty programme. Therefore, organisations are moving from the standard loyalty programme wherein the client is rewarded on the basis on being a frequent traveller. This is noted in the case of Singapore Airlines wherein the organisation rewards clients on the total expenditure per annum instead of being rewarded for being a frequent flyer. This option provides for another level of flexibility (Jaybind, 2016).

#### **2.6.6. Rewards**

The value of a loyalty programme is measured according to the customer's appreciation of its perceived benefits or rewards (Lee, Tsang & Pan, 2015). There are a multitude of loyalty programmes that are offered by the various organisations. What is still at the core of any reward programme is the attractiveness of the rewards offered by the programme (Wirtz, Mattila & Lwin, 2007). The monetary value of the rewards programme versus the required purchase is important (Atalik, 2014). The perceived benefits are behind the success of loyalty programmes in that the rewards encourage customer loyalty and a long-term relationship with the loyalty programme company (Lee, Capella, Taylor & Gabler, 2014).

It is also noted that non-financial rewards could provide the basis of a deeper relationship and company brand alignment (Brashear-Alejandro, Kang & Gronza,

2016). The rewards offered by the different loyalty programmes still remain an important factor as noted in the study conducted by Colakoglu and Artuger (2013). They found that rewards like 'priority bookings', guaranteed reservation and free plane tickets are still at the core for customer loyalty. These rewards are usage based, for example, some airlines will reward the customer with a free plane ticket after accumulating a certain number of miles (Atalik, 2014).

The premise is that with each travel the customer receives a certain number for miles or points, which will ultimately accumulate to a certain reward. In an effort to increase the rewards offered by a loyalty programme, a number of organisations have opted to partner with various partners across industries (Gandomi, 2013). The broader network of partners enables airlines to offer boarder variety of rewards. The broader network also increased the possibility of a 'fit' between in the customers' needs and the loyalty programme therefore creating more value to the customer (Gandomi, 2013). More customers prefer immediate rewards rather than those that are accumulate over a long period of time (Beneke, Cumming & Parkfelt, 2015).

#### **2.6.7. Methods of participation**

The typical frequent flyer programme is mileage based. This entails earning miles based on the number of miles travelled. This model is used by Lufthansa, Singapore Airlines, South African Airlines etc. Some of the most successful programmes have shifted to fare-based rewards (Tripart, Gupta & Mzumder, 2018). This approach is based on miles travelled as well as the revenue spent. This approach is beneficial especially to those who often purchase expensive airline tickets. Both approaches are beneficial, however the complexity in understanding these programmes often hinges on the participation. Customers want simplified offerings (Jaybind, 2016). 'Simplicity is the new theme echoed in the world of loyalty' (Truth, 2017:15).

The method of participation is also deemed to be a critical factor for rewards programmes. Customers want the benefits and the process of acquiring them to be well communicated. It is further noted that the easier it to participate in the programme, the more likely it is to be successful (Atalik, 2014). The programme's popularity decreases as the requirements for participation increases (Gandomi, 2013).

Ease of participation of the loyalty programme has proven to be amongst the top reason of the growth of loyalty programmes. This was proven in the study conducted by Truth (2017), where the organisation that offered simplistic programmes saw an increase in participation compared to those offering complex programmes backed by legacy systems. The more complex the loyalty programme, the more likely it is that it will push its customers to competitors (Truth, 2017).

The likelihood of achieving rewards is a critical success factor for loyalty programmes (Beneke et al., 2015). Customers are eager to participate provided that there is value gained in their participation. With the advent of technology, customers want to have the ability to access the service anywhere in the world around the clock (Jaybind, 2016). They also want to access the alliance partner benefits in a seamless manner.

The airline industry trend shows that there is an increased use of self-service, from check-in to self-service options throughout the journey (Best, 2015). The customers want less contact with service agents. They want access to participate at their fingertips and not complex programme offerings.

To expand the method of participation of their customers, The SkyMiles programme has introduced a credit card wherein the customers can spend earned miles on any purchase. Furthermore, the miles can be used towards vacations, VIP passes to events, gift cards and their on-line marketplace that offers a variety of merchandise (Delta, 2018).

## **2.7. Conceptual Model**

A theoretical framework was created for this research based on the literature review. The components used to form the conceptual framework were discussed in the previous section. The conceptual framework was then used to propose the relationships between the dependent variable, loyalty programme in the Airline Industry and the independent variables, namely: demographics, purchase behaviour, trust, communication, personalisation, flexibility, rewards and the method of participation.



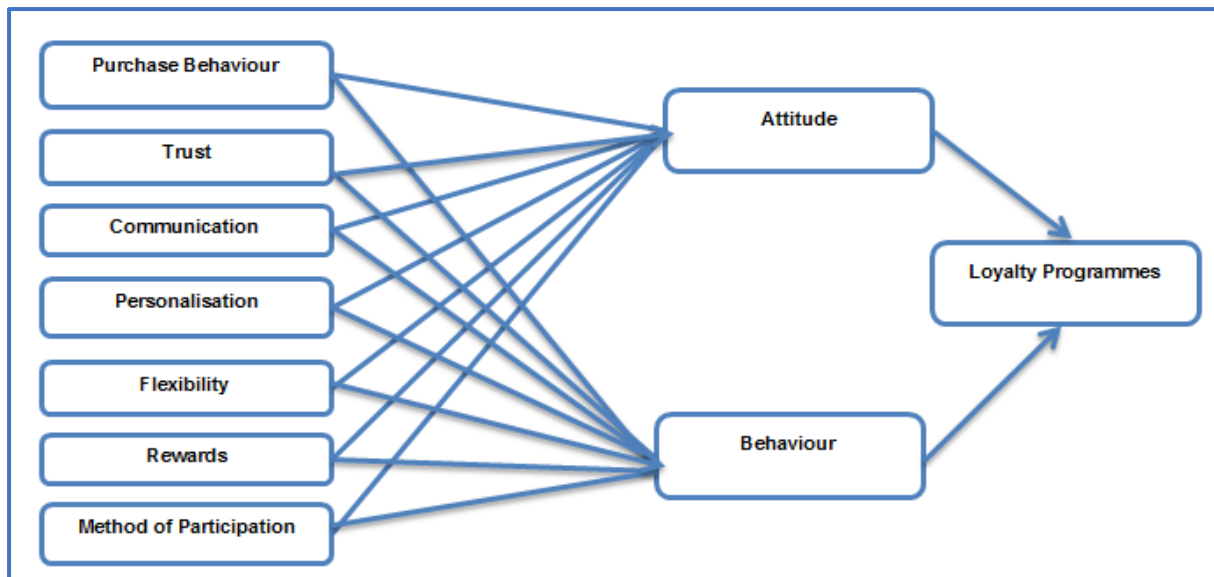


Figure 2.3: Proposed Conceptual model

## 2.8. Summary

There has been a significant growth of loyalty programmes in the global and South African context. Most organisations now understand the importance of long-term customer relationships instead of focusing on the transactional elements. It is noted by many scholars that it is much cheaper to retain existing customers than acquiring new ones. Therefore, it is critical for an organisation to build relations that outweigh the costs. Furthermore, organisations need to focus on relationship marketing in an effort to build customer loyalty; this is in line with the relationship marketing theory. To solidify the relationships, the commitment-trust theory as a as the key drive for on-going relationships.

The literature suggests that the attitudinal and behavioural factors are stronger determinants of the customer's perceptions in relation to the loyalty programmes. The key literature from scholars clearly suggests that there is a relationship between loyalty programmes and the attitudinal and behavioural factors as well as the independent variables; demographics, purchase behaviour, trust, communication, personalisation, flexibility, rewards and the method of participation. The literature further suggests that loyalty programmes have become a strategic tool used by many organisations in order to create, develop and maintain long-term relationship with customers. Some findings place more emphasis on the tangible benefits of

loyalty programmes and yet other are focussed on the intangible aspects. The next chapter discusses the research design and methodology used in this study.

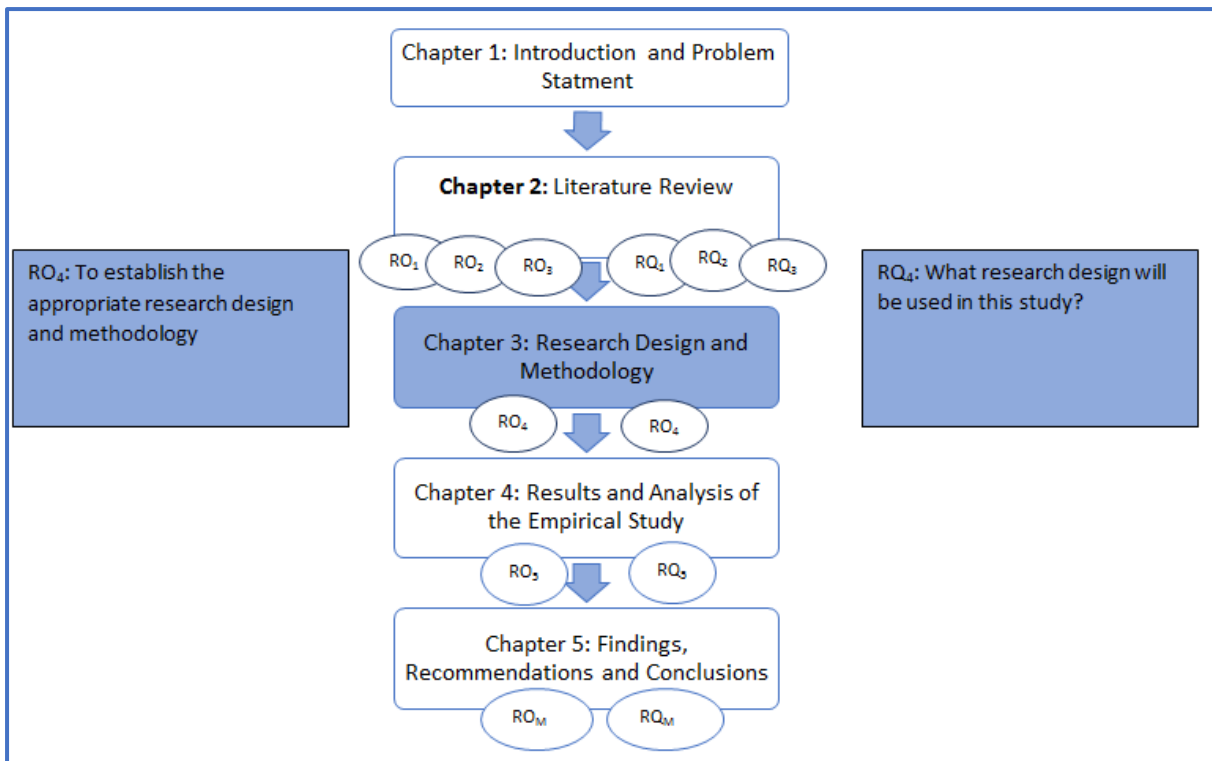
### **3. CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY**

#### **3.1. Introduction**

In Chapter 2, the concepts significant to the study such as the relationship between loyalty programmes in the Airline Industry and the independent variables, namely: demographics, purchase behaviour, trust, communication, personalisation, flexibility, rewards and the method of participation were discussed. The chapter addressed RO<sub>1</sub> by providing definitions and theories surrounding customer loyalty. It further addressed RO<sub>2</sub> by exploring the definitions and theories surrounding customer loyalty programmes in general and lastly RO<sub>3</sub> was achieved through the exploration of the historical context of loyalty programmes in the South African Airline industry. The review in Chapter 2 culminated in development of a conceptual framework, which has eight independent variables, which influence on loyalty programmes.

The main purpose of this chapter is to explain the research methods that were employed in achieving this primary objective of this study. The objective is to understand the components of a successful loyalty programme in the Airline Industry, which will satisfy RO<sub>4</sub>. It will therefore focus on the research design and methodology as noted in Figure 3.1. Section 3.1 will provide a brief overview of the Chapter. Section 3.2 will explore and discuss the research theories, design and paradigm for this study.

The methodology linked to positivism will also be discussed in detail. Section 3.3, will focus on the sampling methods of this study. This will be followed by data collection and data analysis in Section 3.4 and 3.5. In Section 3.6 the reliability and validity aspects of the study will be detailed. The ethical consideration will be discussed in Section 3.7 to highlight the ethical requirements for this study. In conclusion, in Section 3.8, a summary of the chapter will be provided.



Chapter 1: Introduction and Problem Statement
Chapter 2: Literature Review
Chapter 3: Research Design and Methodology
<ul style="list-style-type: none"> <li>• 3.1 Introduction</li> <li>• 3.2 Research</li> <li>• 3.3 Sampling</li> <li>• 3.4 Data Collection</li> <li>• 3.5 Data Analysis</li> <li>• 3.6 Reliability and Validity</li> <li>• 3.7 Ethical Consideration</li> <li>• 3.8 Summary</li> </ul>
Chapter 4: Results and Analysis
Chapter 5: Findings, Conclusions and Recommendations

Figure 3.1: Overview of Chapter 3

## **3.2. Research**

### **3.2.1. Research definition**

Research refers to the methods or techniques that are used to conduct research (Kothari, 2014). It is the methods the researchers use in performing research operations. Leedy and Ormrod (2015: 134) refer to research as a systematic process that is used in collecting, analysing and interpreting information. It therefore is about all the tools used by a researcher in a quest to find a solution to the research problem under study. Research is a strategy of enquiry that moves from basic assumptions to design, collection and analysis of the data (Myers, 2009). This is in line with the seven steps to research that need to be followed as proposed by Leedy and Ormrod (2015). These steps can be followed even though it is noted that research studies differ in complexity and duration:

- The researcher has to identify a problem as a starting point;
- The researcher has to clearly clarify the objectives of the study;
- The researcher has to categorise the problem into manageable sub problems;
- The researcher has to clearly articulate the basic assumptions of the study;
- The researcher has to devise a plan to address the specific problem;
- The research to collect, review and analyse data related to the problem; and
- The researcher to interpret and provide a proposed solution to the problem.

This study follows the Research Onion as conceptualised by Saunders et al. (2009). The layer of the research onion outlines the philosophies, approaches, strategies, choices and time horizons, as well as data collection techniques and analysis procedures.

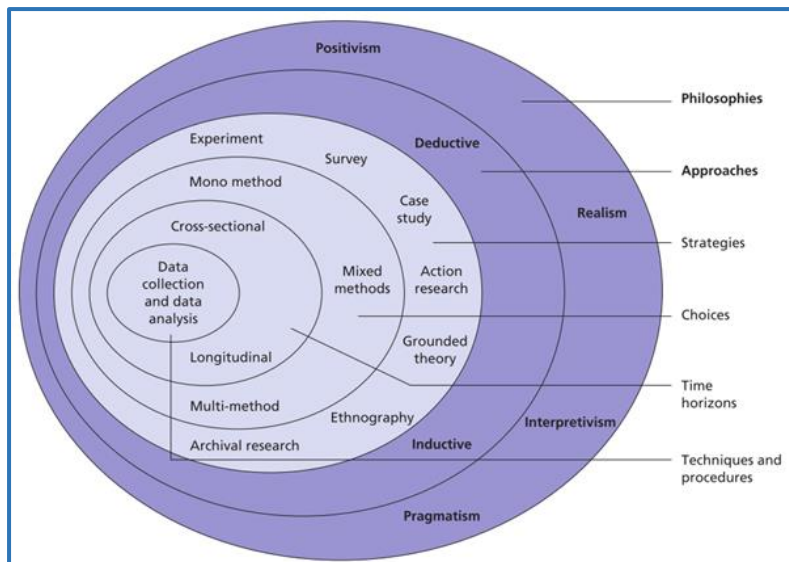


Figure 3.2: The Research Onion (Saunders et al. 2009:108)

In summary, research is the general approach the researcher takes in carrying out the research project. It provides the researcher with a plan for devising the means to analyse, order and exchange information about the topic under investigation (Hofstee, 2003). For the purpose of this treatise the definition proposed by Kothari (2014: 38) will be used which defines research as the process of “enunciating a problem, formulating a hypothesis, gathering and analysing the data to reach a viable conclusion for the purposes of establishing a solution to a problem or to formulate and prove a theory”. In this section, the definition of research has been established. The next section discusses the various research paradigms and highlights the selected research method and paradigm for this treatise.

### 3.2.2. Research design

The metatheories of social science underpin the belief system that the researcher follows during research the investigation. There are different levels that are used. Some refer to a philosophical worldview like Creswell (2009) and some like Scotland (2012) refer to a paradigm. According to Creswell (2009), there are four philosophical world views that maybe employed by the researcher. These include postpositivism, constructivism, transformative and pragmatic views. These are aligned with the four traditional metatheories of social science identified by Babbie (2015) namely; positivism, interpretivism, critical theory and modernists. Positivism is

concerned with explaining relationships (Scotland, 2012). This methodology attempts to identify causes, which influence outcomes (Creswell, 2014).

This differs from Interpretivism or phenomenology, which is focused on interpretive understanding and symbolic interactionism (Babbie & Mouton, 2015). With interpretivism, the view of reality is subjective and differs from each person (Scotland, 2012). This view is similar to the critical theory wherein the position is based on historical reality. This paradigm asserts that the reality is shaped by “social, political, cultural, economic, ethnic and gender values. Reality that was once deemed plastic has become crystallised” (Scotland, 2012:13).

In this study, positivism was selected and used because of the characteristics that it possesses wherein a deductive approach is undertaken. With positivism the relationship between the research and the participant is at an arm’s length and it mainly uses an objective view of the empirical data to make findings. This is different from interpretivism, which relies on a close relationship between the research and the participant.

According to Cresswell (2014) positivist researchers study the causes that influence the outcome to further reduce ideas into smaller ideas, such as the constructs. The key assumptions in positivism are identified as follows:

- Empirical finds are always inadequate since the whole truth can never be wholly established;
- Research is a technique of building claims and then either accepting or rejecting the claims for more robustly acceptable claims;
- The rational, data and analysis of evidence form the body of knowledge for future studies;
- Research’s objective is to search for the development of factual information that can be used to explain causal relationships between constructs; and
- Objectivity is a crucial part of knowledgeable and that researchers must find techniques and findings for bias.

Research design is the roadmap that outlines the methods and procedures that will be employed for collecting and analysing the needed information (Zikmund, Babin & Carr, 2010). There are different research designs depending on the type of methodological approach that is employed by the researcher. According to Saunders, Lewis and Thornhill (2009), the most commonly used research designs are experiment, survey, case study, action research, grounded theory, ethnography and archival research.

However, Zikmund, Babin and Carr (2010) separate case study, ethnography, phenomenology and grounded theory to be the research design for qualitative studies; survey and archival research are some of the most common design for quantitative studies. In this study, the survey research design was employed in order to understand the perception of the topic of interest. The survey research design offers numeric and quantitative analysis of trends, opinions and attitudes of the population (Creswell, 2014).

### **3.2.3. Research paradigm**

A paradigm refers to a mind-set or a way of thinking. It is a framework that guides how research should be conducted, based on people's philosophies and their assumptions about the world and the nature of knowledge (Leedy & Ormrod, 2015). The most common methodological paradigms used to investigate in the social sciences are quantitative and qualitative (Leedy & Ormrod, 2015). The quantitative study has an objective approach wherein data are controlled and measured to determine the causes of certain behaviour (Babbie , 2010).

This is different from the qualitative study wherein a more realistic view of the subject is obtained through indepth analysis that cannot be understood in numerical data and statistical analysis (Anderson, 2010). In most studies the quantitative and qualitative methods are used as mono-methods (Saunders et al., 2009), however these methods can also be used as mixed methods wherein you use a combination of both methods. Mixed methods draw inferences using quantitative and qualitative methods (Creswell & Plano Clark, 2007).



## **Quantitative research approach**

The quantitative research approach is a structured technique that uses experimental observations and deductions in order to establish justifiable logic and a causal rationale that can be applied to predict behavioural patterns based on empirical research (Garbarino & Hollard, 2009). A quantitative research approach is an empirical research into a social phenomenon or human problem. The approach tests a theory, which consists of variables that can be measured with numbers and analysed using statistical tools to predict the results of the study of interest (Gay & Airsan, 2000). The main objective of a quantitative study is to determine where a relationship exists between a dependent variable and an independent variable (Cresswell, 2014). This approach yields information that can be analysed in numbers (Leedy & Ormrod, 2015). It explains the phenomenon under study according to numerical data, which are analysed using statistical methods (Yilmaz, 2013). This is different from the qualitative research approach, which yields rich and detailed data that provides understanding the phenomenon under study.

## **Qualitative approach**

The qualitative research approach investigates and interprets real life issues. It focuses on what is happening in the real world and gathers information through the study and analysis of the situation in an effort to understand it (Leedy & Ormrod, 2015). Qualitative research is a method of reviewing and understanding the meaning of individuals or groups who ascribe to a social problem (Cresswell, 2014). Unlike quantitative research, this approach uses open-ended questions that are designed to capture views and permit compound analyses of non-quantifiable cause-and-effect procedures (Garbarino & Hollard, 2009). This approach is also partially used in mixed research methods.

## **Mixed method**

The underlying premise of the mixed methods is that neither qualitative nor quantitative methods are sufficient in themselves to provide the necessary detail required in some studies (Creswell, Plano, Gutmann & Hanson, 2003). It is noted that the use of both qualitative and quantitative data provides a more complete analysis of the study. A mixed method research approach integrates both qualitative

and quantitative research data to a study (Cresswell, 2014). This approach provides researchers the opportunity to compensate for the inherent strengths and weakness to offset the inevitable biases that are present in both methods (Greene, 2007). The researchers should collect and analyse both qualitative and quantitative data in a sequential, simultaneous and rigorous manner in order to intergration both approaches (Garbarino & Hollard, 2009).

### 3.2.4. Research paradigm for this study

The purpose of this study is to understand the factors, which influence loyalty programmes in the South African Airline Industry. The positivism philosophy was used, in particular the quantitative research paradigm. This will be achieved by understanding the relationship between the dependent variable, Loyalty Programmes and the independent variables, namely: demographics, purchase behaviour, trust, communication, personalisation, flexibility, rewards and the method of participation and the mediating variables of attitude and behaviour using quantitative analysis and including correlation analysis.

The quantitative research method was used as it allows for a broader study. It will allow a certain level of generalisability of the results on what factors influence the loyalty programmes. This approach is comparatively easier to administer and is less costly and time consuming. The distribution of questionnaires to the sample of respondents is broader. There are also a number of statistical tools that can used to analyse the data, which makes it possible to be able to also draw inferential statistics. In contrast, a qualitative approach is likely to be more time consuming and costly to administer, even though it is likely to produce much richer information. The research methodology used in this study is demonstrated in Figure 3.3.

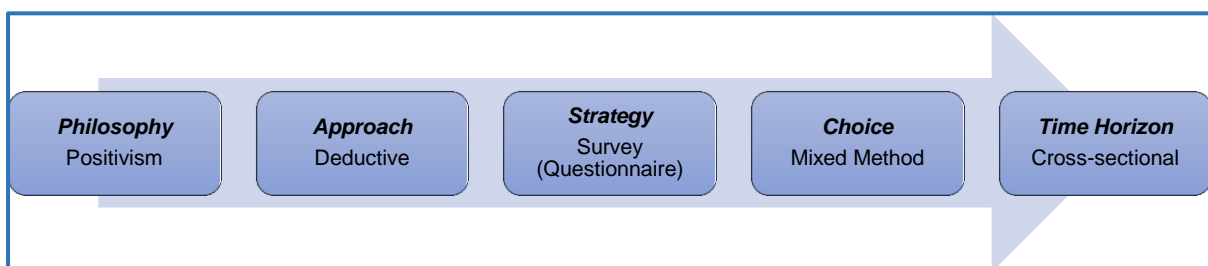


Figure 3.3: Research Methodology for this study

### **3.3. Sampling**

The sampling of this study comprised of several stages, which involves understanding the target population, sample and sample size, sampling method and techniques and sample selection. The two types of sampling design can be classified as either probability sampling or non-probability sampling (Creswell, 2014). In probability sampling the sample is selected by means of random sampling, wherein each participant has an equal chance of being selected.

The techniques used for probability sampling include; random sampling, stratified sampling and systematic sampling (Leedy & Ormrod, 2015). On the other hand, with non-probability the researcher cannot predict or guarantee that each element of the population will be represented (Leedy & Ormrod, 2015). Non-probability sampling methods consist of judgement sampling, snowball sampling, quota sampling and convenience sampling (Saunders et al., 2009).

In this study, convenience sampling was used, which is part of the non-probability. With convenience sampling, the researcher makes no attempt to identify a representative subset of the population. The researchers take participants who are readily available (Leedy & Ormrod, 2015). The advantage of using this sampling method is that it reduces time and costs related to data collection (Saunders et al., 2009). The questionpro online survey tool was used to collect primary data from respondents in this study.

#### **3.3.1. Population**

The population of the research is defined as all the units, components or persons relevant to the study (Qu & Dumay, 2011). The population is the total of items about which the study desires to obtain information on (Kothari, 2014). The target population for this study comprises the loyalty programme customers of the Airline industry in South Africa. This is inclusive of almost of all citizens in South Africa thus the population is unknown however despite the population being unknown it is more than 100 000 based on over 4.4 million passengers who travel in South Africa (ACSA, 2018).

### **3.3.2. Sample and sample**

A sample is defined by Boddy (2016) as the cluster of people or events which the research will gather information from. It is a subset that represents the entire population under study (Creswell, 2009). Sampling is very important in surveys of large populations. Leedy and Ormrod (2015) note the sample should be representative of the population of which inference is drawn. With the population of this study being over 100 000 customers, it is not possible to access everyone. Hence a sample of the population will be used.

General guidelines are provided for selecting the sample size. It is noted in the guidelines that when a population goes beyond 5000 then the population size is irrelevant and the sample size of 400 is adequate, this is also supported by Leedy and Ormrod (2015). Therefore, the sample for the full study comprised of 1090 loyalty programme customers in South Africa. This study only used the data of respondents who belonged to an airline loyalty programme, of the total respondents, a total of 172 respondents belonged to an airline loyalty programme (i.e. Avios, BA Executive Club and Emirates Skywards).

### **3.4. Data collection**

The primary purpose of data collection is to ensure that the researcher's understanding of the problem is enriched as much as possible (Serfontein & Basson, 2009). Two forms of data collection exist in research; primary data and secondary data (Saunders et al., 2009). The researcher may collect data using either the primary or secondary or a combination. Primary data are collected from original sources in the form of surveys, interviews, experiments or focus groups (Collis & Hussey, 2014).

The secondary data are collected from existing sources, which include internal databases or records and external sources like reports, publications and internet sources. This study will use a questionnaire that aims to assess the components of loyalty programmes as discussed in Section 2.6. The Online Survey Platform (QuestionPro) was used and a link was emailed to the sample.

### 3.4.1. Survey Defined

A survey is the research instrument used for this study. Survey research refers to any form of descriptive, quantitative data (Leedy & Ormrod, 2015). Survey research collects quantitative data, which describes trends, attitudes or opinions of the population (Creswell, 2014). Survey research attempts to collect data to gain insight about a population by surveying a sample of that population. The process followed when using a survey is fairly simple. Participants are presented with a number of questions using a structured questionnaire or through interviews.

The feedback received from participants is then collated and summarised to produce statistical indices. Inference about the population is then drawn about a certain population as formulated from the replies of the sample (Welman, Kruger & Mitchell, 2005). This study used an online structured questionnaire as a data collection method. The questionnaire was operationalised from the literature reviewed that was conducted in Chapter Two and is demonstrated in Table 3.1.

<b>Code</b>	<b>Question statement</b>	<b>Source</b>
<b>Loyalty cards and Loyalty Programmes</b>		
<b>Dependent variable</b>		
<b>A1</b>	1. Loyalty cards/programmes are all the same	Dolnicar, Grabler and Grun, 2011
<b>A2</b>	2. I have loyalty cards/programmes that I don't use	Dolnicar, Grabler and Grun, 2011;
<b>A3</b>	3. I save a lot of money by using loyalty cards and belonging to loyalty programmes	Atalik, 2014; Colakoglu and Artuger, 2013
<b>A4</b>	4. Other things are more important than discounts e.g. customer service, quality etc.	Mhlanga and Steyn, 2016;
<b>A5</b>	5. I would change where I shop for the sake of a loyalty card/programme	Colakoglu and Artuger, 2013; Wever, 2016;
<b>A6</b>	6. I used to use loyalty cards/programmes but don't anymore	Self-generated

<b>A7</b>	7. Having loyalty cards and belonging to loyalty programmes is a waste of time	Sukri, Abdullah and Waemustafa, 2014; Atalik 2014;
<b>A8</b>	8. I am a member of loyalty programmes and have loyalty cards but have no intention of using them	Watson IV, Beck, Henderson and Palmatier, 2015;
<b>A9</b>	9. Loyalty cards and programmes deliver increased value	Dolnicar, Grabler, and Grun, 2011;
<b>A10</b>	10. Loyalty cards and programmes are too complicated	Jaybind, 2016; Truth, 2017;
<b>A11</b>	11. Loyalty cards and programmes are expensive with not enough return	Nunes and Dreze, 2016; Jaybind, 2016;
<b>A12</b>	12. Loyalty cards and programmes have no benefit	Acatrinei and Puiu, 2012; PwC 2016; Whyte , 2004;

### **Purchase Behaviour**

#### **Independent variable 1**

<b>PB1</b>	1. My loyalty cards/programmes have converted me	Sharp and Sharp, 1997;
<b>PB2</b>	2. I have seen substantial savings due to the money I get off from loyalty cards and programmes	Beneke, Cumming and Parkfelt, 2015;
<b>PB3</b>	3. I buy products that I don't need because of the promotions surrounding them	Self-generated
<b>PB4</b>	4. I shop wherever gives me better discounts	Dolnicar, Grable and Grun, 2011
<b>PB5</b>	5. I get better discounts from in store promotions than loyalty cards/programmes	Meyer-Waarden and Benavent, 2006
<b>PB6</b>	6. I spend less time in stores where I don't have a card or belong to a programme	Meyer-Waarden and Benavent, 2006
<b>PB7</b>	7. My loyalty cards/programmes motivate	Meyer-Waarden and

	me to spend more	Benavent, 2006; Hsu, Chan and Chuang, 2015
<b>PB8</b>	8. I get better discounts/value from loyalty cards and programmes than in store promotions	Bondar, Lacki and Wittkopf, 2008
<b>PB9</b>	9. I would shop in any store that suits me regardless of whether they had a loyalty scheme	Beneke, Cumming, and 'Parkfelt, 2015
<b>PB10</b>	10. I buy products if there are extra points offered on them	Tripant, Gupta and Mzumder, 2018
<b>PB11</b>	11. I prefer to purchase from outlets that provide loyalty cards/programmes	Bondar, Lacki and Wittkopf, 2008
<b>Trust</b>		
<b>Independent variable 2</b>		
<b>T1</b>	1. I feel that loyalty cards/programmes monitor my every move	Pi and Huang, 2011; Watson IV, Beck, Henderson and Palmatier, 2015; Gomez, Arran and Cillian, 2006;
<b>T2</b>	2. I am nervous about loyalty cards/programmes using my personal information	Hsu, Chang and Chuang, 2015; Watson IV, Beck, Watson IV, Beck, Henderson and Palmatier, 2015;
<b>T3</b>	3. I get annoyed when loyalty cards/programmes contact me all the time	Chang and Chuang, 2015; Pi and Huang, 2011;
<b>T4</b>	4. I think loyalty cards/programmes are worthwhile and I am willing to give my personal details for this	Pi and Huang, 2011; PwC, 2016;
<b>T5</b>	5. Loyalty cards/programmes are truthful about what they do with the data I give them	Whyte, 2004; Whyte, 2004;

<b>T6</b>	6. Loyalty cards/programmes are set up to increase points	(PwC, 2016)
<b>T7</b>	7. Loyalty cards/programmes donate to upliftment programmes as promised	Self-generated
<b>T8</b>	8. Loyalty cards/programmes know too much about my purchasing behaviour	Morgan and Hunt, 1994
<b>Communication</b>		
<b>Independent variable 3</b>		
<b>C1</b>	1. I give permission for the loyalty cards/programmes to contact me	Joshi and Massod, 2016;
<b>C2</b>	2. I read all my e-mails relating to loyalty cards/programmes	Bondar, Lacki and Wittkopf, 2008;
<b>C3</b>	3. They talk to me personally	Bondar, Lacki and Wittkopf, 2008; Jaybind, 2016
<b>C4</b>	4. I feel overwhelmed and bombarded by communication from loyalty cards/programmes	Ndubisi, Malhotra and Wah, 2008; Bondar, Lacki and Wittkopf, 2008; Weissenberg, Narula and Katz, 2013
<b>C5</b>	5. The loyalty cards/programmes communication is relevant me	Bondar, Lacki and Wittkopf, 2008
<b>C6</b>	6. Loyalty cards/programmes communicate through the medium I prefer	Weissenberg, Narula and Katz, 2013
<b>C7</b>	7. Loyalty card/programme call centres and interactive websites enhance my experience	Joshi and Massod (2016)
<b>Personalisation</b>		
<b>Independent variable 4</b>		
<b>P1</b>	1. My loyalty cards/programmes keep track of my life changes	Delta, 2018;



<b>P2</b>	2. The rewards are relevant and make a difference in my life	Joshi and Massod, 2016; PwC, 2016
<b>P3</b>	3. I receive personalised discounts from my loyalty cards/programmes	Jaybind, 2016; PwC, 2016
<b>P4</b>	4. Loyalty cards/programmes are set up to increase points	Wever, 2016; Jaybind, 2016
<b>P5</b>	5. I receive personalised product recommendations from my loyalty cards/programmes	Wever, 2016
<b>P6</b>	6. I receive personalised service recommendations from my loyalty cards/programmes	Delta, 2018; Joshi and Massod, 2016
<b>Flexibility</b>		
<b>Independent variable 5</b>		
<b>F1</b>	1. My loyalty cards/programmes have a one size fits all	Jaybind, 2016
<b>F2</b>	2. Points or rewards are available regardless of whether I buy in store, on a website or mobile device	Nunes and Dreze, 2016; Boer and Gudmundsson, 2012
<b>F3</b>	3. I can choose different types of rewards from my loyalty cards/programmes	Jaybind, 2016; Tripant, Gupta and Mzumder, 2018; Jaybind, 2016;
<b>F4</b>	4. Loyalty points should not expire	Boer and Gudmundsson, 2012; Delta, 2018
<b>F5</b>	5. I feel cheated when my points expire	Boer and Gudmundsson, 2012; Jaybind, 2016
<b>F6</b>	6. The loyalty cards/programmes should notify me before my points expire	Boer and Gudmundsson, 2012; Jaybind, 2016
<b>Rewards</b>		
<b>Independent Variable 6</b>		
<b>R1</b>	1. Loyalty card/programme rewards make me feel good	Lee, Capella, Taylor and Gabler, 2014
<b>R2</b>	2. I prefer tangible rewards to cash	Brashear-Alejandro,

		Kang and Gronza, 2016; Beneke, Cumming and Parkfelt, 2015
<b>R3</b>	3. I like that my loyalty cards/programmes partner with other brands	Wirtz, Mattila and Lwin, 2007
<b>R4</b>	4. I get points for referrals	Self-generated
<b>R5</b>	5. Rewards should be in the form of discounts	Atalik, 2014; Gandomi, 2013
<b>R6</b>	6. Rewards should be cash back or rebates	Brashear-Alejandro, Kang and Gronza, 2016
<b>R7</b>	7. Rewards should be free products	Atalik, 2014
<b>R8</b>	8. Rewards should include free shipping	Self-generated
<b>R9</b>	9. Rewards should be in the form of points	Gandomi, 2013; Beneke, Cumming and Parkfelt, 2015
<b>R10</b>	10. I should have exclusive access to sales and merchandise	Beneke, Cumming and Parkfelt, 2015
<b>R11</b>	11. I should get priority service	Colakoglu and Artuger, 2013
<b>R12</b>	12. I am recognised as a valued customer	Lee, Tsang and Pan, 2015
<b>R13</b>	13. Rewards should be personalised products or services	Beneke, Cumming and Parkfelt, 2015
<b>R14</b>	14. I prefer a charitable donation as a reward	Self-generated
<b>Method of Participation</b>		
<b>Independent variable 7</b>		
<b>MP1</b>	1. Membership cards should be scanned/swiped	Atalik, 2014; Gandomi, 2013; Truth, 2017
<b>MP2</b>	2. I prefer them to look up my account when I provide a phone number or other personal information	Jaybind, 2016; Best, 2015;
<b>MP3</b>	3. I prefer to use the retailer's mobile app	Jaybind, 2016;

<b>MP4</b>	4. I prefer to use a third-party app	Delta, 2018; Best, 2015;
<b>MP5</b>	5. I belong to too many loyalty card/programmes	Deloitte, 2017
<b>MP5</b>	6. I have too many loyalty cards	Deloitte, 2017

Table 3.1: Operationalisation of Questionnaire from Literature

### 3.4.2. Questionnaire description

The questionnaire used for this study is depicted in Appendix A. The introduction of the Loyalty Programme Survey, provided an overview of the survey by introducing the topic of interest, stipulating that participation is voluntary ,whilst also highlighting the confidentiality of the respondents feedback.

The questionnaire was divided into two sections. Section A seeks to understand the demographic profiling of the respondents. This section was interested in demographic information such as age, race, employment status, province, country, household size, household income, level of education, responsible person for day-today purchases, financial decisions and number of loyalty programme membership. This was important as it forms part of the demographic profiling of the respondents.

Sections B tested the eight independent variables as per the the hypothesised conceptual model. This section tested the respondents attitude of loyalty programmes, purchase behaviour, trust, communication, personalisation, flexibility, rewards and the method of participation in order to ascertain the key components of a successful loyalty programme in the Airline industry. These independent variables were tested using 5 point Likert scale questions where 1 was totally disagree and 5 was totally agree. The items ranged from 5 to 13 per independent variable. This method of collection tests the degree to which respondents agree or disagree with a given statement (Leedy & Ormrod, 2015).

### 3.4.3. Questionnaire scale

Nominal scale was used for section A. Section B employed Likert scale rating as it provides more information on the respondent's attitudes. The Likert scale is also known as a rating scale. It is useful when the behaviour, attitude or phenomenon of

interest needs to be understood (Leedy & Ormrod, 2015). In section B, the five-point Likert scale was employed for each question.

The respondents had to select the most suitable answer for each question by indicating the extent they either agreed or disagreed with each statement. The five-point rating scale provided the following weightings; (1) Strongly Disagree; (2) Disagree; (3) Neutral/Do not Agree or Disagree; (4) Agree; and (5) Strongly Agree. The questions were developed based on the information that came out of the literature review wherein a conceptual model was also developed.

#### **3.4.4. Questionnaire distribution**

The method used to collect data from respondents is the electronic survey (e-survey) or on-line survey. This e-survey is the most suitable form of data collection when the population is large and dispersed. The e-surveys automates the data collation thus eliminating data-capturing errors, these surveys are cheaper and less time consuming to administer, it also has the ability of reaching large population geographically dispersed population and the information collected is likely to be recent and accurate (Wegner, 2016).

The e-surveys designed for this study was done using an online survey software tool, QuestionPro. This tool was provided by the Nelson Mandela University Business School. The Universal Resource Link (URL) to the survey was generated and given to the Nelson Mandela University Business School's Marketing Department to distribute to current first-year MBA students. They had to circulate the survey to at least ten other people. An email (Appendix B: Survey Distribution Email-Loyalty Programmes/Cards) containing the URL to the questionnaire, was sent to the email addresses of all current first-year MBA students. Additionally, an email (Appendix C: Survey Distribution Email – second and final year) containing the URL to the questionnaire was sent to second and final year students.

#### **3.4.5. Number of responses and response rate**

The broader loyalty study that was conducted had 1090 respondents (n=1090) who completed the questionnaire. This sample is sufficient as stipulated by Leedy and Ormrod( 2015) who assert that for a population size beyond 5000, a sample size of

400 is adequate. The questionnaire focused on different loyalty programmes from different industries. This study only used the data of respondents who belonged to an airline loyalty programme, off the total respondents, a total of 172 respondents belonged to an airline loyalty programme. The respondents belonged to three airline loyalty programmes namely; Avios, BA Executive Club and Emirates Skywards.

### 3.5. Data analysis

The collected data were captured in Microsoft Excel then transferred to IBM Statistical Package for Social Sciences (SPSS) Version 25. The data was analysed by the statistician, Dr Venter, from the NMU Business School. The data preparation was conducted by evaluating the data for missing values with responses with more than 5% of the missing values removed in the dataset (Schafer, 1999). After this analysis was conducted, total responses of 172 were left in the data for further analysis. This was followed by normality analysis of the dependent variables.

Descriptive statistics were used to analyse the spread with frequency and percentage frequency. This provided the characteristics of the demographics and individual variables of the data. The variables were tested for their internal consistency reliability using Cronbach Alpha coefficient. The central tendency and dispersion for each factor was also done. The result thereof must be both statistically and practically to be regarded as significant. Cohen's d is used for practical significance in the one-sample T-test. The ranges are illustrated in Table 3.2.

Interpretation intervals for Cohen's d:	
<b>&lt;0.20</b>	Not significant
<b>0.20 - 0.49</b>	Small
<b>0.50 - 0.79</b>	Medium
<b>0.80+</b>	Large

Table 3.2: interpretation intervals for Cohen's d (Gravetter & Wallnau, 2009: 264)

The statistical method used to confirm or refute conclusion is the Correlation Analysis. Correlation is defined as the mutual relationship that exists between two or more variables (Wegner, 2016). Therefore, the correlation analysis is determined by the change in one or more variable. Pearson's Product Moment Correlations analysis was conducted in this study. The correlation is statistically significant at

0.05 level for  $n = 172$  if  $|r| \geq .150$ , it is practically significant if  $|r| \geq .300$  and significant (both statistically and practically) if  $|r| \geq .300$  (Gravetter & Wallnau, 2009: 534). Therefore, correlation exists when either a positive or negative correlation exists.

Furthermore, the Multivariate data analysis was conducted, which enables the research to conduct multiple measurements to be analysed at the same time (Hair, Black, Babin & Anderson, 2010). The multivariate method that is used is Exploratory Factor Analysis (EFA). The EFA is used to expose the underlying structure between variables (Hair et al., 2010). The items that provide the most significant data remained and the items that provided unnecessary information were removed. According to Hair et al. (2010), the Eigenvalues  $> 1$  is deemed significant and minimum factor loadings of 0.300 at  $\alpha = 0.05$  is deemed significant for samples  $n > 350$ .

### **3.6. Reliability and validity**

The trustworthiness of a quantitative study is dependent on two factors namely; reliability and validity (Saunders et al., 2009). The “goodness of data” is assessed through tests of validity and reliability (Sekaran, 2006). These two factors ensure that the constructs measured are in line with the theoretical concepts (Creswell, 2014). The researcher therefore needs to test validity and reliability to test the relevance of the measurement (OECD, 2013).

#### **3.6.1. Reliability**

Reliability refers to the precision of the measurement and the absence of differences if the research were repeated (Collis and Hussey, 2014). It refers to the repeatability, stability and internal consistency of a questionnaire used in the research study (OECD, 2013; Leedy and Omrod, 2010). Reliability further checks for the degree to which a measurement is free of random or stability errors. According to Collis and Hussey (2014:274-275), there are three different ways to estimate reliability:

- **Test-retest reliability** – involves conducting the research on the same group of respondents for the second time. This entails having the same sample to redo the questionnaire again after a few days.

- **Split-half reliability** – This form of reliability requires two sets of responses for each person. The correlation analyses where the coefficients of the two groups are compared wherein the Cronbach Alpha score of 0.70 is considered to be good reliability.
- **Internal consistency reliability** – This form of reliability evaluates each specific question in contrast with one another for their ability to give consistently appropriate results.

The Cronbach alpha's coefficient is used to demonstrate the reliability scores (OECD, 2013; Collis & Hussey, 2014; Cooper & Schindler, 2014). According to Zikmund, Babin, and Carr (2010), the alpha value greater than 0.7 indicates a good reliability of the instrument. In this study the reliability of all constructs were individually measured using Cronbach's Alpha score to check internal consistencies of items in measuring the constructs indicated in Table 3.3. For new and explorative research, a  $\alpha$  value between 0.60 and 0.69 is considered as having acceptable reliability (Zikmund, Babin & Carr, 2010).

Cronbach's Alpha score	Interpretation
<0.60	Poor reliability
0.60 – 0.70	Fair reliability
0.70 - 0.80	Good reliability
>0.80	Very good reliability

Table 3.3: Cronbach's Alpha score (Zikmund, Babin & Carr, 2010)

### 3.6.2. Validity

Validity focuses on the extent to which a test measures what the researcher wants it to measure. It focused on whether the findings are really about what they appear to be about. According Saunders et al. (2009) describe validity as being whether findings are really about what they appear to be about. Validity is negatively affected by inaccuracies presented in the research procedure as such as the research design, sampling, data collection, the statistical analysis, recommendation on the conclusion drawn (Kumar, 2011).

The validity tests are therefore an important aspect to be factored, since they establish the degree to which the instrument measures a particular concept (Cooper & Schindler, 2014). According to the OECD (2013) there are numerous types of validity that display a good subjective measurement namely; face validity, construct validity and convergent validity:

- **Face validity** refers to whether the respondents perceived the measurement tool as appropriate given their understanding of what needs to be assessed;
- **Construct validity** refers to whether the measurement tool displays what is portrayed in the literature in line with the construct being measured; and
- **Convergent validity** refers to the extent to which the measurement tool sufficiently predicts the relevant aspects of the variable or criterion.

To confirm validity for this study, the questions were formulated the outcomes of literature and by making use of validated questions (as illustrated in Section 3.6.2). The senior academic at the NMU Business School, Professor Margaret Cullen made all the relevant changes to the questionnaire to ensure that it provides good measurement. The face validity, criterion-based validity and construct validity were adhered to.

### **3.7. Ethical consideration**

Ethical consideration is imperative for any research study. It focuses on procedures followed to ensure ethical research (Babbie, 2010). 'The goal of ethics is to ensure that no participant is harmed or suffers adverse consequences from research activities' (Cooper and Schindler, 2014: 28). This study adhered to professional ethics in gathering and processing information. As proposed by Welman, Kruger and Mitchell (2005: 113), this study ensured that:

- consent was obtained from all respondents;
- confidentiality and anonymity was guaranteed to the respondent;
- voluntary participation for respondents; and
- Respondents could withdraw from the study at any time.

Full ethics was approved for this study. H-18-BES-BUS 033.



### **3.8. Summary**

This chapter outlined the research design and methodology that were employed in achieving the primary objective of this study. This chapter addressed the research objective (RO<sub>4</sub>) which was to *'Explain the research methodology used in this study in detail'*. In this study the positivism paradigm was employed for the quantitative research methods investigating the relationships with survey and analysed using cross-sectional descriptive design.

In chapter 4, data analysis and interpretation of the primary data collected will be conducted. Descriptive statistics will be used to describe the basic features of the data of this study. Then the inferential statistics will be used to address the last research objective (RO<sub>5</sub>) of this study which is to *'What are the factors of a successful loyalty programmes'*.

## **4. CHAPTER 4: RESULTS AND ANALYSIS**

### **4.1. Introduction**

In Chapter 3, the research philosophies and approaches that this study followed were discussed. This chapter addressed, *RQ4: What research design will be used in this study?* Which is linked to *RO<sub>4</sub>: To establish the appropriate research design and methodology.* In addition, Chapter Three introduced the appropriate data analysis tests and ranges that will be used in this chapter to analyse and interpret the results of the study.

Chapter 4 addresses the *RQ<sub>5</sub>: What are the factors of a successful loyalty programme? which is linked to RO<sub>5</sub>: To ascertain critical factors of a successful loyalty programme.* This chapter presents and analyses the various parts of the questionnaire, the demographics and the various measurement items. The Exploratory factor analysis (EFA) is conducted so that the number of factors can be reduced and Cronbach's Alpha analysis can be done. In addition, the Descriptive and Inferential statistics are presented and the relationships between the various variables. This outline of this Chapter is demonstrated in Figure 4.1.

Chapter 1: Introduction and Problem Statement
Chapter 2: Literature Review
Chapter 3: Research Design and Methodology
Chapter 4: Results and Analysis
<ul style="list-style-type: none"> <li>•4.1 Introduction</li> <li>•4.2 Demographic profile of the respondents</li> <li>•4.3 Measurement Items</li> <li>•4.4 Item Analysis</li> <li>•4.5 Descriptive Statistics for Factors</li> <li>•4.6 Inferential Statistics for Factors</li> <li>•4.7 Relationship between selected Demographic information and Dependent Variable: Loyalty Programmes</li> <li>•4.8 Relationship between selected Demographic information and Independent Variables</li> <li>•4.9 Testing the model</li> <li>•4.10 Summary</li> </ul>
Chapter 5: Findings, Conclusion and Recommendations

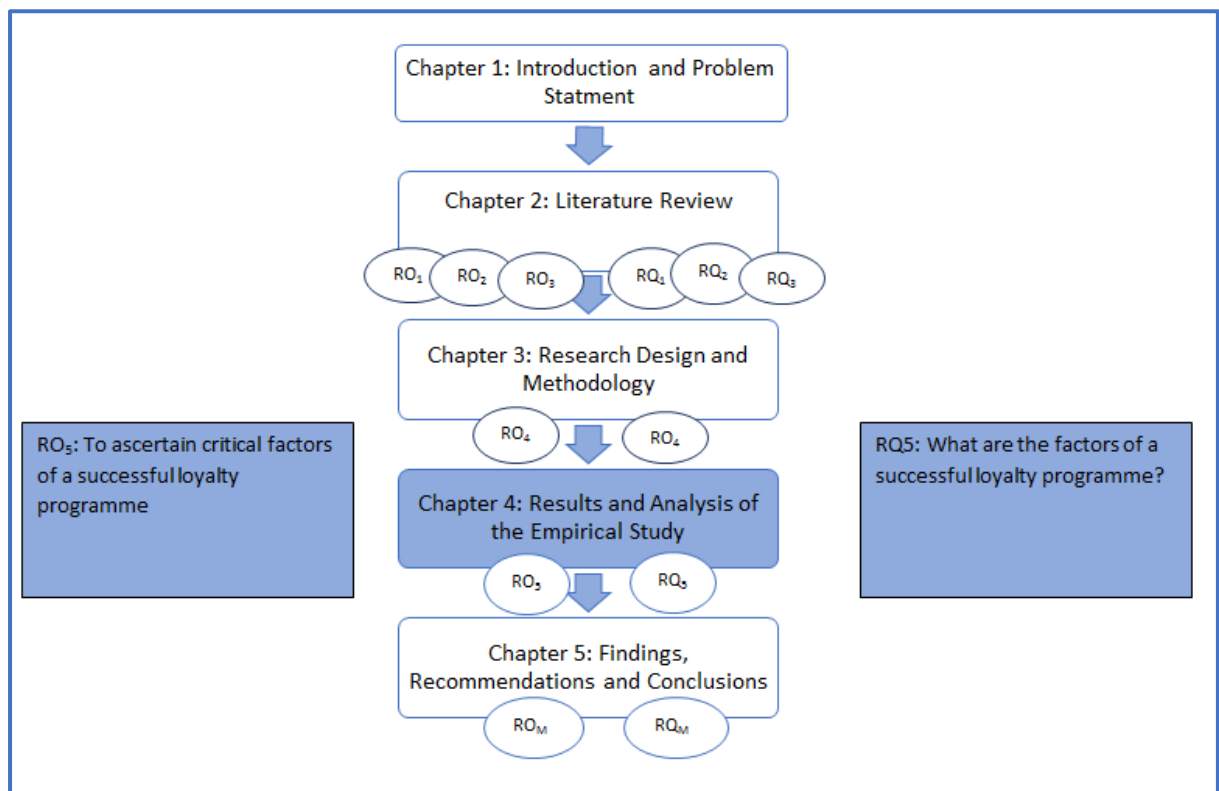


Figure 4.1: Outline of Chapter 4

#### **4.2. Revision of the conceptual model**

The proposed conceptual model was introduced in Chapter 2, Figure 2.7 wherein the factors of the study were described as either dependant or independent variables. The model associated the independent variables to the dependant variables through the use of the additional factors (A) Attitude and (B) Behaviour highlighted the influence the independent variables may have on the success of Loyalty Programmes. This resulted in the design of the survey used in this study as described in Section 3.5 and Table 3.1. In the course of the statistical analysis undertaken in Chapter 4, the Attitudinal and Behavioural factors became stronger determinants of respondents' perceptions of Loyalty Programmes. The statistician, with his experience in analysing service quality model, proposed a new factor layout with only variables to add meaning to the analysis. Thus, the new model below was proposed.

ATTITUDINAL	BEHAVIOURAL
<p>A.G.01 Loyalty cards/programmes are all the same*</p> <p>A.G.03 I would change where I shop for the sake of a loyalty card/programme</p> <p>A.G.04 I used to use loyalty cards/programmes but don't anymore*</p> <p>A.G.05 Having loyalty cards and belonging to loyalty programmes is a waste of time*</p> <p>A.G.06 Loyalty programmes and cards deliver increased value</p> <p>A.G.07 Loyalty cards and programmes are too complicated*</p> <p>A.G.08 Loyalty cards and programmes are expensive with not enough return*</p> <p>A.G.09 Loyalty cards and programmes have no benefit*</p> <p>A.G.10 It takes too long to earn points to get anything worthwhile from loyalty cards/programmes*</p>	<p>B.G.02 I save a lot of money by using loyalty cards and belonging to loyalty programmes</p> <p>B.G.03 I am a member of loyalty programmes and have loyalty cards but have no intention of using *</p> <p>B.G.04 I have seen substantial savings due to the money I get off from loyalty cards and programmes</p> <p>B.G.05 I get better discounts/value from loyalty cards and programmes than in store promotions</p>
Assessment in general	<p>B.T.01 Loyalty cards/programmes are truthful about what they do with the data I give them</p> <p>B.T.02 Loyalty cards/programmes know too much about my purchasing behaviour*</p>
<p>A.T.01 I feel that loyalty cards/programmes monitor my every move*</p> <p>A.T.02 I am nervous about loyalty cards/programmes using my personal information*</p> <p>A.T.03 I get annoyed when loyalty cards/programmes contact me all the time*</p> <p>A.T.04 I think loyalty cards/ programmes are worthwhile and I am willing to give my personal details for this</p> <p>A.T.05 Loyalty cards/programmes are set up to increase profit*</p>	Trust
<p>A.C.01 I read all my e-mails relating to loyalty cards/programmes</p> <p>A.C.02 I feel overwhelmed and bombarded by communication from loyalty cards/programmes*</p> <p>A.C.03 The loyalty card/programmes' communication is relevant to me</p> <p>A.C.04 Loyalty cards/programmes communicate through the medium I prefer</p>	Communication
	Personalisation
<p>A.F.01 Loyalty points should not expire</p> <p>A.F.02 The loyalty cards/programme should notify me before my points expire</p>	Flexibility
<p>A.R.01 I prefer tangible rewards to cash*</p> <p>A.R.02 Rewards should be in the form of discounts*</p> <p>A.R.03 Rewards should be cash back or rebates</p> <p>A.R.04 Rewards should be free products</p> <p>A.R.05 Rewards should include free shipping</p> <p>A.R.06 Rewards should be in the form of points*</p> <p>A.R.07 I should have exclusive access to sales and merchandise*</p> <p>A.R.08 I should get priority service*</p> <p>A.R.09 Rewards should be personalised products or services*</p> <p>A.R.10 I prefer a charitable donation as a reward*</p>	Rewards
	Purchase Behaviour
	<p>B.PB.01 My loyalty cards/programmes have converted me from a consumer to a customer</p> <p>B.PB.02 I buy products that I don't need because of the promotions surrounding them</p> <p>B.PB.05 I spend less in stores where I don't have a card or belong to a programme</p> <p>B.PB.06 My loyalty cards/programmes motivate me to spend more</p> <p>B.PB.07 I would shop in any store that suits me regardless of whether they had a loyalty scheme*</p> <p>B.PB.08 I buy products if there are extra points offered on them</p> <p>B.PB.09 I prefer to purchase from outlets that provide loyalty cards/programmes</p>

### 4.3. Demographic profile of the respondents

A total of 1090 respondents started or completed the questionnaire as part of the broader loyalty programme study. From the total respondents, 172 belonged to one or more Airline Loyalty Programmes. The results outlined in this section will be limited to the Airline Loyalty Programmes. The respondents are all based in South Africa.

#### 4.3.1. Geographic information

If in South Africa, in which Province do you live	Frequency	Percentage
Border	1	1%
Eastern Cape	91	53%
Free State	2	1%
Gauteng	45	26%
KZN	12	7%
Northern Cape	1	1%
Western Cape	20	12%
Border	1	1%
Total	172	100%

Table 4.1: Frequency distribution - Province

Table 4.1 indicates that the highest number of respondents are in the Eastern Cape with 53% (n=91) followed by Gauteng with 26% (n=45) and Western Cape indicated 12% (n=20). KZN and Free State indicated 7% (n=12) and 1.2% (n=2), respectively. This indicates that 79% (n= 136) of the respondents are from two provinces, Eastern Cape and Gauteng. As such, this report can potentially have province bias.

#### 4.3.2. Demographic characteristics

Figure 4.2 shows that the gender composition of the respondents. The majority of the respondents were female (n=92, 53%) versus male (n=80, 47%). Since the gender composition is fairly distributed, the report is not likely to have potentially gender bias.

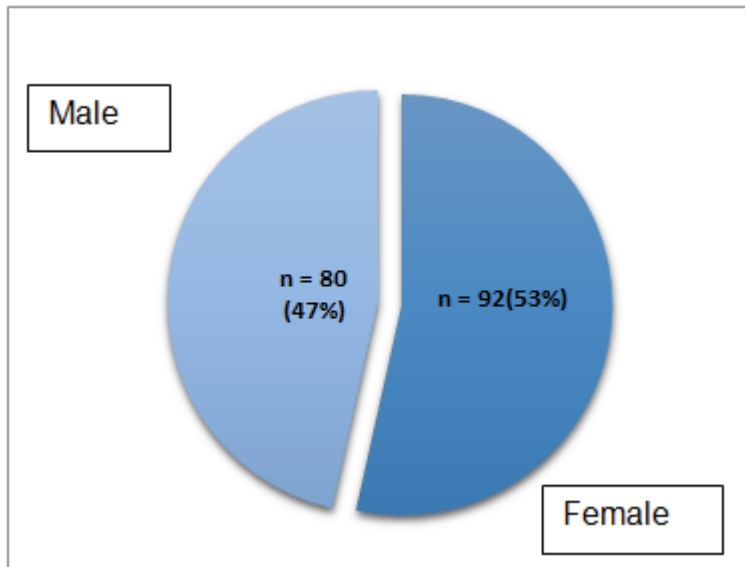


Figure 4.2: Frequency distribution – Gender (n=172)

Table 4.2 illustrates that the highest number of respondents were between age group of 26-35 years with 47% (n=80) followed by age group 36-45 years with 29% (n=46) and a 13% (n=21) of the respondents were between the age group of 46-45 years. The lowest number of respondents were between the age group 65 and more with 1.2% (n=2). This indicates that 76% of the respondents are between the ages of 26 – 45 years. The race composition indicates that the highest number of respondents were black with 43% (n=74) followed by white with 27% (n=46) and 21% (n=36) of the respondents were coloured.

Asian respondents were 8% (n=13) and the lowest number of respondents were other with 2% (n=3). In addition, the majority of the participants indicated that they have a degree as their highest level of education with a total of 50.6% (n=87), followed by those who have a diploma with 16.9% (n=29) with a further 15.7% (n=27) participants who indicated that they have a master's degree as their highest level of education. Those that indicated that they have a PhD and who completed primary school were at equilibrium with 1.2% (n=2), followed by those who have some high school as their highest educational level 1.7% (n=3).

Within the employment status, 90% (n=155) of the respondents indicated that they were employed and 4% (n=7) of the respondents indicated that they were self-employed. Retired respondents were 3% (n=5) and the lowest respondents were full time students with 1% (n=2).

Age	Frequency	Percentage
21-25	14	8%
26-35	80	47%
36-45	46	27%
46-55	23	13%
56-65	7	4%
66+	2	1%
<b>Total</b>	<b>172</b>	<b>100%</b>
Respondents' race	Frequency	Percentage
Asian	13	8%
Black	74	43%
Coloured	36	21%
White	46	27%
Other	3	2%
<b>Total</b>	<b>172</b>	<b>100%</b>
Respondents' Highest Level of Education	Frequency	Percentage
Primary school complete	2	1%
Some high school	3	2%
Matric	16	9%
Diploma	29	17%
Degree	87	51%
Master's degree	27	16%
PHD	2	1%
Other post matric	6	3%
<b>Total</b>	<b>172</b>	<b>100%</b>
Respondents' race	Frequency	Percentage
Employed	155	90%
Unemployed	3	2%
Self employed	7	4%
Full time student	2	1%
Retired	5	3%
<b>Total</b>	<b>172</b>	<b>100%</b>

Table 4.2: Demographic characteristics of respondents

Table 4.3 illustrates that the highest group of the participants had a household size, which comprised of two people with 26% (n=45), followed by those who comprise of four with 23% (n=39) with other participants who are from a household, which comprise of three people and these participants were 17% (n=30). The lowest group of the participants were from a household which comprised of six or more people with 10% (n=17) while those whose household had only one person were 11% (n=11). With household income, the highest group of participants indicated that their



household makes a monthly income of more than R50 000 with 30% (n=51) followed by those who make more than R30000 who were 24% (n=41). Only 4% (n=6) participants indicated that their household income comprises of more than R90 000.

In addition, the participants were required to indicate who is responsible for day to day household purchase, the highest group of participants indicated that they are partly responsible with a total of 51% (n=87), and those that are wholly responsible for day to day household purchase were 48% (n=82). Only 2% (n=3) of the participants indicated that they are not responsible.

A total of 49% (n=85) indicated that they are responsible for financial decisions and they share the decision equally with other, however a total of 36% (n=62) indicated that they are wholly responsible for the decisions. Meanwhile only 1% (n=2) of the participants who indicated that the financial decision is made solely by others. The total of 100% (n=172) participants who took part in the study indicated that they own a loyalty programme.

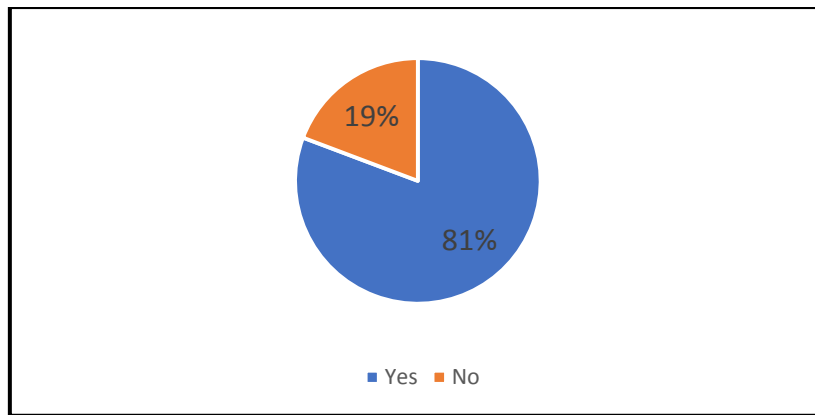
Household Size	Frequency	Percentage
One	18	10%
Two	45	26%
Three	30	17%
Four	39	23%
Five	23	13%
Six +	17	10%
<b>Total</b>	<b>172</b>	<b>100%</b>
Monthly Household Income	Frequency	Percentage
<R10 000	6	3%
<R30 000	41	24%
<R50 000	51	30%
<R70 000	29	17%
<R90 000	22	13%
R90 000 +	23	13%
<b>Total</b>	<b>172</b>	<b>100%</b>
Responsible for Day-to-Day Household Purchases	Frequency	Percentage
Wholly/mainly	82	48%
Partly	87	51%
Not	3	2%
<b>Total</b>	<b>172</b>	<b>100%</b>
Respondents' race	Frequency	Percentage
Wholly responsible for the decisions	62	36%
Others and I share the decision equally	85	49%
I get opinions from others, but I make the decision	17	10%
I give my opinion, but the decision is made by others	6	3%
The decision is made solely by others	2	1%
<b>Total</b>	<b>172</b>	<b>100%</b>

Table 4.3: Demographic Characteristics of Respondents

#### 4.4. Measurement items

##### 4.4.1. Dependent variable: loyalty programmes

This section in the questionnaire aimed to establish the overall Loyalty Programme membership and participation of the respondents. The pooled data comprised of 1090 responses, which sought to understand whether the respondents had loyalty programmes cards. Of these respondents, 81% (n=880) indicated that they had loyalty programme cards while 19% (210) indicated that they do not have loyalty programme cards (Figure 4.3).



**Figure 4.3: Distribution of Loyalty Programme Card in the Pooled data**

Of the total pooled data, 54% (n =593) had five or more loyalty programme cards, 172 respondents had airline loyalty programme cards, which were part of the Travel and Hospitality Industry (Table 4.4). Within these respondents, majority of the respondents also had Groceries and Retail Loyalty Programme Cards (99%), Health and Beauty (97%), Banking Credit Cards (96%). The lowest other equivalent cards were those of Entertainment and Gaming with only 33%.

	No		Yes	
<b>Any Card</b>	0	0%	172	100%
<b>Groc. Retail</b>	2	1%	170	99%
<b>Health. Beauty</b>	6	3%	166	97%
<b>Banking Credit Cards</b>	7	4%	165	96%
<b>Insurance. Med Aid</b>	44	26%	128	74%
<b>Travel Hospitality</b>	0	0%	172	100%
<b>Airlines</b>	0	0%	172	100%
<b>Restaurants Fast Foods</b>	53	31%	119	69%
<b>Mobile Phones</b>	69	40%	103	60%
<b>Entertainment Gaming</b>	115	67%	57	33%

**Table 4.4: Frequency Distributions: Loyalty Programmes/Cards (n = 172)**

Within these Loyalty Programme Cards from the Airlines, 76% (n=130) were in possession of the Avios Loyalty Programme cards, while 26% (n=45) had BA Executive Club cards and 24% (n=41) had Emirates Skywards Loyalty Programme cards (Table 4.5).

	No		Yes	
<b>Avios</b>	42	24%	130	76%
<b>BA Executive Club</b>	127	74%	45	26%
<b>City Lodge</b>	162	94%	10	6%
<b>Emirates Skywards</b>	131	76%	41	24%
<b>Protea Hotels</b>	148	86%	24	14%
<b>Sunrands</b>	152	88%	20	12%
<b>Wild Card</b>	166	97%	6	3%
<b>Other</b>	164	95%	8	5%

**Table 4.5: Frequency Distributions: LPC Items - Travel and Hospitality (n = 172)**

The results in Table 4.6 show that majority of the respondents disagreed that “loyalty cards or programmes are all the same” (LP1; 53%), while most of these respondents agreed that “they have loyalty cards/programmes that they don't use”, with a total of 64% (LP2). Those that agree that they “save a lot of money by using loyalty cards and belonging to loyalty programmes” were a total of 49% (LP3) meanwhile those that indicated that they agree with the statement “other things are more important than discounts e.g. customer service, quality, etc.\*” were a total of 51% (LP4).

Code	Statement	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
<b>LP1</b>	Loyalty cards/programmes are all the same* (Reversed)	8	5%	42	24%	31	18%	71	41%	20	12%
<b>LP2</b>	I have loyalty cards/programmes that I don't use*	28	16%	82	48%	12	7%	37	22%	13	8%
<b>LP3</b>	I save a lot of money by using loyalty cards and belonging to loyalty programmes	10	6%	29	17%	49	28%	60	35%	24	14%
<b>LP4</b>	Other things are more important than discounts e.g. customer service, quality, etc.* (Reversed)	43	25%	87	51%	29	17%	9	5%	4	2%
<b>LP5</b>	I would change where I shop for the sake of a loyalty	25	15%	59	34%	32	19%	46	27%	10	6%

	card/programme										
<b>LP6</b>	I used to use loyalty cards/programmes but don't anymore* (Reversed)	2	1%	19	11%	26	15%	84	49%	41	24%
<b>LP7</b>	Having loyalty cards and belonging to loyalty programmes is a waste of time*(Reversed)	8	5%	16	9%	28	16%	72	42%	48	28%
<b>LP8</b>	I am a member of loyalty programmes and have loyalty cards but have no intention of using * (Reversed)	5	3%	16	9%	25	15%	80	47%	46	27%
<b>LP9</b>	Loyalty programmes and cards deliver increased value	9	5%	24	14%	43	25%	82	48%	14	8%
<b>LP10</b>	Loyalty cards and programmes are too complicated* (Reversed)	6	3%	31	18%	29	17%	81	47%	25	15%
<b>LP11</b>	Loyalty cards and programmes are expensive with not enough return* (Reversed)	5	3%	25	15%	37	22%	79	46%	26	15%
<b>LP12</b>	Loyalty cards and programmes have no benefit* (Reversed)	3	2%	10	6%	25	15%	84	49%	50	29%
<b>LP13</b>	It takes too long to earn points to get anything worthwhile from loyalty cards/programmes*(Reversed)	11	14%	57	33%	30	17%	42	24%	19	11%

**Table 4.6: Frequency Distributions: Loyalty Cards/Programmes Items (n = 172)**

A further 49% (n= 84) disagreed that “they would change where they shop for the sake of a loyalty card/programme” (LP5). A total of 73% (n=125) of the respondents indicated that they disagree with the statement “I used to use loyalty cards/programmes but don't anymore\*” (LP6), 70% (n=120) of the respondents also disagree with the statement “having loyalty cards and belonging to loyalty programmes is a waste of time\*” (LP7) with a total of 74% (n=126) disagreeing that

“they are a member of loyalty programmes and have loyalty cards but have no intention of using” (LP8).

On the other hand, a total of 56% (n=96) agreed with the statement in LP9 which states, “loyalty programmes and cards deliver increased value” and 62% (n=106) do not believe that ‘Loyalty cards and programmes are too complicated\*’ (LP10). In addition, 61% (n=105) of the respondents disagree with the statement that ‘Loyalty cards and programmes are expensive with not enough return’ (LP11) and 78% (n=134) disagree that that the programmes have no benefits (LP12). There was total of 44% (n=68) of the respondents who indicated that they disagree with the statement “It takes too long to earn points to get anything worthwhile from loyalty cards/programmes” (LP 13).

#### **4.4.2. Independent Variable 1 (IV1): Purchase Behaviour**

This section in the questionnaire shows the results of the respondent’s level of agreement towards the purchase behaviour. The results in Table 4.7 show that a total of 36% (n=61) of the respondents disagreed with the statement “My loyalty cards/programmes have converted me from a consumer to a customer” (PB1), while a total of 46% (n=80) of the respondents agreed with the statement “I have seen substantial savings due to the money I get off from loyalty cards and programmes” (PB2).

CODE	STATEMENT	STRONGLY DISAGREE		DISAGREE		NEUTRAL		AGREE		STRONGLY AGREE	
PB1	My loyalty cards/programmes have converted me from a consumer to a customer	8	5%	53	31%	47	27%	52	30%	12	7%
PB2	I have seen substantial savings due to the money I get off from loyalty cards and programmes	8	5%	44	26%	40	23%	64	37%	16	9%
PB3	I buy products that I don't need because of the promotions surrounding them	36	21%	77	45%	28	16%	27	16%	4	2%
PB4	I shop wherever gives me better discounts*	30	17%	73	42%	30	17%	33	19%	6	3%
PB5	I get better discounts from in store promotions than loyalty cards/programmes *	16	9%	52	30%	67	39%	30	17%	7	4%
PB6	I spend less in stores where I don't have a card or belong to a programme	15	9%	57	33%	40	23%	53	31%	7	4%
PB7	My loyalty cards/programmes motivate me to spend more	27	16%	78	45%	29	17%	29	17%	9	5%
PB8	I get better discounts/ value from loyalty cards and programmes than in store promotions	17	10%	55	32%	54	31%	36	21%	10	6%
PB9	I would shop in any store that suits me regardless of whether they had a loyalty scheme*	27	16%	97	56%	27	16%	18	10%	3	2%
PB10	I buy products if there are extra	14	8%	71	41%	35	20%	42	24%	10	6%

	points offered on them										
<b>PB11</b>	I prefer to purchase from outlets that provide loyalty cards/programmes	15	9%	58	34%	35	20%	55	32%	9	5%

**Table 4.7 - Frequency distributions: purchase behaviour items (n = 172)**

Furthermore, a total of 66% (n=113) of the respondents disagreed that “I buy products that I don't need because of the promotions surrounding them” (PB3), and 59% (n=103) respondents agreed that “I shop wherever gives me better discounts\*” (PB4). The majority of respondents 39% (n=67), were neutral towards the statement “I get better discounts from in store promotions than loyalty cards/programmes” (PB5).

A total of 61% (n=105) of the respondents disagreed with the statement “My loyalty cards/programmes motivate me to spend more” (PB7) with a further 72% (n=124) who agreed with “I would shop in any store that suits me regardless of whether they had a loyalty scheme” (PB9). In addition, 49% (n=85) disagree with the statement “I buy products if there are extra points offered on them” (PB10) and 43% (n=73) disagree that they prefer to buy from outlets that provide Loyalty programmes (PB 11).

**4.4.3. Independent Variable 2 (IV2): Trust**

This section in the questionnaire shows the results of the respondent’s level of agreement towards trust. Table 4.8 depicts the responses to the eight items related to Trust.



Code	Statement	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
T1	I feel that loyalty cards/programmes monitor my every move*	15	9%	38	22%	34	20%	76	44%	9	5%
T2	I am nervous about loyalty cards/programmes using my personal information*	20	12%	38	22%	33	19%	72	42%	9	5%
T3	I get annoyed when loyalty cards/programmes contact me all the time*	46	27%	59	34%	37	22%	27	16%	3	2%
T4	I think loyalty cards/programmes are worthwhile and I am willing to give my personal details for this	14	8%	40	23%	59	34%	52	30%	7	4%
T5	Loyalty cards/programmes are truthful about what they do with the data I give them	20	12%	41	24%	78	45%	27	16%	6	3%
T6	Loyalty cards/programmes are set up to increase profit*	34	20%	83	48%	38	22%	15	9%	2	1%
T7	Loyalty cards/programmes donate to upliftment programmes as promised	6	3%	19	11%	100	58%	40	23%	7	4%
T8	Loyalty cards/programmes know too much about my purchasing behaviour*	19	11%	53	31%	64	37%	35	20%	1	1%

**Table 4.8: Frequency Distributions: Trust Items (n = 172)**

There was a total of 49% (n=85) of the respondents who disagreed with the statement “I feel that loyalty cards/programmes monitor my every move” (T1) and 47% (n=81) who disagreed with the statement “I am nervous about loyalty cards/programmes using my personal information” (T2), meanwhile a total of 61%

(n=105) of the respondents who agreed with the statement “I get annoyed when loyalty cards/programmes contact me all the time” (T3).

A further 34% (n=59) of the respondents were neutral to the statement “I think loyalty cards/ programmes are worthwhile and I am willing to give my personal details for this” (T4) and 45% (n=78) to the statement “Loyalty cards/programmes are truthful about what they do with the data I give them” (T5), with a further 58% (n=100) of those who were neutral to “Loyalty cards/programmes donate to upliftment programmes as promised” (T7). Lastly, 42% (n=72) of the respondents disagreed with the statement that “Loyalty cards/programmes know too much about my purchasing behaviour”.

#### 4.4.4. Independent Variable 3 (IV3): Communication

This section in the questionnaire aimed to establish the overall communication of the respondents. Table 4.9 depicts the responses to the eight items related to Communication.

COD E	STATEMENT	STRONGLY DISAGREE	DISAGREE	NEUTRAL	AGREE	STRONGLY AGREE					
C1	I gave permission for the loyalty cards/programme to contact me	21	12%	59	34%	22	13%	63	37%	7	4%
C2	I read all my e-mails relating to loyalty cards/programmes	32	19%	68	40%	29	17%	39	23%	4	2%
C3	They talk to me personally	34	20%	76	44%	37	22%	21	12%	4	2%
C4	I feel overwhelmed and bombarded by communication from loyalty cards/programmes*	27	16%	46	27%	49	28%	47	27%	3	2%
C5	The loyalty card/programmes' communication is relevant to me	15	9%	42	24%	72	42%	38	22%	5	3%
C6	Loyalty cards/programmes communicate through the medium I prefer	9	5%	25	15%	26	15%	101	59%	11	6%

<b>C7</b>	Loyalty card/programme call centres and interactive websites enhance my experience	23	13%	52	30%	51	30%	42	24%	4	2%
<b>C8</b>	My loyalty cards/programmes listen to me	25	15%	47	27%	72	42%	24	14%	4	2%

**Table 4.9: Frequency distributions: communication items (n = 172)**

Table 4.9 shows that the majority of the respondents agreed with the statement “I gave permission for the loyalty cards/programme to contact me” with a total of 46% (n=80), followed by a total of 59% (n=100) who indicated that they disagree with the statement “I read all my e-mails relating to loyalty cards/programmes” (C2) and 66% (n=110) in disagreement with the statement “They talk to me personally” (C3).

A total of 43% (n=72) of the respondents agreed to the statement “I feel overwhelmed and bombarded by communication from loyalty cards/programmes” (C4) with 42% (n=72) of those who were neutral to the statement “The loyalty card/programmes' communication is relevant to me” (C5). In addition, 65% (n=112) of the respondents agreed with the statement “Loyalty cards/programmes communicate through the medium I prefer” and 43% (n=72) who indicated that they disagree with the statement “My loyalty cards/programmes listen to me” (C7). The majority 42% (n=72) of the respondents were neutral on the statement “My loyalty cards/programmes listen to me” (C8).

#### **4.4.5. Independent Variable 4 (IV4): Personalisation**

This section in the questionnaire was aimed to determine whether respondents felt that personalisation was a factor in a loyalty programme. Table 4.10 shows the results of personalisation which consist of 6 variables. Majority of the respondents 45% (n=78) disagreed with the statement “My loyalty cards/programmes keep track of my life changes” while 43% (n=74) agree with the statement “The rewards are relevant and make a difference in my life” (P2).

A total of 45% (n=77) agree with the statement “I receive personalised product recommendations from my loyalty cards/programmes” (P3), followed by a total of 40% (n=70) with “I receive personalised service recommendations from my loyalty

cards/programmes” (P4). Meanwhile a total of 40% (n=70) respondents were positive and agree with the statement “I receive personalised discounts from my loyalty cards/programmes” (P5) as well as a total of 47% (n=81) with “I receive personalised promotion offerings from my loyalty cards/programmes” (P6).

Code	Statement	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
P1	My loyalty cards/programmes keep track of my life changes	11	6%	67	39%	50	29%	36	21%	8	5%
P2	The rewards are relevant and make a difference in my life	11	6%	31	18%	56	33%	66	38%	8	5%
P3	I receive personalised discounts from my loyalty cards/programmes	12	7%	46	27%	37	22%	68	40%	9	5%
P4	I receive personalised promotion offerings from my loyalty cards/programmes	16	9%	54	31%	33	19%	61	35%	8	5%
P5	I receive personalised product recommendations from my loyalty cards/programmes	12	7%	59	34%	42	24%	51	30%	8	5%
P6	I receive personalised service recommendations from my loyalty cards/programmes	15	9%	66	38%	37	22%	47	27%	7	4%

**Table 4.10: Frequency distributions: personalisation items (n = 172)**

#### 4.4.6. Independent Variable 5 (IV5): Flexibility

This section in the questionnaire was designed to determine whether the respondents felt that Flexibility was a factor in a loyalty programme Table 4.11 below summarises the responses to the six items pertaining to Flexibility.

CODE	STATEMENT	STRONGLY DISAGREE		DISAGREE		NEUTRAL		AGREE		STRONGLY AGREE	
F1	My loyalty programmes/cards have a one size fits all approach*	14	8%	67	39%	44	26%	42	24%	5	3%
F2	Points or rewards are available regardless of whether I buy in store, on a website or mobile device	6	3%	28	16%	54	31%	77	45%	7	4%
F3	I can choose different types of rewards from my loyalty cards/programmes	11	6%	52	30%	44	26%	59	34%	6	3%
F4	Loyalty points should not expire	2	1%	2	1%	9	5%	64	37%	95	55%
F5	I feel cheated when my points expire	2	1%	5	3%	13	8%	53	31%	99	58%
F6	The loyalty cards/programme should notify me before my points expire	0	0%	0	0%	10	6%	56	33%	106	62%

Table 4.11: Frequency Distributions: Flexibility Items (n = 172)

The respondents were positive when answering the flexibility questions. The majority of the respondents 47% (n=81) agreed with the statement “My loyalty programmes/cards have a one size fits all approach\*”, 49% (n=84) also believed and agree that “Points or rewards are available regardless of whether I buy in store, on a website or mobile device” (P2) with a only 37% (n=65) agreeing with the statement “I can choose different types of rewards from my loyalty cards/programmes” (F3). An overwhelming majority 92% (n=152) agree with the statement that “Loyalty points should not expire” (F4). A total of 89% believed and agree with the statement “I feel

cheated when my points expire” (F5) and 95% respondents believe that they should notified before the points expire.

#### 4.4.7. Independent Variable 6 (IV6): Rewards

This section in the questionnaire was designed to determine whether the respondents felt that rewards was a factor in a loyalty programme Table 4.12 below summarises the responses to the fourteen items pertaining to Rewards.

Code	Statement	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
R 1	Loyalty card/programme rewards make me feel good	1	1%	20	12%	45	26%	83	48%	23	13%
R 2	I prefer tangible rewards to cash* (Reversed)	16	9%	50	29%	48	28%	47	27%	11	6%
R 3	I like it that my loyalty cards/programmes partner with other brands	0	0%	7	4%	31	18%	104	60%	30	17%
R 4	I get points for referrals	17	10%	58	34%	64	37%	27	16%	6	3%
R 5	Rewards should be in the form of discounts* (Reversed)	18	10%	77	45%	43	25%	27	16%	7	4%
R 6	Rewards should be cash back or rebates	4	2%	3	2%	28	16%	94	55%	43	25%
R 7	Rewards should be free products	5	3%	15	9%	47	27%	79	46%	26	15%
R 8	Rewards should include free shipping	3	2%	8	5%	28	16%	93	54%	40	23%
R 9	Rewards should be in the form of points* (Reversed)	13	8%	45	26%	67	39%	33	19%	14	8%
R 10	I should have exclusive access to sales and merchandise*	37	22%	65	38%	54	31%	13	8%	3	2%

	(Reversed)										
<b>R 11</b>	I should get priority service* (Reversed)	35	20%	70	41%	52	30%	13	8%	2	1%
<b>R 12</b>	I am recognised as a valued customer	3	2%	32	19%	47	27%	65	38%	25	15%
<b>R 13</b>	Rewards should be personalised products or services* (Reversed)	28	16%	82	48%	48	28%	12	7%	2	1%
<b>R 14</b>	I prefer a charitable donation as a reward* (Reversed)	8	5%	32	19%	84	49%	37	22%	11	6%

**Table 4.12: Frequency Distributions: Rewards Items (n = 172)**

The majority 61% (n=106) of the respondents agree that the loyalty cards/ programme rewards make them feel good while only 36% (n=66) agree that that they prefer tangible rewards to cash (R2). A total of 77% (n=134) indicated that they like it that the loyalty cards/ programmes partner with other brands (R3), while 44% (n=75) of the respondents indicated that they disagree that they get points for referrals with 37% (n=64) who were neutral to this (R4).

In addition, a total of 55% (=95) of the respondents indicated that they agree with the statement “Rewards should be in the form of discounts” (R5) and 80% (n=134) of the respondents agree that the rewards should be cash back or rebates (R6). A total of 61 % (n=105) of the respondents agreed with the statement rewards should be free products (R7), a further 77% (n=133) respondents indicated that the rewards should include free shipping (R8) and 39% (n=37) of these participants were neutral to the statement “rewards should be in the form of points” (R9).

The majority 60% (n=102) of the respondents believed and agreed they should get exclusive access to sales and merchandise; this is supported by 61% (n=105) who agree that they should get priority service (R11). A total of 53% (n=90) of the respondents disagree with the statement “I am recognised as a valued customer” (R12), while 64% (n=110) agree that they should get personalised products or

service (R13) and almost half 49% (n=84) of the respondents were neutral with the statement I prefer a charitable donation as a reward.

#### 4.4.8. Independent Variable 7 (IV7): Method of Participation

This section in the questionnaire was designed to determine whether the respondents felt that the method of participation was a factor in a loyalty programme Table 4.13 below summarises the responses to the six items pertaining to the Method of Participation.

Code	Statement	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
MP1	Membership cards should be scanned/swiped	4	2%	17	10%	29	17%	93	54%	29	17%
MP2	I prefer them to look up my account when I provide a phone number or other personal information	12	7%	28	16%	42	24%	63	37%	27	16%
MP3	I prefer to use the retailer's mobile app	9	5%	37	22%	54	31%	56	33%	16	9%
MP4	I prefer to use a third-party app	33	19%	62	36%	65	38%	7	4%	5	3%
MP5	I belong to too many loyalty card/programmes* (Reversed)	18	10%	64	37%	36	21%	49	28%	5	3%
MP6	I have too many loyalty cards* (Reversed)	23	13%	58	34%	34	20%	51	30%	6	3%

Table 4.13: Frequency Distributions: Method of Participation Items (n = 172)

Most of the respondents were positive and agree with the statement “Membership cards should be scanned/swiped” with a total of 71(n=114), 53% (n=90) of these participants indicated that they agree with the statement “I prefer them to look up my account when I provide a phone number or other personal information” (MP2), while 42% (n=72) prefer to use the retailer’s app (MP3). A total of 38% (n=65) of the respondent were neutral to the statement “I prefer to use a third-party app” (MP4). A total of 47% (n=82) agreed with the statement “I belong to too many loyalty card/programmes” (MP5) and with the “I have too many loyalty cards” (MP6).



#### 4.5. Item Analysis: Exploratory Factor Analysis (EFA)

Exploratory Factor Analysis (EFA) was conducted to explore the relationships among variables so that patterns could be identified, the number of variables could be reduced and structure in the relationship between variables could be detected (Hair et al., 2010). The three measurement tools that helped determine the significance of items were Eigenvalues, Factor loadings and Cronbach's Alpha. The number of factors per construct was determined using Eigenvalues greater as 1 as the guideline, whilst factor loadings of greater than 0.300 were deemed significant at  $\alpha = 0.05$  significance in accordance with the recommendation for sample sizes greater than 350 (Hair et al., 2006:128). The EFA was conducted on the pooled data.

##### 4.5.1. Eigenvalues and factor loading

Tables 4.14 to 4.38 illustrate the Eigenvalues and the percentage of each construct that can be explained by a single factor.

##### Attitude – Communication (AC)

AC had one Factor has an Eigenvalue of 2,099 and explains 52.5% of the variance in Influence of the communication (Table 4.14). One factor indicated by both the Eigenvalues and the Scree Plot (Figure 4.4).

Factor	Eigenvalue	% Total Variance
<b>1</b>	<b>2,099</b>	<b>52,5</b>
<b>2</b>	0,799	20,0
<b>3</b>	0,645	16,1
<b>4</b>	0,457	11,4

Table 4.14: Eigenvalues of factors and variances explained for communication

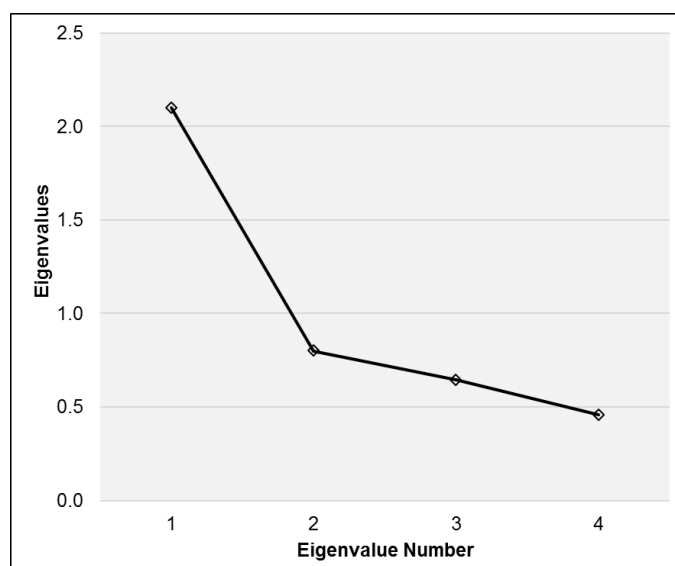


Figure 4.4: Scree plot for factors of communication

All the items showed factor loadings of greater than 0.300 were deemed significant, ranging from 0.578 to 0.822, explaining 52.5% of the total variance for this factor.

Item	Factor 1
A.C.03 The loyalty card/programmes' communication is relevant to me	<b>,822</b>
A.C.01 I read all my e-mails relating to loyalty cards/programmes	<b>,751</b>
A.C.04 Loyalty cards/programmes communicate through the medium I prefer	<b>,726</b>
A.C.02 I feel overwhelmed and bombarded by communication from loyalty cards/programmes*	<b>,578</b>
Expl.Var	2,099
% of Total	,525
<b>Minimum loading deemed significant = .300; Percentage of Total Variance Explained = 52.5%</b>	

Table 4.15: Exploratory Factor Analysis (EFA) Loadings (1 Factor Model) - A.C (n = 740)

### Attitude - Flexibility (AF)

A.F had one factor with an Eigenvalue of 1.675 and explains 83.7% of the variance in Influence of the flexibility (Table 4.16). One factor were indicated by the EFA loadings. As there were only two items, the Scree plot was not computed. Both the items had high factor loading with 0.915.

Factor	Eigenvalue	% Total Variance
<b>1</b>	<b>1,675</b>	<b>83,7</b>
<b>2</b>	0,325	16,3

Table 4.16: Exploratory Factor Analysis (EFA) Eigenvalues - A.F (n = 740)

Item	Factor 1
A.F.01 Loyalty points should not expire	<b>,915</b>
A.F.02 The loyalty cards/programme should notify me before my points expire	<b>,915</b>
Expl.Var	1,675
% of Total	,837
Minimum loading deemed significant = .300; Percentage of Total Variance Explained = 83.7%	

Table 4.17: Exploratory Factor Analysis (EFA) Loadings (1 Factor Model) - A.F (n = 740)

### Attitude - Assessment in general (AG)

Assessment in general (A.G) had two factors with Eigenvalues higher than 1.0, which factor 1 with Eigen value of 3.786 with a variance of 37.9%, while factor 2 with Eigenvalue of 1.098 with variance of 11.0% (Table 4.18). Two factors indicated by both the Eigenvalues and the Scree Plot (Figure 4.5), two factors indicated by the Eigenvalues and one factor indicated by the Scree Plot.

Factor	Eigenvalue	% Total Variance
<b>1</b>	<b>3,786</b>	<b>37,9</b>
<b>2</b>	<b>1,098</b>	<b>11,0</b>
<b>3</b>	0,995	10,0
<b>4</b>	0,887	8,9
<b>5</b>	0,730	7,3
<b>6</b>	0,651	6,5
<b>7</b>	0,581	5,8
<b>8</b>	0,475	4,7
<b>9</b>	0,436	4,4
<b>10</b>	0,360	3,6

Table 4.18: Exploratory Factor Analysis (EFA) Eigenvalues - A.G (n = 740)

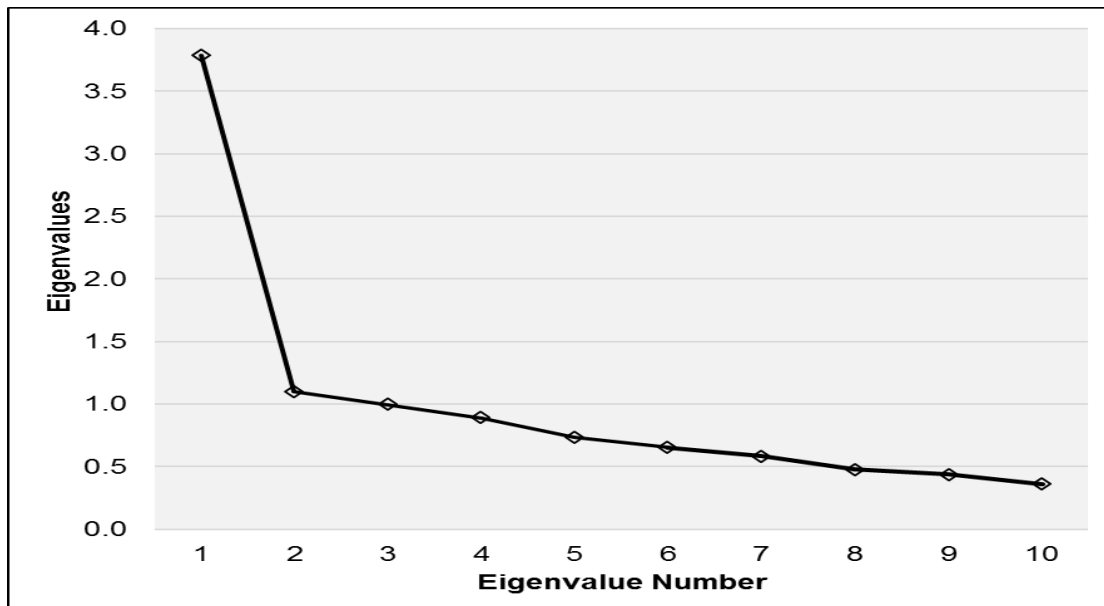


Figure 4.5: Scree Plot - A.G (n = 740)

Focusing on the factor loading, it was evident that all variables had factor loading of higher than 0.3 except for A.G. 02, as such this variable was omitted (Table 4.19).

Item	Factor 1
A.G.05 Having loyalty cards and belonging to loyalty programmes is a waste of time*	<b>,802</b>
A.G.09 Loyalty cards and programmes have no benefit*	<b>,796</b>
A.G.08 Loyalty cards and programmes are expensive with not enough return*	<b>,720</b>
A.G.10 It takes too long to earn points to get anything worthwhile from loyalty cards/programmes*	<b>,682</b>
A.G.07 Loyalty cards and programmes are too complicated*	<b>,678</b>
A.G.04 I used to use loyalty cards/programmes but don't anymore*	<b>,653</b>
A.G.06 Loyalty programmes and cards deliver increased value	<b>,520</b>
A.G.01 Loyalty cards/programmes are all the same*	<b>,436</b>
A.G.03 I would change where I shop for the sake of a loyalty card/programme	<b>,364</b>
A.G.02 Other things are more important than discounts e.g. customer service, quality, etc.*	,216
Expl.Var	3,786
% of Total	,379
Minimum loading deemed significant = .300;	

Percentage of Total Variance Explained = 37.9%

Table 4.19: Factor loading of assessment in general

Computation after omission of A.G. 02 shows still two factors indicated by the Eigenvalues, however only one factor was indicated by the Scree Plot (Figure 4.6).

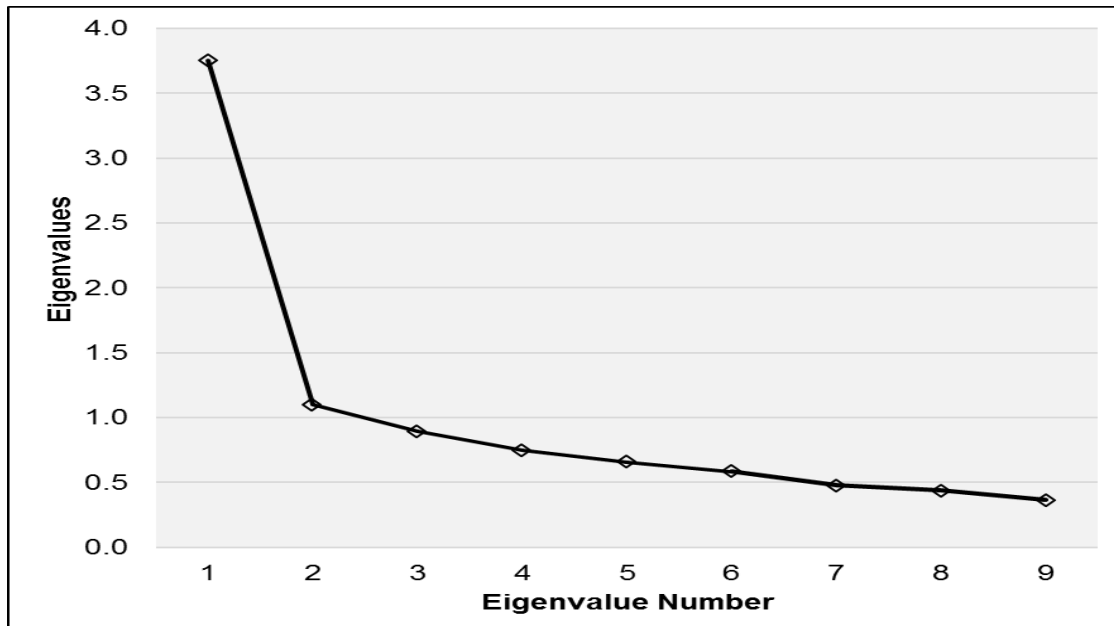


Figure 4.6: Scree plot for factors of assessment in general

A new factor loading without A.G. 02 shows that the remaining nine variables all had significant factor loading higher than 0.3 with a range of 0.362 to 0.802 and the total variance explained with slight improvement from 37.9% to 41.7% (Table 4.20).

Item	Factor 1
A.G.05 Having loyalty cards and belonging to loyalty programmes is a waste of time*	<b>,802</b>
A.G.09 Loyalty cards and programmes have no benefit*	<b>,800</b>
A.G.08 Loyalty cards and programmes are expensive with not enough return*	<b>,721</b>
A.G.10 It takes too long to earn points to get anything worthwhile from loyalty cards/programmes*	<b>,680</b>
A.G.07 Loyalty cards and programmes are too complicated*	<b>,678</b>
A.G.04 I used to use loyalty cards/programmes but don't anymore*	<b>,657</b>
A.G.06 Loyalty programmes and cards deliver increased value	<b>,523</b>
A.G.01 Loyalty cards/programmes are all the same*	<b>,435</b>

<b>A.G.03 I would change where I shop for the sake of a loyalty card/programme</b>	<b>,362</b>
<b>Expl.Var</b>	<b>3,751</b>
<b>% of Total</b>	<b>,417</b>
<b>Minimum loading deemed significant = .300;</b>	
<b>Percentage of Total Variance Explained = 41.7%</b>	

Table 4.20: Revised Factor loading of assessment in general with A.G. 02

### Attitude - Rewards (AR)

AR had three factors with Eigenvalues higher than 1.0, which factor 1 with Eigenvalue of 2.817 with a variance of 28.2%, while factor 2 had Eigenvalue of 1.425 with variance of 14.2%, then factor 3 had Eigenvalue of 1.134 with variance of 11.3% (Table 4.21). The cumulative variance for the three factors was 53.7%.

Factor	Eigenvalue	% Total Variance
<b>1</b>	<b>2,817</b>	<b>28,2</b>
<b>2</b>	<b>1,425</b>	<b>14,2</b>
<b>3</b>	<b>1,134</b>	<b>11,3</b>
<b>4</b>	0,857	8,6
<b>5</b>	0,826	8,3
<b>6</b>	0,779	7,8
<b>7</b>	0,659	6,6
<b>8</b>	0,610	6,1
<b>9</b>	0,561	5,6
<b>10</b>	0,333	3,3

Table 4.21: Exploratory Factor Analysis (EFA) Eigenvalues - A.R (n = 740)

There was congruency between the Eigenvalues and the Scree Plot both indicating three factors, Scree plot is shown in Figure 4.7.

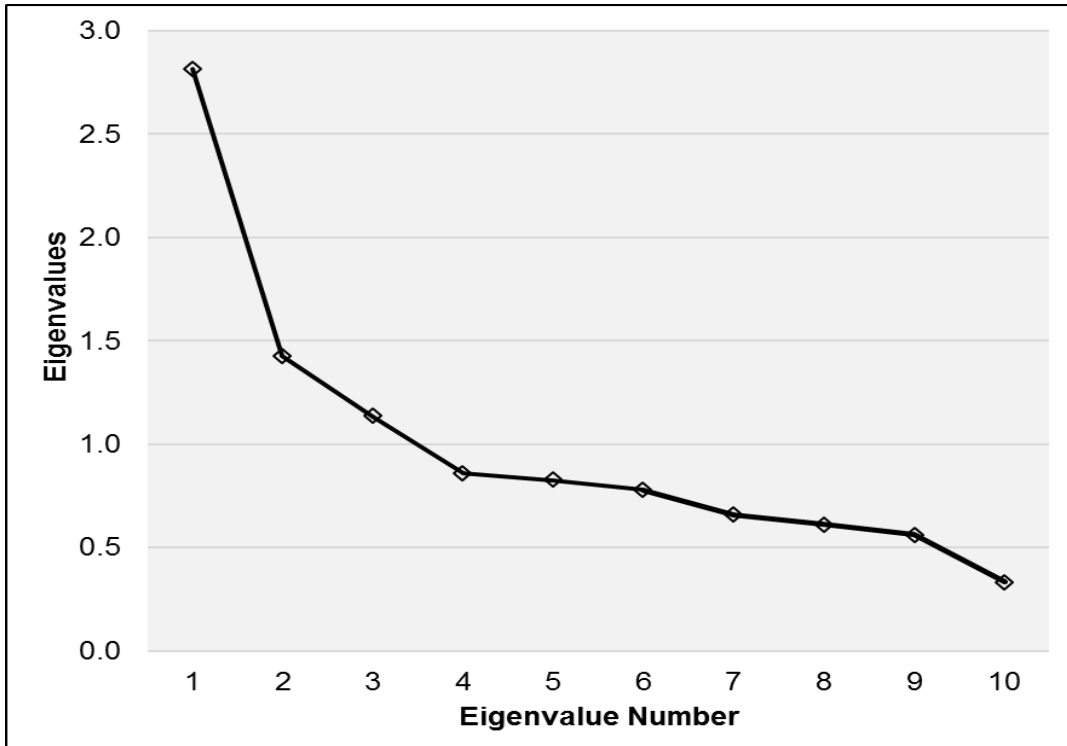


Figure 4.7: Scree Plot - A.R (n = 740)

The factor loading analysis showed that there were three variables with loading of more than 0.3 in factor 1 with a range of 0.686 to 0.879, while there were five variables loading in factors two with loading ranging from 0.35 to 0.651, then there were four variables with loading range of 0.316 to 0.773. Noteworthy, was that A.R. 02 showed overlap between a 2 factor model and a factor 3 model, though a factor 2 model had higher loading of 0.556 compared to the loading of 0.316 for factor 3 model (Table 4.22).

Item	Factor 1	Factor 2	Factor 3
A.R.08 I should get priority service*	<b>,879</b>	-,022	-,116
A.R.07 I should have exclusive access to sales and merchandise*	<b>,827</b>	,106	-,104
A.R.09 Rewards should be personalised products or services*	<b>,686</b>	,141	-,182
A.R.01 I prefer tangible rewards to cash*	,136	<b>,651</b>	,019
A.R.06 Rewards should be in the form of points*	,090	<b>,623</b>	,030
A.R.10 I prefer a charitable donation as a reward*	,111	<b>,599</b>	-,024
A.R.02 Rewards should be in the form of discounts*	-,082	<b>,556</b>	<b>-,316</b>
A.R.03 Rewards should be cash back or rebates	-,108	,149	<b>,773</b>
A.R.05 Rewards should include free shipping	-,278	-,087	<b>,659</b>
A.R.04 Rewards should be free products	-,179	<b>-,350</b>	<b>,653</b>
Expl.Var	2,095	1,663	1,618
% of Total	,209	,166	,162
<b>Minimum loading deemed significant = .300; Percentage of Total Variance Explained = 53.8%</b>			

Table 4.22: Exploratory Factor Analysis (EFA) Loadings

Table 4.22, a minimum loading was deemed significant at 0.300 and the percentage of total variance explained was 53.8%. Additionally, the three factors in Table 4.22 were named: Factor 1 – Rewards Personalisation, Factor 2 – Rewards Preferences and Factor 3 – Rewards Free benefits.

### Attitude - Trust

Based on the results of the Eigenvalues, there were two factors that were extracted, with factor 1 having an Eigenvalue of 2.195 and a variance of 36.6%, while factor 2 had an Eigenvalue of 1.218 with variance of 20.3% (Table 4.23).



Factor	Eigenvalue	% Total Variance
1	2,195	36,6
2	1,218	20,3
3	0,860	14,3
4	0,722	12,0
5	0,573	9,6
6	0,431	7,2

Table 4.23: Exploratory Factor Analysis (EFA) Eigenvalues - A.T (n = 740)

Despite these two, the Scree plot only showed one factor (Figure 4.8). With further analysis A.T.06 was omitted as it had a low loading of 0.261.

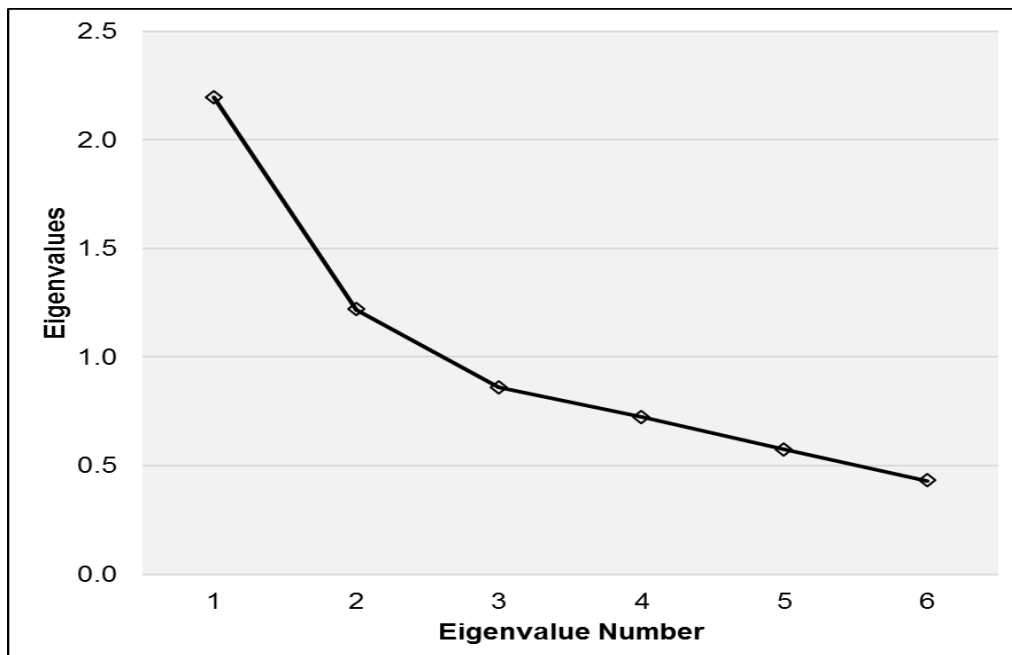


Figure 4.8: Scree Plot - A.T (n = 740)

The re-analysis resulted in one factor indicated by both the Eigenvalues and the Scree Plot. The revised total variance explained was 43.2%, with all variables loading more than 0.300 in the factor with a range of 0.448 to 0.803 (Table 4.24).

Item	Factor 1
A.T.02 I am nervous about loyalty cards/programmes using my personal information*	<b>,803</b>
A.T.03 I get annoyed when loyalty cards/programmes contact me all the time*	<b>,759</b>
A.T.01 I feel that loyalty cards/programmes monitor my every move*	<b>,673</b>
A.T.05 Loyalty cards/programmes are set up to increase profit*	<b>,496</b>
A.T.04 I think loyalty cards/ programmes are worthwhile and I am willing to give my personal details for this	<b>,488</b>
Expl.Var	2,158
% of Total	,432
Minimum loading deemed significant = .300; Percentage of Total Variance Explained = 43.2%	

Table 4.24: Exploratory Factor Analysis (EFA) Loadings (1 Factor Model) - A.T (n = 740)

### Behaviour – Communication (BC)

BC had only one factor with an Eigen value of 2.252 and the total variance of 56.3%. The Scree plot also confirms the one factor. Furthermore, all the factor loading were higher than 0.3 and have been retained.

Factor	Eigenvalue	% Total Variance
<b>1</b>	<b>2,252</b>	<b>56,3</b>
<b>2</b>	0,756	18,9
<b>3</b>	0,615	15,4
<b>4</b>	0,377	9,4

Table 4.25: Exploratory Factor Analysis (EFA) Loadings (1 Factor Model) - A.T (n = 740)

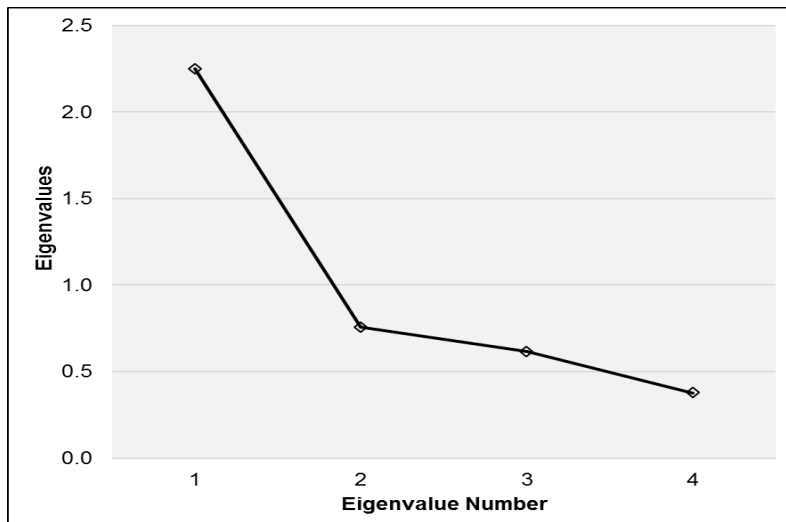


Figure 4.9: Scree Plot - B.C (n = 656)

Item	Factor 1
B.C.03 Loyalty card/programme call centres and interactive websites enhance my experience	<b>,816</b>
B.C.04 My loyalty cards/programmes listen to me	<b>,815</b>
B.C.02 They talk to me personally	<b>,728</b>
B.C.01 I gave permission for the loyalty cards/programme to contact me	<b>,625</b>
Expl.Var	2,252
% of Total	,563
Minimum loading deemed significant = .300; Percentage of Total Variance Explained = 56.3%	

Table 4.26: Exploratory Factor Analysis (EFA) Eigenvalues - B.C (n = 656)

### Behaviour – Flexibility (BF)

BF had only one factor with an Eigen value of 1.360 with the total variance of 68.0%. As there were only two variables, it was not possible to compute the Scree plot, both these variables had high loading of 0.825 (Table 4.28).

Factor	Eigenvalue	% Total Variance
<b>1</b>	<b>1,360</b>	<b>68,0</b>
<b>2</b>	0,640	32,0

Table 4.27: Exploratory Factor Analysis (EFA) Eigenvalues - B.F (n = 656)

Item	Factor 1
B.F.02 Points or rewards are available regardless of whether I buy in store, on a website or mobile device	<b>,825</b>
B.F.03 I can choose different types of rewards from my loyalty cards/programmes	<b>,825</b>
Expl.Var	1,360
% of Total	,680
Minimum loading deemed significant = .300; Percentage of Total Variance Explained = 68.0%	

Table 4.28: Exploratory Factor Analysis (EFA) Loadings (1 Factor Model) - B.F (n = 656)

### Behaviour – Assessment in general (BG)

BG had four variables loaded which extracted one factor with an Eigen value of 2.032 with the total variance of 50.8%. The Scree plot also confirms that there was one factor in this construct.

Factor	Eigenvalue	% Total Variance
<b>1</b>	<b>2,032</b>	<b>50,8</b>
2	0,889	22,2
3	0,654	16,3
4	0,426	10,6

Table 4.29: Exploratory Factor Analysis (EFA) Eigenvalues - B.G (n = 656)

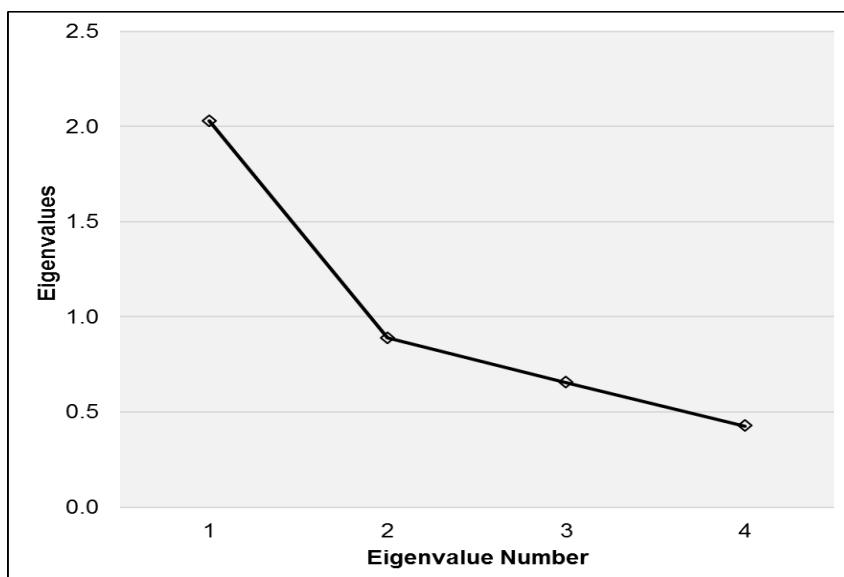


Figure 4.10: Scree Plot - B.G (n = 656)

All the four variables had higher loading more than 0.300 which was deemed to be significant, with a range of 0.479 to 0.834, explaining 50.8% of the total variance.

Item	Factor 1
B.G.04 I have seen substantial savings due to the money I get off from loyalty cards and programmes	<b>,834</b>
B.G.02 I save a lot of money by using loyalty cards and belonging to loyalty programmes	<b>,805</b>
B.G.05 I get better discounts/ value from loyalty cards and programmes than in store Promotions	<b>,677</b>
B.G.03 I am a member of loyalty programmes and have loyalty cards but have no intention of using *	<b>,479</b>
Expl.Var	2,032
% of Total	,508
Minimum loading deemed significant = .300; Percentage of Total Variance Explained = 50.8%	

Table 4.30: Exploratory Factor Analysis (EFA) Eigenvalues - B.G (n = 656)

### Behaviour – Personalisation (BP)

BP had six variables loaded which extracted one factor with an Eigenvalue of 3.715 with the total variance of 61.9%. The Scree plot also confirms that there was one factor in this construct.

Factor	Eigenvalue	% Total Variance
<b>1</b>	<b>3,715</b>	<b>61,9</b>
2	0,888	14,8
3	0,621	10,3
4	0,388	6,5
5	0,209	3,5
6	0,179	3,0

Table 4.31: Exploratory Factor Analysis (EFA) Eigenvalues - B.P (n = 656)

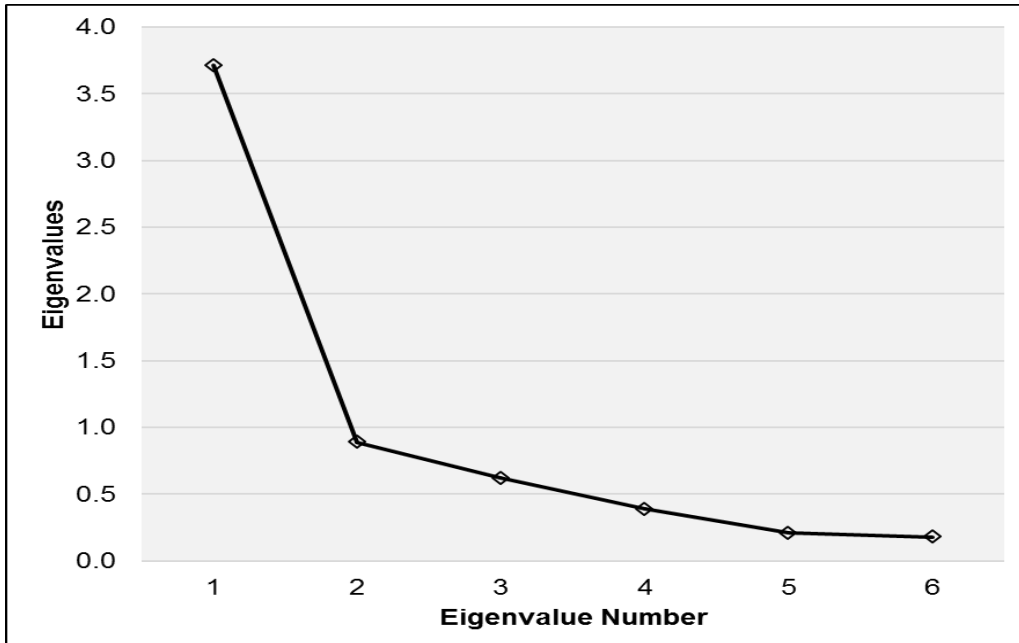


Figure 4.11: Scree Plot - B.P (n = 656)

All the six variables had higher loading more than 0.3 which was deemed to be significant, with a range of 0.536 to 0.891, explaining a total variance of 61.9% for this factor.

Item	Factor 1
B.P.04 I receive personalised promotion offerings from my loyalty cards/programmes	<b>,891</b>
B.P.05 I receive personalised product recommendations from my loyalty cards/programmes	<b>,882</b>
B.P.06 I receive personalised service recommendations from my loyalty cards/programmes	<b>,867</b>
B.P.03 I receive personalised discounts from my loyalty cards/programmes	<b>,860</b>
B.P.02 The rewards are relevant and make a difference in my life	<b>,603</b>
B.P.01 My loyalty cards/programmes keep track of my life changes	<b>,536</b>
Expl.Var	3,715
% of Total	,619
<b>Minimum loading deemed significant = .300;</b> <b>Percentage of Total Variance Explained = 61.9%</b>	

Table 4.32: Exploratory Factor Analysis (EFA) Loadings (1 Factor Model) - B.P (n = 656)

## Behaviour – Purchase behaviour (B.PB)

B.PB behaviour had seven variables loaded which extracted one factor with an Eigen value of 2.962 with the total variance of 42.3%. The Scree plot also confirms that there was one factor in this construct.

Factor	Eigenvalue	% Total Variance
<b>1</b>	<b>2,962</b>	<b>42,3</b>
2	0,975	13,9
3	0,765	10,9
4	0,718	10,3
5	0,666	9,5
6	0,492	7,0
7	0,423	6,0

Table 4.33: Exploratory Factor Analysis (EFA) Eigenvalues - B.PB (n = 656)

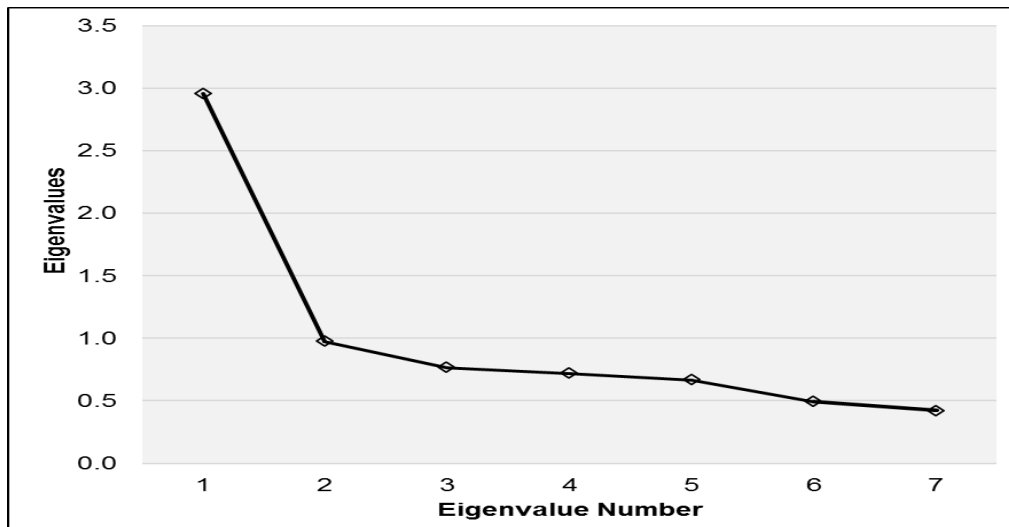


Figure 4.12: Scree Plot - B.PB (n = 656)

All the seven variables had higher loading more than 0.3 which was deemed to be significant, with a range of 0.538 to 0.741, explaining a total variance of 42.3% for this variable.

Item	Factor 1
B.PB.09 I prefer to purchase from outlets that provide loyalty cards/programmes	,741
B.PB.06 My loyalty cards/programmes motivate me to spend more	,738
B.PB.08 I buy products if there are extra points offered on them	,734
B.PB.01 My loyalty cards/programmes have converted me from a consumer to a customer	,617
B.PB.05 I spend less in stores where I don't have a card or belong to a programme	,594
B.PB.07 I would shop in any store that suits me regardless of whether they had a loyalty scheme*	,554
B.PB.02 I buy products that I don't need because of the promotions surrounding them	,538
Expl.Var	2,962
% of Total	,423
Minimum loading deemed significant = .300; Percentage of Total Variance Explained = 42.3%	

Table 4.34: Exploratory Factor Analysis (EFA) Loadings (1 Factor Model) - B.PB (n = 656)

### Behaviour – Rewards (BR)

B.R had only one factor after revision and an omission of B.R 03. The one factor with an Eigen value that is higher than 1.0, was found which was 1.536, with the total variance of 51.2%.

Factor	Eigenvalue	% Total Variance
<b>1</b>	1,536	51,2
<b>2</b>	0,878	29,3
<b>3</b>	0,586	19,5

Table 4.35: Exploratory Factor Analysis (EFA) Eigenvalues - B.R (n = 656)

The Scree plot also confirms the one factor. The loading of the variables ranged from 0.610 to 0.816.



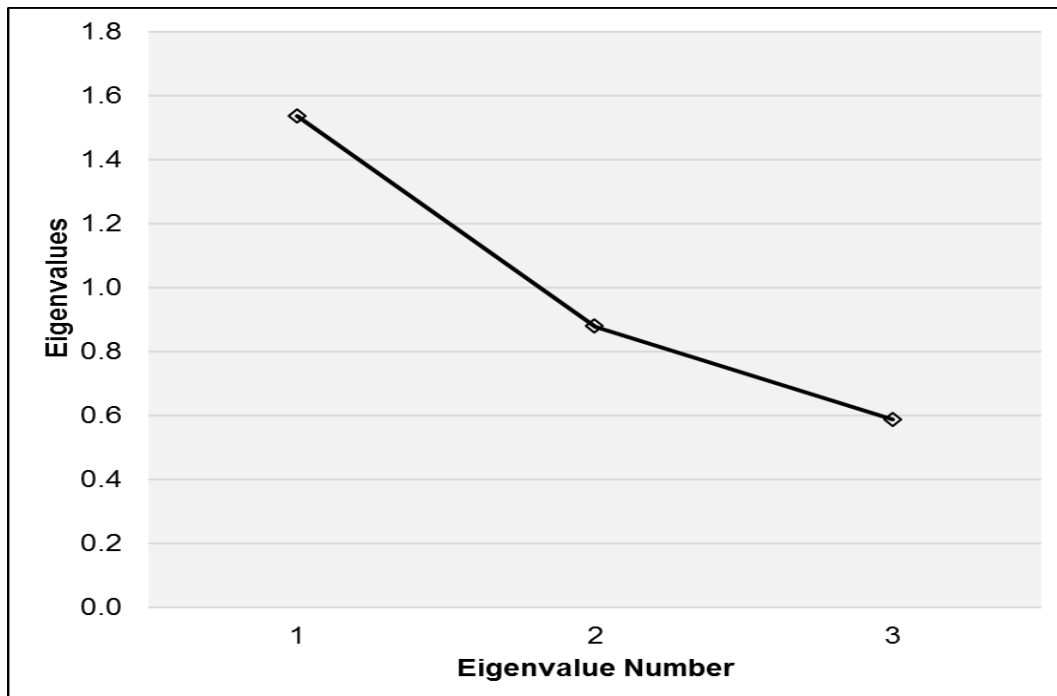


Figure 4.13: Scree Plot - B.R (n = 656)

Item	Factor 1
B.R.01 Loyalty card/programme rewards make me feel good	<b>,816</b>
B.R.02 I like it that my loyalty cards/programmes partner with other brands	<b>,705</b>
B.R.04 I am recognised as a valued customer	<b>,610</b>
Expl.Var	1,536
% of Total	,512
Minimum loading deemed significant = .300;	
Percentage of Total Variance Explained = 51.2%	

Table 4.36: Exploratory Factor Analysis (EFA) Loadings (1 Factor Model) - B.R (n = 656)

### Behaviour- Trust (BT)

B.T had only one factor that had an Eigen value that is higher than 1.0, which was 1.166, with the total variance of 58.3%. As there were only two variables, it was not possible to compute a meaningful Scree plot. When looking at the loading, both the variables had high loading at 0.764.

Factor	Eigenvalue	% Total Variance
1	1,166	58,3
2	0,834	41,7

Table 4.37: Exploratory Factor Analysis (EFA) Eigenvalues - B.T (n = 656)

Item	Factor 1
B.T.01 Loyalty cards/programmes are truthful about what they do with the data I give them	,764
B.T.02 Loyalty cards/programmes know too much about my purchasing behaviour*	,764
Expl.Var	1,166
% of Total	,583
Minimum loading deemed significant = .300;	
Percentage of Total Variance Explained = 58.3%	

Table 4.38: Exploratory Factor Analysis (EFA) Eigenvalues - B.T (n = 656)

#### 4.5.2. Cronbach Alpha Analysis

The Cronbach's alpha scores are reported on table 4.34 for a total of 14 variables. The results show that majority of the alpha scores meet the minimum requirements of 0.70 required for good reliability (Nunnally, 1978). Variable Attitude Communication (A.C), Attitude Flexibility (A.F), Attitude Rewards Personal (A.R1), Behaviour Communication (B.C) and Behaviour Purchase Behaviour (B.PB) show results of good standing with Cronbach alpha of 0.70-0.79, while Attitude Assessment in General (A.G) and Behavioural Personification (B.P) show excellent results of 0.80+. The Variables Attitude Rewards Tangible (A.R2), Attitude Rewards Monetary (A.R3), Attitude Trust (A.T), Behaviour Flexibility (B.F), Behaviour Assessment in General (B.G) and Behaviour Rewards (B.R) show acceptable Cronbach alpha of 0.50-0.69 - meanwhile, Behaviour Trust (B.T) was the only variable that was unacceptable with its result being less than 0.50.

Variable	Cronbach's $\alpha$
A. C	0,73
A. F	0,78
A. G	0,82
A.R1	0,78
A.R2	0,59
A.R3	0,64
A.T	0,65
B.C	0,82
B.F	0,56
B.G	0,64
B.P	0,90
B. PB	0,79
B.R	0,55
B.T	0,19

Table 4.39: Cronbach's alpha coefficients for the factors - Airlines (n = 172)

#### 4.6. Descriptive statistics for factors

The validity (discussed in Section 3.7.1) and reliability (illustrated above) of the summarised scores resulting from the various factors have been established. In this section, descriptive statistics for these scores are presented.

##### 4.6.1. Frequency distributions of factors

The Frequency distributions for the factors are illustrated in Table 4.40. The scores for the factors were categorised in accordance with the 5-point Likert scale that was used for this study into Negative (1.00 to 2.59), Neutral (2.60 to 3.40) and Positive (3.41 to 5.00)

	Very Negative		Negative		Neutral		Positive		Very Positive	
	1.00 to 1.79		1.80 to 2.59		2.60 to 3.40		3.41 to 4.20		4.21 to 5.00	
<b>A. C</b>	16	9%	42	24%	70	41%	40	23%	4	2%
<b>A. F</b>	0	0%	1	1%	11	6%	50	29%	110	64%
<b>A. G</b>	2	1%	22	13%	47	27%	78	45%	23	13%
<b>A.R1</b>	36	21%	64	37%	64	37%	7	4%	1	1%
<b>A.R2</b>	9	5%	47	27%	81	47%	30	17%	5	3%
<b>A.R3</b>	1	1%	4	2%	42	24%	87	51%	38	22%
<b>A.T</b>	11	6%	47	27%	93	54%	21	12%	0	0%
<b>B.C</b>	29	17%	52	30%	63	37%	21	12%	7	4%
<b>B.F</b>	6	3%	39	23%	53	31%	68	40%	6	3%
<b>B.G</b>	3	2%	30	17%	59	34%	59	34%	21	12%
<b>B.P</b>	12	7%	50	29%	53	31%	49	28%	8	5%
<b>B. PB</b>	14	8%	73	42%	54	31%	27	16%	4	2%
<b>B.R</b>	0	0%	7	4%	56	33%	78	45%	31	18%
<b>B.T</b>	16	9%	55	32%	69	40%	32	19%	0	0%

**Table 4.40: Central Tendency & Dispersion: Factors (n = 172)**

Most respondents were very positive and optimistic with variable A.F (64%, n=110) and 54% (were neutral with variable A.T), followed by those who were positive with variable A.R 3 with 51% (n=93). The lowest group of these participants indicated that they were pessimistic with variable AF and variable BR with 0% followed by 1% who were pessimistic with variable AR3. Meanwhile only 1% (n=1) of the respondents were pessimistic with variable AF. 41% (n=70) of the respondents were neutral with variable AC and 40% (n=69) with BT.

#### **4.6.2. Central tendency and dispersion of factors**

The central tendency measures: median, mean, standard deviation and dispersion of the 14 factors are illustrated in Table 4.41.

	Mean	S.D.	Minimum	Quartile 1	Median	Quartile 3	Maximum
<b>A. C</b>	2.89	0.77	1.00	2.50	3.00	3.50	4.50
<b>A. F</b>	4.50	0.62	2.50	4.00	5.00	5.00	5.00
<b>A. G</b>	3.44	0.68	1.78	3.08	3.56	3.89	5.00
<b>A.R1</b>	2.29	0.76	1.00	2.00	2.33	2.67	5.00
<b>A.R2</b>	2.88	0.68	1.00	2.50	3.00	3.25	5.00
<b>A.R3</b>	3.84	0.67	1.00	3.33	4.00	4.00	5.00
<b>A.T</b>	2.75	0.68	1.00	2.40	2.80	3.20	4.20
<b>B.C</b>	2.63	0.85	1.00	2.00	2.75	3.25	5.00
<b>B.F</b>	3.14	0.81	1.00	2.50	3.00	4.00	5.00
<b>B.G</b>	3.30	0.74	1.50	2.75	3.25	3.75	5.00
<b>B.P</b>	2.95	0.85	1.00	2.33	3.00	3.67	5.00
<b>B. PB</b>	2.68	0.70	1.00	2.14	2.57	3.14	4.43
<b>B.R</b>	3.66	0.64	2.00	3.33	3.67	4.00	5.00
<b>B.T</b>	2.72	0.71	1.00	2.50	3.00	3.00	4.00

**Table 4.41: Frequency Distributions: Factors (n = 172)**

The mean score ranged from a high of 4.50 to a low of 2.29, the highest mean value was for variable AF with mean being 4.50 and SD=0.62 followed by mean 3.84 SD=0.67 for AR3. A further mean score of 3.66 SD=0.64 for variable BR. While the lowest mean was 2.29 SD=0.76 of variable AR1, followed by mean 2.63 SD= 0.85 for BC and B.PB with a mean score of 2.68 SD=0.70, with a further mean of 2.72 SD=0.71 of variable BT.

The minimum variables ranged from a low of 1.00 to a high of 2.50. The highest median score was 5.00 and the lowest was 2.33, while the range of the maximum values was a high of 5.00 and a low of 4.00. Quartile 1 shows that factor AF has the highest value with 4.00 followed by factor AR and BR with 3.33, while the lowest value was 2.00 for factor AR and BC.

## 4.7. Inferential statistics for the factors

### 4.7.1. One sample t-tests

One-sample t-tests were conducted to determine mean scores for the various factors of the airline can be described as negative, neutral or positive. The results of these tests are reported in Table 4.42.

Variable	Mean	S.D.	H <sub>1</sub> : $\neq$	t	p	Cohen's d
A. C	2.89	0.77	$\neq 2.60$	4.94	<b>&lt;.0005</b>	<b>0.38</b> <b>Small</b>
A. F	4.50	0.62	$\neq 3.40$	23.40	<b>&lt;.0005</b>	<b>1.78</b> <b>Large</b>
A. G	3.44	0.68	$\neq 3.40$	0.81	.422	n/a
A.R1	2.29	0.76	$\neq 2.60$	-5.32	<b>&lt;.0005</b>	<b>0.41</b> <b>Small</b>
A.R2	2.88	0.68	$\neq 2.60$	5.34	<b>&lt;.0005</b>	<b>0.41</b> <b>Small</b>
A.R3	3.84	0.67	$\neq 3.40$	8.63	<b>&lt;.0005</b>	<b>0.66</b> <b>Medium</b>
A.T	2.75	0.68	$\neq 2.60$	2.91	<b>.004</b>	<b>0.22</b> <b>Small</b>
B.C	2.63	0.85	$\neq 2.60$	0.52	.602	n/a
B.F	3.14	0.81	$\neq 3.40$	-4.24	<b>&lt;.0005</b>	<b>0.32</b> <b>Small</b>
B.G	3.30	0.74	$\neq 3.40$	-1.74	.084	n/a
B.P	2.95	0.85	$\neq 2.60$	5.36	<b>&lt;.0005</b>	<b>0.41</b> <b>Small</b>
B. PB	2.68	0.70	$\neq 2.60$	1.42	.158	n/a
B.R	3.66	0.64	$\neq 3.40$	5.38	<b>&lt;.0005</b>	<b>0.41</b> <b>Small</b>
B.T	2.72	0.71	$\neq 2.60$	2.23	.027	0.17 Not sig.

Table 4.42: Frequency Distributions: Factors (n = 172)

Table 4.42 depicts that the variables with positive mean scores and small practical significance are AC: (M = 2.89; d = 0,38), AR1 (M = 2,29; d = 0,41), AR2 (M = 2.88; d = 0,41),AT (M = 2.75; d = 0,22), BF (M=3.14; d = 0.32), BP (M =2.95; d =0.41) and BR (M= 3.66; d =0.41). AR3 yielded a positive mean score with medium practical significance (M = 3,84; d = 0,66) and AF generated a positive mean score with large practical significance (M = 4.50; d =1.78). Although BT (M = 2.72) had a positive mean score and had statistical significance (0.27), it was deemed practically insignificant as the Cohen’s d scores were below 0,20, which means the difference between the means is trivial or insignificant.

#### 4.7.2. Pearson’s Correlation

The correlation coefficient that has an absolute value that is larger than 0.30 is regarded as significant and of moderate magnitude and those greater than 0.50 indicating a strong relationship. Table 4.43 presents the results of the Pearson correlation for variables AC to BT and AC to AT. The independent factors had positive correlations with each other ranging from medium to strong strength, excluding correlations with AR2, which had a negative correlation with the other independent factors.

	<b>B.C</b>	<b>B.F</b>	<b>B.G</b>	<b>B.P</b>	<b>B.PB</b>	<b>B.R</b>	<b>B.T</b>
<b>A. C</b>	<b>.736</b>	<b>.405</b>	<b>.536</b>	<b>.519</b>	.297	<b>.313</b>	<b>.425</b>
<b>A. F</b>	-0.006	.029	.085	-0.026	-0.087	.273	-0.207
<b>A. G</b>	<b>.391</b>	.270	<b>.734</b>	<b>.386</b>	<b>.348</b>	<b>.415</b>	.292
<b>A.R1</b>	.051	-0.007	.035	-0.062	.069	<b>-.358</b>	.234
<b>A.R2</b>	<b>-.362</b>	-0.297	-0.270	-0.227	-0.233	-0.288	-0.086
<b>A.R3</b>	.022	.045	.125	-0.059	.105	.207	-0.067
<b>A.T</b>	.280	.183	<b>.381</b>	.165	.152	.125	<b>.643</b>
<b>B. C</b>	-	<b>.513</b>	<b>.528</b>	<b>.569</b>	<b>.379</b>	<b>.357</b>	<b>.362</b>
<b>B. F</b>	<b>.513</b>	-	<b>.405</b>	<b>.482</b>	<b>.310</b>	<b>.306</b>	.109
<b>B. G</b>	<b>.528</b>	<b>.405</b>	-	<b>.523</b>	<b>.561</b>	<b>.460</b>	.298
<b>B. P</b>	<b>.569</b>	<b>.482</b>	<b>.523</b>	-	<b>.393</b>	<b>.342</b>	.115
<b>B. PB</b>	<b>.379</b>	<b>.310</b>	<b>.561</b>	<b>.393</b>	-	<b>.325</b>	.183
<b>B. R</b>	<b>.357</b>	<b>.306</b>	<b>.460</b>	<b>.342</b>	<b>.325</b>	-	.065
<b>B. T</b>	<b>.362</b>	.109	.298	.115	.183	.065	-

Table 4.43: Pearson Product Moment Correlations - A.C to B.T and B.C to B.T (n = 172)

#### 4.8. Relationships between selected demographic information and loyalty programme variables

This section reports the results of ANOVAs conducted to examine the relationships between various demographic variables. This statistic will be valuable when the revised conceptual model as proposed in Figure 4.2 is validated.

There difference between the mean values of the dependent variables, the highest mean score for age was 2.98 SD=0.63 for the age group of 36-45 years and the lowest was mean 2.77 SD=0.80 for 46 plus years. The highest mean score for race of respondents was 3.10 SD=0.62 for the coloured group with a total of 23% (n=34) and the lowest was for the whites with mean 2.72 SD=0.82 with a total of 29% (n=44). The mean score for gender shows a total of 44% (n=67) males and a mean score of 2.93 SD=0.85 and 56% (n=84) females with mean score being 2.84 SD=0.69. Therefore the male mean score of 2.93 is higher than the female mean score of 2.72 for AC with the male SD more dispersed than the females.

Factor	Level	n	Perc.	Mean	Std.Dev.
<b>Total</b>		151	100%	2.88	0.76
<b>Age3</b>	21-35	81	54%	2.87	0.81
	36-45	39	26%	2.98	0.63
	46+	31	21%	2.77	0.80
<b>Race3</b>	Black	73	48%	2.87	0.77
	Coloured	34	23%	3.10	0.62
	White	44	29%	2.72	0.82
<b>Gender</b>	Female	84	56%	2.84	0.69
	Male	67	44%	2.93	0.85
<b>Household Size4</b>	One-Two	52	34%	2.83	0.80
	Three	28	19%	2.97	0.81
	Four	34	23%	2.78	0.68
	Five +	37	25%	2.96	0.76
<b>Monthly Household Income4</b>	<R30 000	41	27%	3.01	0.74
	<R50 000	46	30%	2.79	0.87
	<R70 000	26	17%	2.88	0.70
	R70 000+	38	25%	2.84	0.71



Highest Level of Education <sup>3</sup>	Not Degree	45	30%	2.85	0.71
	Degree	81	54%	2.89	0.85
	M+D	25	17%	2.89	0.59

Table 4.44: Descriptive Statistics for dependent variable A.C by ANOVA Factors

The highest mean score for household size was 2.97 (SD= 0.81) and the lowest was  $\mu=2.78$  (SD= 0.68), while the monthly household income was  $\mu=3.01$  (SD=0.74) and the lowest being  $\mu=2.79$  (SD=0.87). Respondents that had a degree and M+D had the same means score of 2.89 while those that had a degree had a SD=0.85 and those had a M+D shows a SD=0.59, which means that there is less dispersion in the responses when compared to 0.71 and 0.85.

To get more meaningful results a t-test of dependence was conducted with Age, race, gender, household size, monthly household income and highest level of education categorised, and the results are illustrated in Table 4.45. Here, p was not significant  $p < 0.05$  with a Cohen's d not applicable.

Effect	F-value	D.F.	p	Cohen's d
Age <sup>3</sup>	0.75	2; 137	.473	n/a
Race <sup>3</sup>	2.20	2; 137	.115	n/a
Gender	1.07	1; 137	.302	n/a
Household Size <sup>4</sup>	0.73	3; 137	.535	n/a
Monthly Household Income <sup>4</sup>	1.02	3; 137	.385	n/a
Highest Level of Education <sup>3</sup>	0.32	2; 137	.729	n/a

Table 4.45: Univariate ANOVA Results - A.C

#### 4.9. Chapter summary

The primary aim of Chapter Four was to address RQ<sub>5</sub>: *What are the factors of a successful loyalty programme? which is linked to RO<sub>5</sub>: To ascertain critical factors of a successful loyalty programme.* This objective was investigated with the results of the primary research study were analysed and discussed. There were 172 responses from the airline industry, while there were 1090 responses from the pooled data. Attitude and behaviour were strong determinants of the loyalty

programmes. Attitude driven by communication, flexibility, general assessment, rewards personal, rewards tangible, rewards monetary and trust, while the behaviour is driven by communication, flexibility, general assessment, rewards personalisation, purchase behaviour and trust.

Exploratory Factor Analysis, descriptive statistics and various inferential statistics were conducted and the result of the factors was deemed acceptable with all of the Cronbach's Alpha scores measuring above 0,69. In addition, The Pearson's correlation analysis was conducted to analyse the statistical relationships between the independent variables and dependent variable. Furthermore, relationships between certain demographic information and both the dependent variable and selected independent variables were explored through ANOVA, t-Tests and descriptive data analysis methods. Chapter Four, concludes with the updated conceptual model based on the new factors in the EFA.

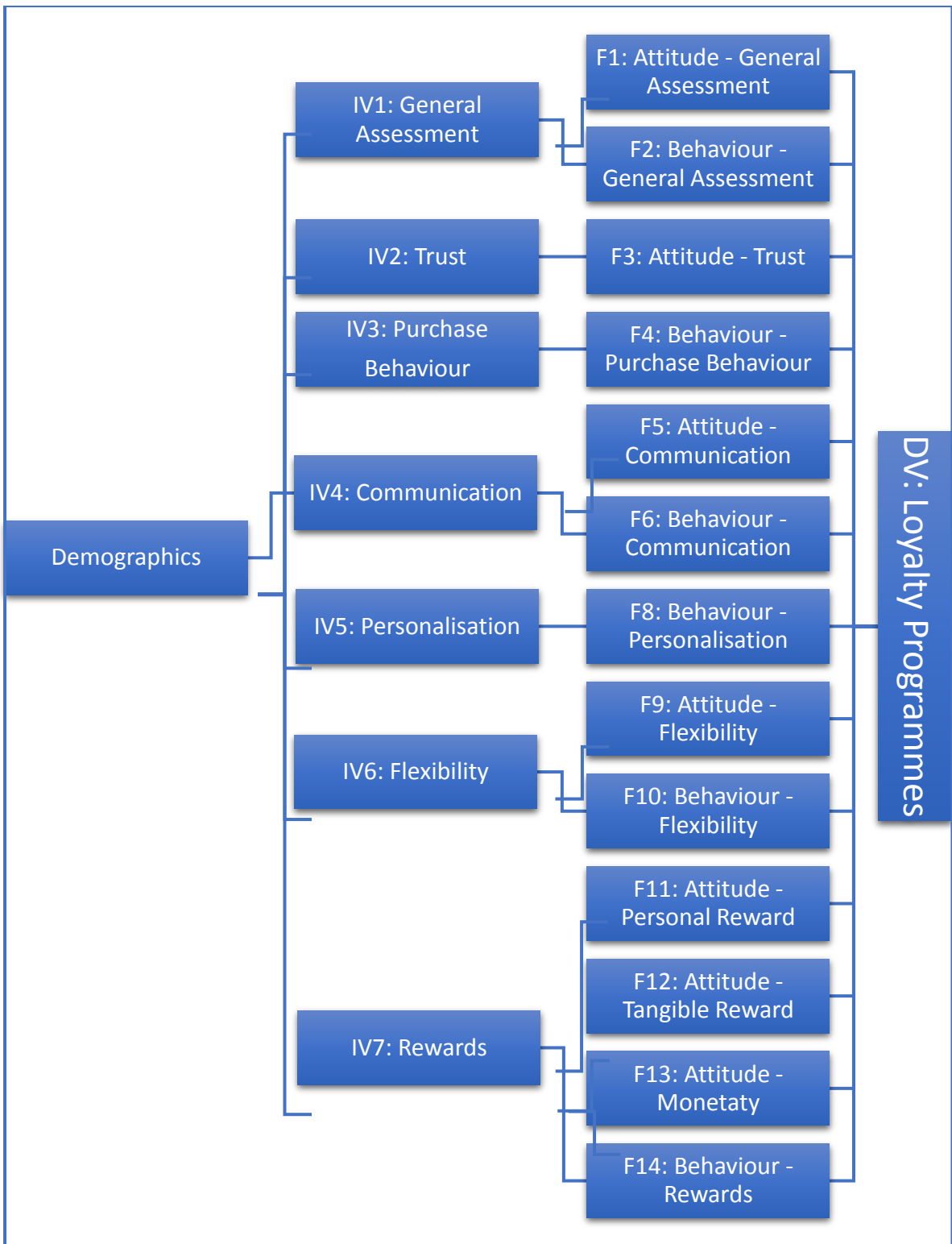
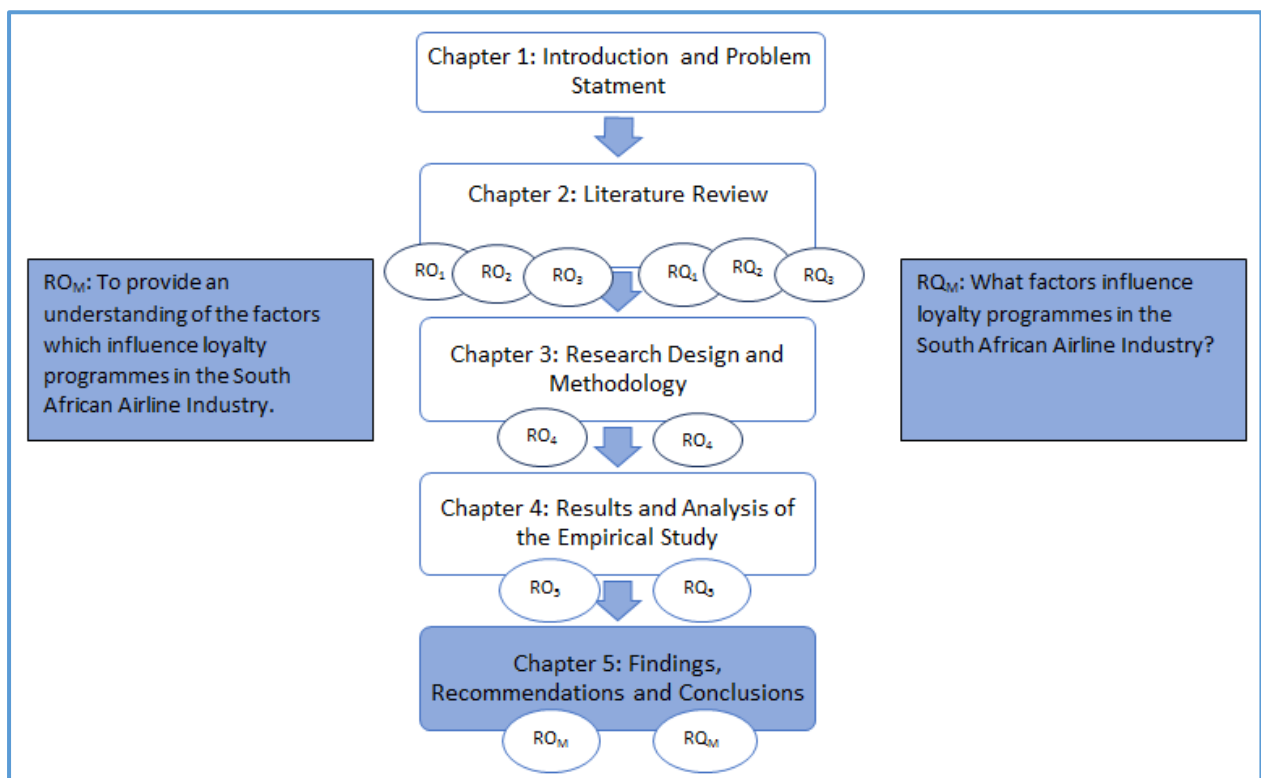


Figure 4.14: New Conceptual Model

## 5. CHAPTER 5 FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

### 5.1. Introduction

In Chapter 4, the results of the empirical study were presented, analysed and interpreted. The chapter concluded with a conceptual model of the factors which influence loyalty programmes in the South African Airline Industry. The Chapter addressed RQ<sub>5</sub>: *What are the factors of a successful loyalty programme? which is linked to RO<sub>5</sub>: To ascertain critical factors of a successful loyalty programme.* This is the final chapter of this study; this chapter presents the findings, managerial recommendations and conclusion for the study. In essence, this chapter will address RQ<sub>M</sub>: *What factors influence loyalty programmes in the South African Airline Industry? which is linked to RO<sub>M</sub>: To provide an understanding of the factors which influence loyalty programmes in the South African Airline Industry.* The chapter outline is presented in Figure 5.1.



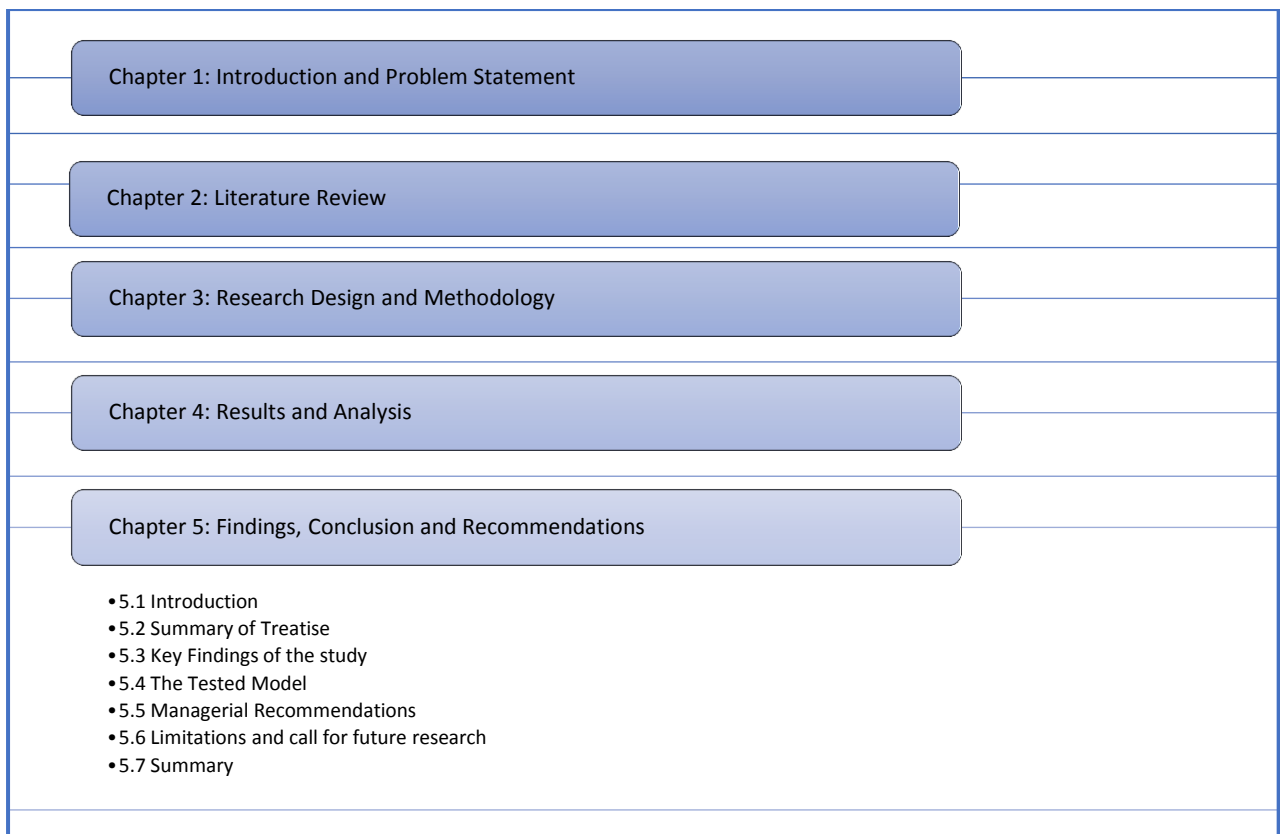


Figure 5.1: Overview of Chapter 5

## 5.2. Summary of Treatise

### 5.2.1. Chapter 1: Introduction and Problem Statement

Chapter one introduced and provided an overview of the study. It outlined the purpose, the research significance and the delimitation of the study. It further detailed the problem statement: *Loyalty programmes in the South African Airline Industry have not been adequately researched*. In addition, it defined the RO<sub>M</sub>: *To provide an understanding of the factors which influence loyalty programmes in the South African Airline Industry*. RQ<sub>M</sub>: *What factors influence loyalty programmes in the South African Airline Industry?* The chapter concluded with the Research Alignment Plan, which was used as a guide throughout the treatise.

### 5.2.2. Chapter 2: Literature Review

This Chapter reviewed and analysed various academic resources academic journals, books, conference papers, working papers publications and reports to address the first three secondary research questions. Firstly RQ<sub>1</sub>: *What is the definition of customer loyalty?* Which addresses RO<sub>1</sub>: *To review definitions and theories surrounding customer loyalty*. Sub-section 2.4.1, through a review of literature found that there is no consensus on the broad definition of customer loyalty but there is a

general agreement that customer loyalty does include a combination of attitude and behaviour (Watson IV, Beck, Henderson & Palmatier, 2015; Chaudhuri & Ligas, 2009). Therefore customer loyalty can be defined as the combination of attitudes that are aligned to positive purchase behaviour that gives one organisation the competitive edge. It is clear from literature that customer loyalty is a key requirement for any organisation. Secondly the chapter addressed, *RQ<sub>2</sub>: What is the definition of customer loyalty programmes? Which addressed RO<sub>2</sub>: To consider definitions and theories surrounding customer loyalty programmes.* Sub-section 2.2, provided a review of the definitions and theories that surround customer loyalty programmes. Customer loyalty programmes can be defined as a structured marketing plan that is intended to enhance customer loyalty by rewarding loyal customers (Gandomi, 2013).

The loyalty programmes are grounded on three theories namely; theoretical grounding, social exchange theory and relationship marketing theory. These programmes are structured differently depending of the customer needs. The most commonly used loyalty programmes include: points systems, tier systems, non-monetary programmes, multi-partner discount offering, loyalty card programme, frequent buyer programmes, frequent flyer programmes, gift cards and money back programmes (Magatef & Tomalieh, 2015). Lastly this chapter addressed *RQ<sub>3</sub>: What is the historical context of loyalty programmes in the South African Airline industry? RO<sub>3</sub>: To review and understand the history context of loyalty programmes in the South African Airline Industry.* Sub-section 2.5.2, outlines the historical context of Loyalty Programmes in the South African Airline Industry. The Airline Industry was first to introduce loyalty programmes in South Africa. This can be traced back to the 1980's. The customer loyalty programmes in South African continue to grow. This chapter concluded with a conceptual model that formed the foundation of the questionnaire developed for the empirical study.

### **5.2.3. Chapter 3: Research Design and Methodology**

Chapter three provided an outline of the research philosophies and approaches used in this study. The research methodology adapted for this study is as follows: Philosophy: Positivist, Approach: Deductive, Strategy: Survey, Choice: Quantitative and Time Horizon: Cross-sectional. Furthermore, the chapter discussed the

operationalisation of the questionnaire from literature; it also provided details on the reliability and validity of the study. The data analysis tests and required ranges which were used to analyse the collected data in Chapter four were discussed. This chapter addressed *RQ<sub>4</sub>: What research design will be used in this study? Which addresses to RO<sub>4</sub>: To establish the appropriate research design and methodology.*

#### **5.2.4. Chapter 4: Results and Analysis**

This Chapter presented, analysed and interpreted the collected results. The revised conceptual model was introduced based on the data analysed. The descriptive and inferential statistics, and Exploratory Factor Analysis, this the empirical study were presented. The three measurement tools that helped determine the significance of items were Eigenvalues, Factor loadings and Cronbach's Alpha. The number of factors per construct was determined using Eigenvalues greater as 1 as the guideline, whilst factor loadings of greater than 0.300 were deemed significant at  $\alpha = 0.05$  significance in accordance with the recommendation for sample sizes greater than 350 (Hair et al., 2006:128). The various relationships between selected variables and demographic information were explored.

The conceptual model from Chapter two was tested and a new factor layout was proposed with only variables to add meaning to the analysis. Therefore, this chapter addressed the *RQ<sub>4</sub>: What should Airline loyalty programmes include? RO<sub>4</sub>: To determine the components loyalty programmes in the airline industry should include.* Attitude and behaviour are strong determinants of the loyalty programmes. Attitude driven by communication, flexibility, general assessment, rewards personal, rewards tangible, rewards monetary and trust, while the behaviour is driven by communication, flexibility, general assessment, rewards personalisation, purchase behaviour and trust. Therefore, loyalty programme need to include the factors that have been identified, those driven by both attitude and behaviour.

#### **5.2.5. Chapter 5: Findings, Conclusions and Recommendations**

This is the final chapter, it provides a summary of the entire study and it also presents the key findings from the empirical study and it addresses the gaps identified between the literature and the results. The implications of the study and managerial recommendations are discussed. The limitations for this study are also

discussed which calls for future research. In closing, the conclusions are drawn based on the research findings. This chapter addresses *RQ<sub>5</sub>: Main Research Question: What factors influence loyalty programmes in the South African Airline Industry?* Which matches *RO<sub>5</sub>: To provide an understanding of the factors which influence loyalty programmes in the South African Airline Industry.*

### **5.3. Key Findings of the Study**

This section summarises the key findings of the study based on the conceptual model, which was introduced in the previous chapter. The variable will be discussed individually to ascertain the factors which influence loyalty programmes.

#### **5.3.1. Loyalty programmes**

In the course of the statistical analysis undertaken in Chapter 4, the Attitudinal and Behavioural factors became stronger determinants of respondents' perceptions of Loyalty Programmes. This was also supported by the study conducted by TaghiPourian and Bakhsh (2015), which reflects that Attitude and Behaviour make up the two dimensional loyalty. These are intermediate factors to the variables that were identified through literature namely; purchase behaviour, trust, communication, personification, flexibility, rewards and method of participation.

In this treatise, Attitudinal and Behavioural factors were studied and analysed to provide an understanding of the factors which influence loyalty programmes in the South African Airline Industry. The communication, flexibility, general assessment, rewards personal, rewards tangible, rewards monetary and trust are factors that influence the loyalty programme which are driven by the attitude of the participant in the programme. On the other side, communication, flexibility, general assessment, rewards personalisation, purchase behaviour and trust are factors that influence the loyalty programme which are driven by the behaviour of the participant in the programme. The descriptive statistics indicated that the largest proportion were positive about loyalty programmes. Further investigation showed that variable Attitude Communication (A.C), Attitude Flexibility (A.F), Attitude Rewards Personal (A.R1), Behaviour Communication (B.C) and Behaviour Purchase Behaviour (B.PB) show results of good standing with Cronbach alpha of 0.70-0.79, while Attitude Assessment in General (A.G) and Behaviour Communication (B.C) show excellent results of 0.80+. The Variables Attitude Rewards Tangible (A.R2), Attitude Rewards



Monetary (A.R3), Attitude Trust (A.T), Behaviour Flexibility (B.F), Behaviour Assessment in General (B.G) and Behaviour Rewards (B.R) show acceptable Cronbach alpha of 0.50-0.69 meanwhile, Behaviour Trust (B.T) was the only variable that was unacceptable with its result being less than 0.50.

### **5.3.2. Communication**

The literature found that communication is an important tool that can be used to enhance customer relationships (Ndubisi, Malhotra & Wah, 2008). It further found that poor communication could result in confusion, which will ultimately negatively affect customer relations (Weissenberg, Narula & Katz, 2013). For the Airline industry it was discovered that effective and accurate communication is key at each point of communication. Communication can therefore be effected at any of the eight touch points, namely; inspiration, booking, purchases, pre-trip, departures, in-flight, lounge time and post-trip (Joshi & Massod, 2016). In this study, the communication is evident as both an Attitudinal (AC) and Behavioural (BC) factors.

AC has a Cronbach Alpha score of 0.73, which indicates good reliability (Nunnally, 1978). The descriptive statistics of the empirical study for measurement items indicated that most respondents felt that A.C is a factor in the loyalty programme (M=2.89) with a positive small practical difference ( $p < 0.0005$ ;  $d = 0.32$ ). Majority of respondents (41%) were neutral with variable AC. In order to shift customer to have a positive outlook, the organisation needs to master the attitudinal aspects of communication. In addition, AC has a positive mean scores and small practical significance are AC: (M = 2.89; d = 0.38). BC has a Cronbach Alpha score of 0.82, which indicate excellent results of 0.80+.

The empirical study indicates that more respondents (47%) were however negative with variable BC with regards to the frequency distribution of the variable. This is supported by literature in that customers want to have timely and relevant communication, as the customers do not want to be bombarded with information instead of the bulk messaging (Weissenberg, Narula & Katz, 2013). The BC has a positive mean scores and small practical significance are AC: (M = 2.89; d = 0.38). The relatively low mean score is supported by literature in that some customer do not see the extent and relevance of the communication therefore the organisations

fail to create a strong influence on the customer's perceived quality of the frequent flyer programme (Bondar, Lacki & Wittkopf, 2008).

### **5.3.3. Purchase Behaviour**

Understanding purchase behaviour is imperative in business. Purchase behaviour of customers is informed by many things, which includes the perceived value obtained by participating in a programme. The Loyalty programmes have the ability to positively influence the purchase behaviour of a customer by adding to a product or service offering (Sharp & Sharp, 1997).

In the Airline Industry, it is noted that Loyalty programmes often enhance customer loyalty which leads to higher footfalls in flights due to repeat purchases by its customers (Tripart, Gupta and Mzumder, 2018). This supported by the social exchange theory that's focuses on the interrelationship that exists between the organisation and its customers which influences the customer satisfaction and purchase behaviour (Gefen, Karahanna & Straub, 2003). Purchase Behaviour is therefore linked to the Behaviour Purchase Behaviour (B.PB) variable.

The findings of the study indicated that the respondents agreed that B.PB is a factor for loyalty programmes, as it generated a positive mean score with large practical significance ( $M = 2.68$ ;  $d = 0.70$ ). The Cronbach Alpha of 0.70 indicates that the measurement is of good reliability (Nunnally, 1978) 2013; Saunders et al., 2009). The results are inconsistent with the literature which suggests that Loyalty programmes have the ability to positively change the purchase behaviour of a customer resulting in repeat purchase (Sharp & Sharp, 1997). The respondents of this study indicate that they are not influenced by loyalty programmes for repeat purchase.

### **5.3.4. Trust**

Chapter Two highlighted trust as one of the key variables of Loyalty Programmes (Deng, Lu, Wei & Zhang, 2010). Trust refers to the reliance on the credibility of the organisation's offering (Pi & Huang, 2011). Trust between the customer and the organisation is crucial, the customer have to trust in order to share personal information. The trust relationship is often not an explicit contract in the relationship that exists between the parties as a result no rewards can be guaranteed (Gefen, Karahanna & Straub, 2003). The trust relationship is an on-going relationship

exchange, as noted in the commitment-trust theory. This theory emphasises the importance of commitment and trust in any Loyalty Programme. Trust is influenced by both Attitude Trust (AT) and Behaviour Trust (BT) factors.

The results of the item analysis and descriptive statistics for AT indicate that most respondents (54%) were neutral with variable with positive mean scores and small practical significance ( $M = 2.75$ ;  $d = 0.22$ ). The Cronbach Alpha of 0.67 is acceptable as the measurement of good reliability. AT has a positive correlation with all variables however only the correlation between BG and BT is deemed significant (Gravetter & Wallnau, 2009). The t-test of dependence was conducted with Age, race, gender, household size, monthly household income and highest level of education categorised, and the results show that  $p$  was not significant  $p > 0.05$  therefore Cohen's  $d$  not applicable.

The results of the item analysis and descriptive statistics for BT indicate that most respondents were neutral with variable with positive mean scores and the Cohen's  $d$  scores which was deemed practically insignificant ( $M = 2.75$ ;  $d = 0.22$ ). BT has a positive correlation with all variables however only the correlation with is deemed BC was deemed significant. B.T was the only variable that was unacceptable with its result being less than 0.50.

### **5.3.5. Personalisation**

The customers do not relate to the programme in the same way. The importance of co-creating the redemption avenues along with the customer has been highlighted by Jaybind (2016). This proved to be an important factor, as it was clear from the empirical study that customer want personalised offerings. Personalisation is therefore linked to the Behavioural Personification (B.P) factor. The descriptive statistics for B.P indicated that 31% of respondents indicated neutral for BP and 28% were positive. This consistent with the literature which calls for personalisation of the loyalty programmes. The customers do not relate to the programme in the same way therefore it is for the organisation to be able to offer personalised offerings that will cater for the different customers.

The results of the study reported that BP generated a positive mean score ( $M = 2.95$ ;  $d = 0.42$ ) with a small practical significance. BP is moderately positively correlated to

all variables. The Cronbach Alpha score of 0.90 indicates excellent reliability (Nunnally, 1978).

### **5.3.6. Flexibility**

Flexibility refers to the ability of the organisation to offer variety of rewards programmes and packages that offers high level of flexibility (Atalik, 2014). This includes offering an autonomous next generation programmes, which allows for more flexibility from both a customer and organisation perspective (Boer & Gudmundsson, 2012). Flexibility is therefore linked to both the Attitudinal Flexibility (AF) and Behavioural Flexibility (B.F) factors. The descriptive statistics indicated that an overwhelming majority 93% of the respondents were very positive and optimistic with variable A.F. The results of the study reported that AF generated a positive mean score with large practical significance ( $M = 4.50$ ;  $d = 1.78$ ). The Cronbach Alpha score of 0.78 indicates good reliability (Nunnally, 1978). These customers agree that they require more flexible benefits. This is supported by literature wherein a number of organisations have started to provide more flexible rewards offering which includes points and/or miles that do no expire (Boer & Gudmundsson, 2012).

The descriptive statistics indicated that majority 43% of the respondents were positive with variable B.F. The results of the study reported that BF generated a positive mean score with small practical significance ( $M = 3.14$ ;  $d = 0.32$ ). The Cronbach Alpha score of 0.66 indicates acceptable reliability and internal consistency of the research instrument items for BF. Though the majority of the respondents are positive with BF, literature suggests that more needs to be done from a South African perspective. The South African Airlines are still offering the traditional frequent flyer programmes with limited flexibility which limits the types of rewards that are offered (Brand South Africa, 2017).

### **5.3.7. Rewards**

Customers measure the value of the loyalty programme based on their perceived benefits or rewards (Lee, Tsang & Pan, 2015). Three types of rewards have emerged through literature, namely; personal, tangible and monetary rewards (Atalik, 2014; Brashear-Alejandro, Kang & Gronza, 2016). For the purpose of understanding rewards from the attitudinal perspective, the rewards have been classified as follows; Rewards Personal (R1), Rewards Tangible (R2) and Rewards Monetary (R3).

Rewards are influenced by Attitude Rewards (A.R1), (A.R2), (A.R3) and Behaviour Trust (BT) factors.

The descriptive statistics indicated that the majority 57% of the respondents were negative with variable AR1, with the majority of 47% being neutral with variable AR2 while majority 73% of the respondents were very positive and optimistic with variable A.R3. The results of the study reported that AR1, AR2 and AR3, all generated a positive mean score ( $M = 2.29, 2.88$  and  $3.84$  respectively) with all reporting a small practical significance ( $d = 0.41, 0.41$  and  $0.66$  respectively). AR1 had a Cronbach Alpha score of 0.78, which indicates good reliability (Nunnally, 1978) while AR2 and AR3 indicate an acceptable score of 0.59 and 0.64 respectively. These results are inconsistent with the literature which suggests that customers are not interested in monetary rewards. Literature suggests that customers are often interested in intangible benefits more than the tangible benefits (Colakoglu & Artuger, 2013). In addition literature suggests that non-financial rewards should be used to create deeper relationship with customers (Brashear-Alejandro, Kang & Gronza, 2016). The results of this study show that customers are more interested in monetary rewards and they are less interested in personal and other tangible rewards.

The results of the item analysis and descriptive statistics for BR indicate that most respondents 63% were positive and optimistic with variable BR with positive mean scores and a small practical significance ( $M = 3.66; d = 0.44$ ). BT has a positive correlation with all variables. BR indicates an acceptable Cronbach Alpha score of 0.55. This is consistent with the literature, which suggests that rewards are key in enhancing the customer's perceived value of the programme (Atalik, 2014).

#### **5.3.8. General Assessment**

This variable relates to the general assessment of loyalty programmes. Therefore has an impact on both the Attitude General Assessment (AG) and the Behaviour General Assessment (BG).

The descriptive statistics for A.G indicated that 58% ( $n=101$ ) of respondents were positive and optimistic with variable AG. The results of the study reported that AG generated a positive mean score ( $\mu = 3.44$ ) with no statistical significance ( $p=0.08404$ ). AG had positive correlations with each other ranging from medium to

strong strength. The Cronbach Alpha score of 0.82 indicates excellent reliability (Nunnally, 1978).

The descriptive statistics for A.G indicated that 46% of respondents were positive with variable BG. The results of the study reported that BG generated a positive mean score (M = 3.44 with no statistical significance ( $p=0.004$ )). BG had positive correlations with each other ranging from medium to strong strength. The Cronbach Alpha score of 0.64 indicates acceptable reliability (Nunnally, 1978). The positive mean is supported by literature which indicates that 79% of South African customers use loyalty programmes (Truth, 2017). There is a need for improvement in the South African Airline Industry.

#### **5.4. The tested Model for determining factors which influence loyalty programmes in the South African airline industry**

The conceptual model for determining factors which influence loyalty programmes in the South African Airline Industry from Chapter Two was found not to be a feasible model in the course of the statistical analysis undertaken in Chapter 4; the Attitudinal and Behavioural factors became stronger determinants of respondents' perceptions of Loyalty Programmes. As such, a revised conceptual model was proposed in Chapter Four which was divided into Attitudinal and Behavioural factors as illustrated in Figure 4.14 that proved to be an adequate model for determining factors which influence Loyalty programmes in the South African Airline Industry.

In this model, IV7: Method of Participation was removed as a variable and replaced with a more encompassing variable; Assessment in General. Furthermore, Attitude became an intermediate variable for IV2: Trust; IV3: Communication, IV5: Flexibility, IV6: Rewards and Assessment in General. Behaviour became an intermediate for IV1: Purchase Behaviour; IV2: Trust; IV3: Communication, IV4: Personification, IV5: Flexibility, IV6: Rewards, IV4: Personification and Assessment in General.

#### **5.5. Managerial Recommendations**

The managerial recommendations form the bridge between the result of the empirical study and literature. This study builds and contributes to the current knowledge of loyalty programmes and understanding of the factors which influence loyalty programmes in the South African Airline Industry which has not been adequately researched. The findings provide insights for managers that while loyalty

programmes in general have been well researched, there is in fact a need to understand the industry specific needs; as such this study provides insight on the South African Airline Industry. This will address the research problem: *Loyalty programmes in the South African Airline Industry have not been adequately researched.* The findings can assist managers in developing sound loyalty programmes specifically aimed at the South African Airline Industry.

The African Airline industry is undergoing intense changes driven by growing African economies and a growing middle class as such it requires managers who are able to implement sustainable programmes. Therefore, tailoring loyalty programmes to this market will ensure that they remain loyal and that the customer lifetime value is optimised. In this study it is noted that the Attitudinal and Behavioural factors are strong determinants of respondents' perceptions of Loyalty Programmes. The recommendations are all in the revised conceptual model and have been tested as the factors which influence Loyalty Programmes in the South African Airline Industry.

The following observations and managerial recommendations are provided:

- The majority of the respondents have indicated that they have Loyalty Programmes that they do not use. This is supported by the fact that less than half of the respondents felt that they do not save money by using Loyalty Programmes. This is concerning considering that loyalty programmes are built on the premise of adding value to customers. As such it is recommended that Loyalty programmes are reviewed and crafted in such a way that the value proposition is very clear for all customers to see. This will also help demystify the perception held by almost half of the respondents that it takes time to get anything worthwhile with the Loyalty Programmes.
- Loyalty programmes have not converted 36% of the respondents to being loyal customers. As more than two thirds of the customers have indicated that they don't buy products simply because there are loyalty programme members. Most have also indicated that they're not motivated to spend more by Loyalty Programmes and that they use stores that suite them regardless of whether the stores have Loyalty programmes. This is a strong indication that customer purchase behaviour is strongly driven by value that is derived by the customer. It therefore entails that when crafting the Loyalty Programme it

should be value based and it should address the needs of the customers. As customers are no longer converted by virtue of being members of a loyalty programmes. Therefore the organisation need to thoroughly monitor the needs of the customer in order to produce a value based Loyalty Programme in the South African Airline Industry.

- Loyalty programmes need to ensure that they get permission to communicate with the customers and they also need to ensure that they know the preferred method of communication from each customer. It is also encouraging to note that more than 65% felt that the Airline Loyalty Programmes communicate through the preferred medium – the organisations need to ensure that they manage the changing technologies in light of the customer needs. It is also important for organisations to ensure that customers are sent relevant and specific messaging. This is so as most respondents of this study felt that they were bombarded by communication from loyalty programmes; they were also neutral when it comes to the relevance of the messages. It is therefore crucial for organisations to deliver relevant messaging at the relevant time. The organisations need to move away from bulk/spam messaging to more customised and targeted messaging. It is therefore imperative that a holistic communication strategy is in place to ensure that communication is well managed.
- Personalisation of service offering is crucial in the Airline industry. Majority of the respondents were neutral with this variable however when investigating further, it is noted that almost half of the respondents agreed that they receive personalised service offering, personalised discounts and promotions. This is encouraging to note, and the Airline Loyalty Programmes should continue with such personalisation with the intention of reaching more than the percentages sighted. As stated in literature, the Airline Industry is very competitive and it is always imperative for an organisation to provide value-based offering and personalisation of the service offering is one way of doing that.
- The majority of the respondents were positive with variable AF and BF. Most respondents felt that the Loyalty Programmes had a one size fit all approach. Almost all (93%) of the respondents agreed that the Airline Loyalty Programmes should offer points that do not expire, in addition 89% felt



cheated when points expire. It is therefore clear that customers do not agree with current points offering that expire overtime. It is therefore imperative that the organisations find a business model that will have points that do not expire without negatively impacting on the returns of the airlines. Major programmes like the Delta Airlines and American Airlines have already implemented such business models (Tripart, et al., 2018).

- The small majority of respondents were either negative or neutral pertaining to trust. This is indicative of the country situation, there is a positive in that majority are not nervous to share information with the loyalty programme. It is also noted that majority of the customers get annoyed when they're contacted all the time. It is therefore clear that the organisations need to intelligently use the data obtained from the customers to better understand the customers. This will ensure that customers are only contacted for offerings that are relevant to them instead of being continuously contacted for various offering.

## **5.6. Limitations and call for future research**

This section presents the limitations of this study and future research that scholars can pursue.

### **5.6.1. Limitations of the Study**

The study used positivistic and quantitative research methods. In a form of a self-administrated questionnaire which limited the respondent's response to a set of prescribed statements that they had to either agree or disagree with. As such, this limited the quality of feedback, which may have been extracted if there were open ended questions. Furthermore the majority of the respondents are from the Eastern Cape and Gauteng, which means that there will be a province bias. If this study were to be repeated with respondents form other geographic locations; the results may be very different. The use of these respondents may pose as a limitation, as the results cannot be generalised. This study used pooled data from a broader study; it therefore included people who belonged to various other loyalty programmes which could have influence the responses given.

### **5.6.2. Future Research**

This study used pooled data from a broader study; it therefore included people who belonged to various other loyalty programmes. Future studies should look at focusing on an exclusive study on Loyalty Programmes in the Airline Industry, furthermore the future study needs to include some of the Airline Loyalty Programmes that were not included in this study. Researchers could possibly do a comparative study between South Africa and various countries to explore the effectiveness of Loyalty programmes in the Airline Industry. Future studies could also explore the influence of loyalty programme design and perceived benefits. In addition, researchers should look at the influence of loyalty programme satisfaction, loyalty programme trust and loyalty programme commitment on repeat purchase behaviour.

### **5.7. Chapter summary**

The main objective of the study was to provide an understanding of the factors, which influence loyalty programmes in the South African Airline Industry. In addition, a conceptual model was constructed from the literature and later revised to determine which influence loyalty programmes in the South African Airline Industry. The chapter concluded with a tested model that provided the attitudinal and behavioural factors that influence loyalty programmes in the South African Airline Industry.

The deliverables, based on the ROs, that this treatise achieved include:

- To review definitions and theories surrounding customer loyalty;
- To consider definitions and theories surrounding customer loyalty programmes;
- To review and understand the history context of loyalty programmes in the South African Airline Industry;
- To establish the appropriate research design and methodology;
- To ascertain critical factors of a successful loyalty programme.

As such, the research problem – *“Loyalty programmes in the South African Airline Industry have not been adequately researched”* has been explored, as well as the RQ<sub>M</sub>: *What factors influence loyalty programmes in the South African Airline Industry?* And RO<sub>M</sub>: *To provide an understanding of the factors which influence*

*loyalty programmes in the South African Airline Industry.* In addition, the managerial recommendations, the limitations to the study and the call for future research were discussed. If these recommendations are implemented, business managers will be able to identify factors which influence loyalty programmes in the South African Airline Industry. This will empower managers to make informed decisions when formulating and implementing Loyalty programmes in the South African Airline Industry. This could potentially lead to increase customer loyalty.

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## APPENDICES

### Appendix A: Questionnaire

#### LOYALTY

Dear Participant

You are invited to participate in our survey on Loyalty programmes and Loyalty cards. Various stores, airlines and organisations offer loyalty programmes and cards. Loyalty programmes are structured marketing strategies designed by merchants to encourage customers to continue to shop at or use the services of businesses associated with each programme. Examples of loyalty programmes and cards are Spar Rewards, Voyager and the Spur Family card.

The questionnaire should take you approximately 8-10 minutes to complete.

Your participation in this study is completely voluntary. There are no foreseeable risks associated with this project. However, if you feel uncomfortable answering any questions, you can withdraw from the survey at any point. Submission of this survey implies consent.

Your survey responses will be strictly confidential and data from this research will be reported only in the aggregate. Your information will be coded and will remain confidential. If you have questions at any time about the survey or the procedures, you may contact Professor Margaret Cullen at [margaret.cullen@mandela.ac.za](mailto:margaret.cullen@mandela.ac.za). If you are interested in the results, you are more than welcome to contact her. Thank you very much for your time and support. Please start with the survey now by clicking on the Next button below.

**\* Please indicate your age**



21 – 25	<input type="radio"/>
26 – 35	<input type="radio"/>
36 – 45	<input type="radio"/>
46 – 55	<input type="radio"/>
56 – 65	<input type="radio"/>
65 +	<input type="radio"/>

**\* Please indicate your race**



Asian	<input type="checkbox"/>
Black	<input type="checkbox"/>
Coloured	<input type="checkbox"/>
White	<input type="checkbox"/>
Other	<input type="checkbox"/>

**Please indicate your gender**



Female	<input type="checkbox"/>
Male	<input type="checkbox"/>

**\* Please indicate your employment status**



Employed	<input type="checkbox"/>
Unemployed	<input type="checkbox"/>
Self employed	<input type="checkbox"/>
Full time student	<input type="checkbox"/>
Retired	<input type="checkbox"/>

**\* Where do you live?**



Border	<input type="checkbox"/>
Eastern Cape	<input type="checkbox"/>
Free State	<input type="checkbox"/>
Gauteng	<input type="checkbox"/>

KZN	<input type="checkbox"/>
Limpopo	<input type="checkbox"/>
Northern Cape	<input type="checkbox"/>
North West	<input type="checkbox"/>
Mpumalanga	<input type="checkbox"/>
Western Cape	<input type="checkbox"/>
Other	<input type="checkbox"/>

\* **How many people live in your household?**



1	<input type="checkbox"/>
2	<input type="checkbox"/>
3	<input type="checkbox"/>
4	<input type="checkbox"/>
5	<input type="checkbox"/>
6+	<input type="checkbox"/>

\* **Please indicate your monthly household income**



< R10 000.00	<input type="checkbox"/>
R10 000.00 – R29 999.00	<input type="checkbox"/>
R30 000.00 – R49 999.00	<input type="checkbox"/>
R50 000.00 – R69 000.00	<input type="checkbox"/>
R70 000.00 – R89 000.00	<input type="checkbox"/>
R90 000.00+	<input type="checkbox"/>

**\* Please indicate your highest level of education**



Primary School complete	•
Some High School	•
Matric	•
Diploma	•
Degree	•
Master's Degree	•
PhD	•
Other post matric	•

**\* In your household are you**



Wholly or mainly responsible for day-to-day household purchases	•
Partly responsible for the day-to-day household purchases	•
Not responsible for the day-to-day household purchases	•

**\* When it comes to making financial decisions in your household are you**



Wholly responsible for the decisions	•
Others and I share the decision equally	•
I get opinions from others, but I make the decision	•
I give my opinion, but the decision is made by others	•

The decision is made solely by others	•
---------------------------------------	---

**\* Do you belong to loyalty programmes or have loyalty cards?**



Yes	•
No	•

**\* Grocery and general retail – Please indicate which Loyalty Cards/Programmes you belong to.**

<input type="checkbox"/>	Edcon
<input type="checkbox"/>	Fanatics
<input type="checkbox"/>	Little World
<input type="checkbox"/>	My School/My Village/My Planet
<input type="checkbox"/>	My Spar Rewards Club
<input type="checkbox"/>	Pick a Pay Smart Shopper Card
<input type="checkbox"/>	Shoprite Checkers Eazicoupons
<input type="checkbox"/>	Snap n Save
<input type="checkbox"/>	W Rewards
<input type="checkbox"/>	Other

**\* Health and Beauty – Please indicate which Loyalty Cards/Programmes you belong to.**

<input type="checkbox"/>	Clicks Club Card
<input type="checkbox"/>	Dis-chem Benefits
<input type="checkbox"/>	Sorbet Society
<input type="checkbox"/>	Other



**\* Banking and credit cards – Please indicate which Loyalty Cards/Programmes you belong to.**

<input type="checkbox"/>	ABSA Rewards
<input type="checkbox"/>	African Bank Achiever
<input type="checkbox"/>	African Band Enroller
<input type="checkbox"/>	FNB E Bucks Rewards
<input type="checkbox"/>	Global One
<input type="checkbox"/>	Investec Rewards
<input type="checkbox"/>	Nedbank Greenbacks
<input type="checkbox"/>	Standard Bank U Count
<input type="checkbox"/>	Other

**\* Insurance and Medical Aid – Please indicate which Loyalty Cards/Programmes you belong to.**

<input type="checkbox"/>	Discovery Vitality Drive
<input type="checkbox"/>	Discovery Vitality
<input type="checkbox"/>	Discovery Card
<input type="checkbox"/>	Liberty Own your Life Rewards
<input type="checkbox"/>	Momentum Multiply
<input type="checkbox"/>	Sanlam Reality
<input type="checkbox"/>	Other

**\* Travel and Hospitality – Please indicate which Loyalty Cards/Programmes you belong to.**

<input type="checkbox"/>	Avios
<input type="checkbox"/>	BA Executive Club
<input type="checkbox"/>	City Lodge
<input type="checkbox"/>	Emirates Skywards
<input type="checkbox"/>	Protea Hotels
<input type="checkbox"/>	Sunrands
<input type="checkbox"/>	Wild Card
<input type="checkbox"/>	Other

**\* Restaurant and fast foods – Please indicate which Loyalty Cards/Programmes you belong to.**

<input type="checkbox"/>	Spur Family Card
<input type="checkbox"/>	Vida E Cafe
<input type="checkbox"/>	Spur Secret Tribe

**\* Mobile – Please indicate which Loyalty Cards/Programmes you belong to.**

<input type="checkbox"/>	MTN 1-4-1
<input type="checkbox"/>	Vodacom Talking Points
<input type="checkbox"/>	Other

**\* Entertainment, casinos and gaming – Please indicate which Loyalty Cards/Programmes you belong to.**

<input type="checkbox"/>	MVG
<input type="checkbox"/>	Nu Metro
<input type="checkbox"/>	Ster Kinekor Movie Club

**\* Please indicate which option describes you**



My connection to brands goes beyond special offers	•
Brands reflect my personal identity	•
I shop where I shop because it's too much trouble to go anywhere else	•
I am loyal because loyalty cards/programmes reward me to be loyal	•

**\* LOYALTY CARDS / PROGRAMMES**

	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
Loyalty cards/programmes are all the same	•	•	•	•	•
I have loyalty cards/programmes that I don't use	•	•	•	•	•
I save a lot of money by using loyalty cards and belonging to loyalty programmes	•	•	•	•	•
Other things are more important than discounts e.g. customer service, quality etc.	•	•	•	•	•

I would change where I shop for the sake of a loyalty card/programme	•	•	•	•	•
I used to use loyalty cards/programmes but don't anymore	•	•	•	•	•
Having loyalty cards and belonging to loyalty programmes is a waste of time	•	•	•	•	•
I am a member of loyalty programmes and have loyalty cards but have no intention of using them	•	•	•	•	•
Loyalty programmes and cards deliver increased value	•	•	•	•	•
Loyalty cards and programmes are too complicated	•	•	•	•	•
Loyalty cards and programmes are expensive with not enough return	•	•	•	•	•
Loyalty cards and programmes have no benefit	•	•	•	•	•
It takes too long to earn points to get anything worthwhile from loyalty cards/programmes	•	•	•	•	•

**\* PURCHASE BEHAVIOUR**

	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
My loyalty cards/programmes have converted me from a consumer to a customer	•	•	•	•	•
I have seen substantial	•	•	•	•	•

savings due to the money I get from loyalty cards and programmes					
I buy products that I don't need because of the promotions surrounding them	•	•	•	•	•
I shop wherever gives me better discounts	•	•	•	•	•
I get better discounts from in store promotions than loyalty cards/programmes	•	•	•	•	•
I spend less in stores where I don't have a card or belong to a programme	•	•	•	•	•
My loyalty cards/programmes motivate me to spend more	•	•	•	•	•
I get better discounts/ value from loyalty cards and programmes than in store promotions	•	•	•	•	•
I would shop in any store that suits me regardless of whether they had a loyalty scheme	•	•	•	•	•
I buy products if there are extra points offered on them	•	•	•	•	•
I prefer to purchase from outlets that provide loyalty cards/programmes	•	•	•	•	•

## Appendix B: Copy of the email sent to respondents

<p>Dear Participant</p> <p>We would appreciate your feedback in our online survey on Loyalty cards and programmes. All responses will remain confidential and secure. Thank you in advance for your valuable insights. Please click on this link to complete the survey:</p> <p><a href="#">Start Survey</a></p> <p>Please contact <a href="mailto:margaret.cullen@mandela.ac.za">margaret.cullen@mandela.ac.za</a> with any questions.</p> <p>Thank You</p>	
Powered by <b>QuestionPro</b>	
<a href="#">Unsubscribe</a>	<a href="#">Report Abuse</a>

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NOTICE: Please note that this eMail, and the contents thereof, is subject to the standard Nelson Mandela University eMail disclaimer which may be found at: <http://www.nmmu.ac.za/disclaimer/email.htm>

## Appendix C: Turn-it-in Report

The screenshot shows the Turnitin Feedback Studio interface. The main content area displays the Nelson Mandela University Business School logo and the title of the submission: "LOYALTY PROGRAMMES IN THE SOUTH AFRICAN AIRLINE INDUSTRY". On the right side, a "Match Overview" sidebar is visible, showing a total similarity score of 16%. Below this, a list of matches is provided:

Rank	Source	Similarity
1	Submitted to University... Student Paper	1%
2	Submitted to Nelson M... Student Paper	1%
3	Submitted to Coventry... Student Paper	1%
4	uir.unisa.ac.za Internet Source	1%
5	dspace.mwu.ac.za Internet Source	<1%
6	core.ac.uk Internet Source	<1%
7	Submitted to Laureate... Student Paper	<1%
8	Submitted to University... Student Paper	<1%

The screenshot shows the iNGOKO MBR5TR: Business Research Project website. The main content area displays submission details for "Part 1".

Title	Start Date	Due Date	Post Date	Marks Available
MBA Treatise Final Submission - Part 1	2 Mar 2018 - 11:59	9 Mar 2019 - 11:59	9 Mar 2019 - 11:59	100

Below the table, there is a "Refresh Submissions" button and a detailed submission record:

Submission Title	Turnitin Paper ID	Submitted	Similarity	Grade
MBA Final Treatise	1058172560	17/12/18, 12:07	16%	--

On the right side, there is a "Search forums" section with a search bar and a "Go" button, and a "Calendar" section showing the month of December 2018.