



**Measure conflicting values of loyalty cards at fast-moving consumer goods (FMCG) stores in
Mahikeng**

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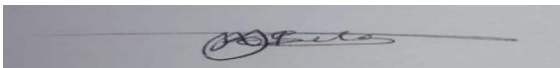
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DECLARATION

I, **OTSILE AUBREY TSELE**, declare that **Measure conflicting values of loyalty cards at fast-moving consumer goods (FMCG) stores in Mahikeng** is my own work. All used or quoted have been indicated and acknowledged by means of complete references.

Signature:



Date: _____17/12/2020_____

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Keywords: fast moving consumer goods, FMCG, loyalty cards, consumer goods, values.

Abstract

The contribution of fast-moving consumer goods (FMCG) to the South African economy is substantial. FMCG generate revenue accounting for over 50% of retail sales. Moreover, FMCG has contributed to increasing employment opportunities, capital savings and poverty alleviation. Many scholars have argued that FMCG retailers are challenged by a competitive business environment, where marketers and retailers are striving to retain customers through various methods. Loyalty programs (LPs) have become a fundamental strategy to secure a greater part of consumer expenditure.

The primary goal of this study was to investigate the relationship between value of LPs and its benefits to customers of FMCG retailers in Mahikeng in the North West province of South Africa. A cross-sectional survey design was used in this study, by means of the purposive sampling method. This study specifically focussed on independent customers with loyalty cards of FMCG retailers in Mahikeng, North West, South Africa. The FMCG stores targeted included: OK Foods, Pick 'n Pay and Woolworths.

The scales used measured loyalty program impact (LPI), value of loyalty card (VLC) and customer loyalty (CL). After the preliminary data analysis, 380 questionnaires were deemed viable for analysis. The analyses conducted on the collected data were: reliability and validity analysis, descriptive analysis, exploratory factor analysis, correlation analysis and regression analysis.

This study found a relationship between values of loyalty cards and benefits to customers. Customers preferred to patronise a loyalty program that provided good value as well as offering benefits. Loyalty programs were found to increase customer loyalty and stimulate relationships between retailers and customers. Furthermore, loyalty programs such as reward programs, point systems, discount program, and coupons contributed towards motivating customers' purchasing behaviour. Findings also showed that different forms of loyalty programs played a role in providing customers with sense of belonging and assisting in enticing potential customers. Lastly, a significant positive relationship was found to exist between loyalty programs and customer loyalty. The findings suggest that an increase in the services of a loyalty program could lead to increases in customer loyalty.

Limited research exists on the value of loyalty programs in Mafikeng, South Africa. The findings of this study have painted LPs as a marketing strategy that could enhance sales and generate sales growth for better growth of FMCG industries in the North West Province. Thus, the findings contribute to existing literature on FMCG retailers and loyalty programs. These findings will assist all stakeholders, while retailers and government will be motivated to invest in LPs, customers will be drawn towards patronising the programs, especially because of their benefits.

LIST OF ABBREVIATIONS AND ACRONYMS USED

CL = Customer loyalty

CLCs = Customer loyalty cards

CRPs = Customer rewards programs

FMCG = Fast-moving consumer goods

LP = Loyalty program

LPI = Loyalty program impact

LPS = Loyalty programs

RQ = Relationship quality

VLC = Value of loyalty card

FRPs = Frequency reward programs

CTPs = Customer tier programs

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CHAPTER 1: ORIENTATION OF THE STUDY

1. INTRODUCTION

Fast-moving consumer goods (FMCG), known as the consumer packaged goods sector, is one of the largest sectors in South Africa and can be defined as products that produce a quick turnover at a low cost (KPMG International, 2016). The contribution of FMCG to the economy cannot be disregarded, as the sector helps the country to generate revenue and makes companies profitable. More so, FMCG are seen as the engine for economic growth, considered as development in developing countries that increase employment opportunities, capital savings and poverty alleviation (Cha & Park, 2019:131; Friday *et al.*, 2011).

From the aforementioned potential of FMCG, industries are faced with the challenge of maintaining a high level of productivity and therefore, operate in a highly competitive market. Such competitive situations prompt the need for adopting various marketing strategies, of which loyalty programs (LP) are an example. LPs refers to a marketing strategy that is planned and serves to encourage repetitive buying and larger purchases. (Olivier & Burnstone, 2014). As an incentives and rewards strategy it promotes a marketing strategy relationship which assists in securing consumer patronage (Breugelmans *et al.*, 2015:132; Kang *et al.*, 2015). Brown (2012) argues the importance of LPs from a marketing perspective, claiming that they help to obtain consumption patterns of consumers which may be a valuable data source for marketing research. In addition, LPs are strategies that promote the marketing of customer relationships, often to increase loyalty and improve relationship quality (RQ) (Meyer-Waarden, 2015:23; Zhang & Breugelmans, 2012:50). Thus, LPs are important marketing tools (Kreis & Mafael, 2014; King & Clark, 2014; Meyer–Waarden *et al.*, 2013).

In South Africa, there has been a rapid increase in LPs at great expense to retailers (Odupitan, 2017). Previous publications by Baar (2013) and Under30CEO (2018) argue that LPs assist in the customisation of integrated marketing communication, yet not much is known about the conflicting value of loyalty cards at FMCG retail stores in Mahikeng.

The purpose of LPs is to offer different forms of rewards including, points and discounts benefits, in exchange for rewarding customers' patronage. This creates a win-win situation whereby the industry also gains market share and profitability. Sharma and Verma (2014) agree and state that LPs are intended to offer customers advantages in exchange for their business. The rationale behind this is that customers will remain with the retailer as long as they are satisfied with the LPs it offers (Xie & Chen, 2013). One of the main difficulties for companies that offer LPs is the identification of the right combination of rewards, particularly those that are difficult to imitate. Moreover, Steyn *et al.*, (2011) found offers that do not provide sufficient value have led customers to switch to better alternative programs. Oberholster (2016:3) identified several factors causing the failure of LPs. The factors are complicated and difficult to operate programs, insufficient return on investment and there is no perception of customer benefits and lack of customer loyalty to the programmes.

This research aimed to investigate the relationship between value of LPs and its benefits to customers of FMCG retailers in Mahikeng in the North West province of South Africa. However, the focus of this study was on FMCG retailers (Pick 'n Pay, OK Foods and Woolworths) in Mahikeng. The study was formulated using a quantitative approach, as it allows for large sample sizes and significant data gathering. With a large sample size, the study objectives yields a substantial argument. Moreover, the quantitative approach is eminently suitable for investigating the phenomenon under study. In this chapter, the following sections are discussed: study background, problem statement, aim and objectives, the research questions, the significance of the study, the design and the methodology of the research and the study scheme.

1.1 Background of the Study

Customer loyalty and retention are at the core of the marketing objectives that marketing specialists must achieve, as there is an increase in experienced customers who are increasingly aware of product and service options (Agudo *et al.*, 2012). Retail industries are faced with a great deal of competition and to be successful they have to earn customer loyalty (Sundström *et al.*, 2020). Reinartz *et al.* (2004) claim that industries are left with no choice but to move from product-oriented strategies to customer-oriented ones. The reason for this, according to Aktepe *et al.* 2015), is that this strategy has shown a rise in financial performance of the majority of retail industries.

The goal of retail industries is to build and maintain customers who engage in repeated purchases to ensure profit for the industries in the long term (Ofek, 2002). This goal has prompted industries to rconsider a better strategy to improve their relationships with customers and continually explore marketing tools which have the capacity to grow or build and maintain loyal customers (Kreis & Mafae, 2014). In the process, loyalty programmes have been created to foster the achievement of increased customer loyalty and acquisition of goals (Omar *et al.*, 2011). Lee *et al.* (2014) affirm that loyalty programs are indeed a response to the competitive nature of different retail industries, as LPs will help attract, retain and enhance relations with consumers. Loyalty programs all over the world have reportedly increased, stirring also great interest among professionals in this field (Koo *et al.*, 2020:2; Dorotic *et al.*, 2012). LPs have no doubt noticeably become a marketing tool used in encouraging the loyalty of customers (Bruneau *et al.*, 2018:144; Evanschitzky *et al.*, 2012; Agudo *et al.*, 2010; Leenheer *et al.*, 2007). Omar and Musa (2009) claim that a LP is a systematic process that involves hiring, selecting, maintaining as well as capitalising customers. In the view of Dorotic *et al.* (2012) and Omar and Musa (2009) the goal of loyalty programs is to reward loyal customers so as to influence their buying behaviour.

Loyalty programs are beneficial to customers who have high domestic expenses and also separates them into "those who have" from "those who do not have" based on their expenses (Van Heerde & Bijmolt, 2005; Yi & Jeon, 2003). In this regard, loyalty programmes influence choices made by customers and their purchasing behaviour. For example, Agudo *et al.* (2010) argue that a loyalty program with quality benefits does not only

have a critical influence on the choice of purchases, but foster customers' trust. Relatedly, Meyer-Waarden and Benavant (2009) support the contention of Bridson *et al.* (2008) with their confirmation that loyalty programs have a slight impact on behaviour, immediately after a client's membership, but are not likely to increase repeat purchases. Other factors, such as customer satisfaction and comfort levels, may also strengthen repetitive purchases (Meyer-Waarden & Benavant, 2008) and yet for Evanschitzky *et al.* (2012:128); Omar and Musa (2008) and Leenheer *et al.* (2007) loyalty program remain strong satisfaction stimuli with a considerable impact on customer loyalty, trust and commitment.

Loyal customers have value in the market. The longer a customer spends with a company, the more revenue they generate, as they become prepared to increase their expenditure and pay higher prices. Therefore, it is not surprising that the number of dealers offering LPs has increased (Eason *et al.*, 2015:72; Cromhout *et al.*, 2016:2). Loyalty programs are part of the efforts of companies to improve their offerings to customers so that both the customer and the company may benefit and sometimes even a third party. The large amount of LPs offered is a reflection of a transformed market environment characterised by strong competition and careful and competent customers and also demonstrates an advancement towards relational marketing and the centrality of the consumer (Liu & Yang, 2009:93, Demoulin & Zidda, 2009:391). Although LPs differ slightly, the desired result is similar: create customer relationships and increase profitability (Ipsos, 2014:1). In retail environments where offers are similar and customer purchases are frequent and consistent, such as the supermarket industry, efforts to build relationships and retain customers become even more common (Sharma & Verma, 2014:925). The food industry, in particular, is characterised by negligible exchange costs and notoriously inconsistent customers, which buy in different stores depending on the best available offer at that time (Vesel & Zabkar, 2010b: 214).

1.2 Statement of the Problem

Past studies (Breugelmans *et al.*, 2015; East *et al.*, 2013; Dreze & Nunes, 2011; Kang *et al.*, 2015) have recognised the advantages of loyalty cards as reward system to consumers as a means to acquire critical intelligence about consumers as well as strategies to generate growth sales in fast-moving consumer goods (FMCG). According to Potgieter and Mandlasi (2018), LPs and the use of loyalty cards impact significantly on the growth of FMCG, an impact that is important to the present study. This is because FMCG are not only known to be one of the largest sectors in South Africa, but loyalty programs play an increasingly important role in the South African retail market. FMCG is seen as the engine for economic growth, considered as the development in developing countries and assist to increase employment opportunities, capital savings and poverty alleviation (Stanciu *et al.* 2019). Past studies (e.g. Potgieter & Mandlasi, 2018; Stevenson, 2000) focused more on challenges encountered by FMCG sectors, instead of addressing loyalty programmes that could enhance profitability, improve customer-retailer relationship and increase retention rates.

This study focused specifically on LPs and the perceived benefits contained in this reward system. This will provide a valuable understanding and the improved insight needed to encourage continued use of LPs in FMCG retailers. This is relevant as Truell *et al.* (1998) argue that LPs is a marketing strategy that helps to promote constant sales and generate sales growth for better growth of FMCG industries. Also, Odupitan (2017) indicates that the effective application of a loyalty programme as marketing strategy accounts for increasing sales within FMCG industries. In the Odupitan study, it was found that industries that have successfully used such innovative strategies as LPs for improved distribution and sales of goods record increased sales.

Previous studies on the FMCG sector focussed more on distribution channels rather than LPs, for example, Odupitan's (2017) study related more to distribution channels and the study was conducted in West Africa. In addition, Marinković, and Dunković (2016) investigated consumer safety within a Eurocentric setting. However, the present study addressed LPs in FMCG retailers in South Africa and specifically in Mahikeng.

Thus, the problem culminates in a lack of consumer knowledge with regards to the benefits of the LPs of retail stores (FMCG retailers) LPs. Therefore, the study sought to critically consider the conflicting value of loyalty cards, particularly in Mahikeng, with a view that the findings will be of paramount importance in providing insights towards the benefits contained in reward systems and how this will impact significantly on the FMCG sector specifically in South Africa.

1.3 Aim of the Research

The purpose of this study was to investigate the relationship between the value of LPs and their benefits to customers of the FMCG sector in Mahikeng.

1.3.1 Primary objective

To investigate the relationship between the value of LPs and their benefit to customers of FMCG retailers in Mahikeng

1.3.2 Secondary objectives

- To examine the values of loyalty cards and benefits to customers of fast-moving consumer goods (FMCG) retailers.
- To analyse the contributing function of the different forms of loyalty programs
- To determine the extent to which loyalty programs increase customer loyalty towards FMCG retailers.

1.3.3 Primary Research questions

What is the relationship between the value of LPs and their benefit to customers of FMCG retailers in Mahikeng?

1.3. 4 Secondary research questions

- What are the values of loyalty cards and benefits to customers of fast-moving consumer goods (FMCG) retailers?
- How do the different forms of loyalty programs contribute to the quality of the relationship with the distributor offering the program and the loyalty of customers as program members?
- How does a loyalty program increase customer loyalty to FMCG retailers?

1.4 Significance of the Study

The study's significance relates to three domains: the theoretical, methodological and practical domain.

1.4.1 Theoretical significance

This study investigated the relationship between the value of loyalty programs and their benefits to customers of FMCG retailers in Mahikeng. In this regard, it extensively researched issues relating to trust, commitment and satisfaction that are considered to be the main contributors of relationship quality (RQ).

Theoretically, therefore, the present study has the potential to contribute to existing literature on loyalty programs and their benefits to all stakeholders (clients, retailers and government)

1.4.2 Methodological significance

The study adopted a quantitative methodology to answer the research questions using hybrid statistical analysis, which contributed to the statistical methods for other researchers in the field and further prompted usage of such methodology.

1.4.3 Practical significance

Practically the results of this study will inform policies as regards customer loyalty cards while also providing valuable insights towards the benefits contained in reward systems and how this will impact significantly on profitability within FMCG industries

1.5 Preliminary Review of the Literature

This section is an abridged literature review obtained from scholarly works from peer reviewed journals and articles within the scope of loyalty programs associated to FMCG sectors globally and locally.

1.5.1 Loyalty programme rewards and benefits

LP rewards offer a range of benefits to members, which include both the tangible and intangible. While tangible tools are concerned with offer benefits such as financial rewards, gifts and discounts, intangible premiums target customers' psychological and/or emotional mentality (García-Gómez *et al.*, 2012). Thus, in this sense, LPs strive to provide the right offering that generates behavioural loyalty in customers by reaching them emotionally and attitudinally (Eason *et al.*, 2015:71).

Tangible awards are omnipresent and appreciated by the majority of customers, but, the benefits are generally misinterpreted and thus fail to build the expected relationships and loyalty (Meyer-Waarden, 2015; Bridson *et al.*, 2008; Tabaku & Zerellari, 2015). A relationship exists between tangible premiums and intangible benefits (García-Gómez *et al.*, 2012). Eason *et al.* (2015) identify three benefits of LPs. These are self-benefits, altruists and the third is first and the second combined. Self-benefit is the receipt of direct rewards in exchange for clientelism (García-Gómez *et al.*, 2012). Altruistic rewards on the other hand are connected to a third party, which generally serves to attract customers, for example, favourite schools, childcare centres and retirement homes. Eason, *et al.* (2015) also argue that LPs that contribute to a charity can increase customers; positive feelings towards the programme and the retailer.

1.5.2 Marketing of relationships

Relational marketing refers to a move from individual-based transactions to a sustainable relationship for stakeholders (Agariya & Singh, 2013). Vesel and Zabkar (2010a) emphasise that building a transaction-based relationship is difficult, because of the diversity of such a relationship. Liu *et al.* (2011) and Hennig-Thurau *et al.* (2002) argue that the quality of the relationship (RQ) mostly comprises three dimensions: satisfaction, trust and commitment

- Commitment in this regard is the desire for the customer to remain in a relationship with the retailer. Thus, relational marketing is relational engagement seen as an exchange partner who believes that a continuous relationship with another is so important as to guarantee the maximum effort to maintain it (Morgan & Hunt 1994),
- Trust refers to the customer's expectation and dependence on the promises of the supplier (Wong & Sohal, 2002). Developing confidence in the retailer creates the zeal for re-investment in a relationship with the retailer (Chen & Quester, 2015; Sun & Lin, 2010).

- Satisfaction is a result of the positive feelings associated with customers' expectations and benefits received. Retailers are of the opinion that a well-designed LP is expected to retain customers. It should also develop a long-term relationship that is capable of adding value and ensuring communication (Meyer-Waarden, 2008).

1.5.3 Customer loyalty

Oliver (1999) defines customer loyalty (CL) as "a commitment deeply rooted in re-acquiring or sponsoring a constantly preferred product / service in the future, thus causing the same brand or set of repetitive marks". Retailers are therefore concerned with achieving the loyalty of their customers, particularly because of the competitive retail environment (Thoma, 2013; Bloemer & De Ruyte, 1998).

In addition, CL allows retailers to be able to predict future purchases and facilitate product recommendations to customers (Cant & Du Toit, 2012). It creates behavioural and attitudinal connections with the business. According to Bridson *et al.* (2008), loyalty has two dimensions, namely attitudinal and behavioural. Demoulin and Zidda (2008) consider true loyalty to be when customers not only engage in repetitive buying behaviour, but demonstrate a positive attitude to the retailer in question.

1.5.4 The South African scenario

In recent years a number of different versions of LPs have been introduced into the South African market. Olivier and Burnstone (2014) have found a significant growth in LPs in the country, whereby an average South African is found to belong to over two programs simultaneously. Preferred LPs are those connected with supermarkets (Moorad, 2015), encouraging some retailers to invest over R100 million in programs development (Magwaza, 2014).

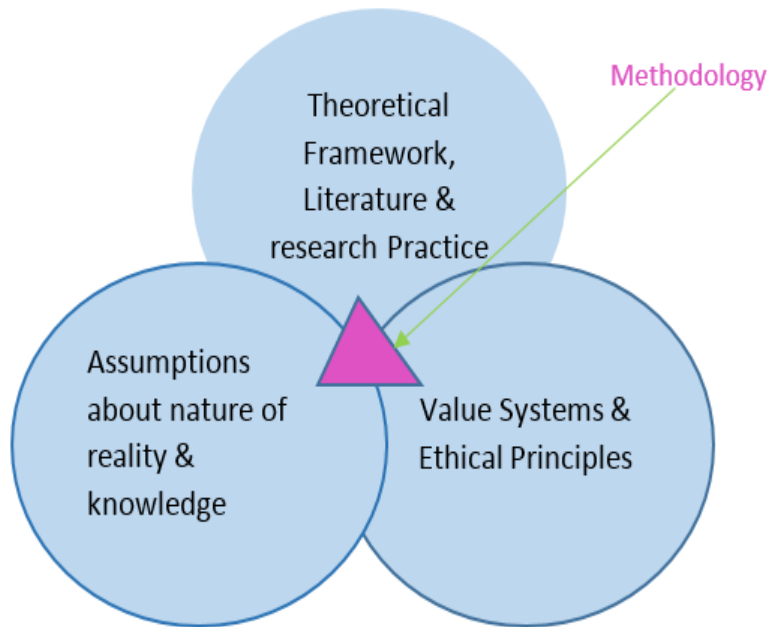
The South African retail market is recognised to be the largest retail market in sub-Saharan Africa, with a per capita income greater than any other continent (Price Waterhouse Coopers, 2012). This makes South Africa very attractive for investment opportunities by Western companies (Jackson, 2012). In South Africa the supermarket industry is hugely important, since food sales account for over 50% of retail sales. It is worth noting that some of the biggest LPs in the country's retail sector are offered within the FMCG environment.

1.6 Research Methodology

According to Denzin and Lincoln (2005), a research methodology is informed by the research question and the phenomenon under investigation. The research format applied in an investigation should be a tool to answer the research question, such tools are also called methods and are means employed for gathering data. Method is an integral part of the methodology. The methodology condenses the whole research process, starting from

the choice of the research paradigm that informs the study. Hence, methodological process is directed by philosophical thoughts and beliefs about the nature of reality, knowledge and values systems as well as by the theoretical framework that informs understanding, clarification and choice of literature and research practice on a phenomenon (see Figure 1.1). Methodology is a mix of assumptions, values systems, theory and practice, as depicted by the pink triangle in Figure 1.1. below.

Figure 1.1: Showing methodology as conjunction of three parts

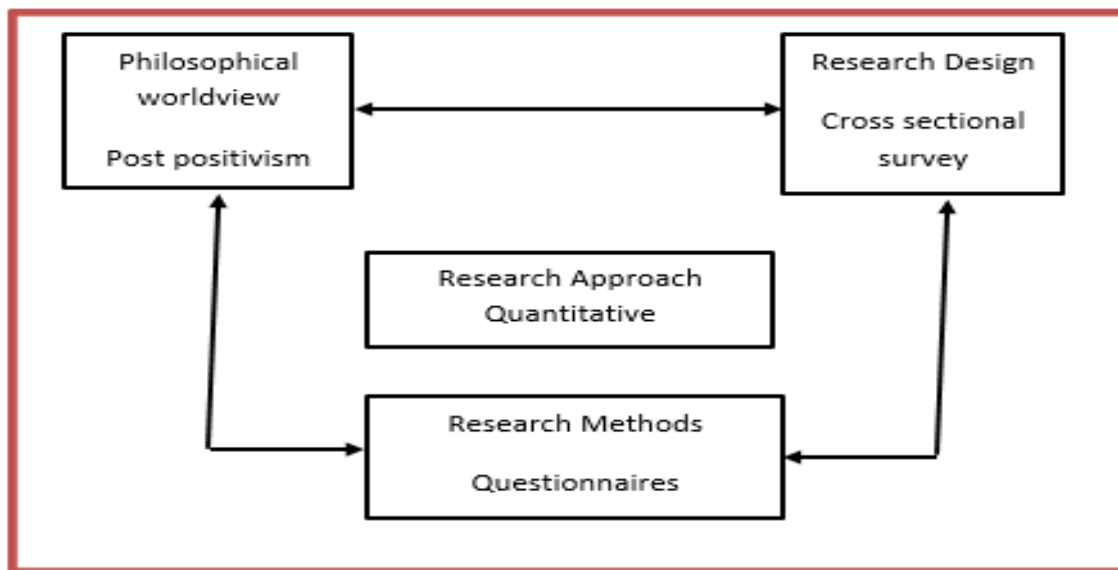


Source: Chilisa and Kawulich (2012:4)

1.6.1 Philosophical foundation of the study

The study aim was to investigate the value of loyalty cards to customers. To achieve this, a systematic explanation of the philosophical concepts of epistemology and paradigm is required. Figure 1.1 depicts the framework that was used by the researcher from the researcher philosophical thinking to methods adopted.

Figure 1.2: A framework for research – the interconnection of worldviews, designs and methods research



Source: adapted from Creswell (2014:35)

1.6.2 Research paradigm – post positivism

According to Creswell (2014:5), philosophical assumptions, design and research methods are the most relevant components of a research approach. This section discusses the assumptions that shaped the research design and methods used in this study. Figure 1.1. shows the interconnection of worldview/paradigm, research design, methods used and approaches.

While the paradigm might be hidden in a research study, it basically influences the path of the study. In Creswell (2014:6) view, a research study needs to address: philosophical paradigm, ideas about the chosen paradigm and how this paradigm assists in determining the approach of the study. Creswell argues further that paradigm is a worldview philosophical orientation and the nature of the study adopted by the researcher.

Maree (2010:47) describes paradigm as a combination of assumptions on basic characteristics of reality arising to a worldview. The worldview often shows the existing relationship between the knower and the known (epistemology). The paradigm may come from students' or mentors' preference or prior research experiences (social science). Thus, the researcher's beliefs or thoughts often dictate the approach to follow.

The present study followed the positivist paradigm approach and employed a quantitative methodology. It is noted that there are several research paradigms available to researchers, which include: positivist/post-positivist paradigm, constructivist/interpretative paradigm, transformative/emancipatory paradigm, postcolonial/indigenous research paradigm. The choice of any of these paradigms however is underpinned by philosophical assumptions. Particular paradigms are related to certain methodologies. For example, a post-positivism paradigm typically employs a quantitative methodology, whereas a constructivism paradigm adopts a qualitative approach. Although, this does not always occur, as interpretative study for example may be pursued using a quantitative methodology instead of qualitative. It is significant to note that no one paradigm is “correct”, but it is up to the researcher to select from any of the paradigms. Choosing the right paradigm will depend on a number of things, including how the paradigm informs the research design that is most appropriate in answering the question(s) under investigation.

1.6.3 Research design

Research design is the structure and general plan followed for a particular research (Punch, 1998). Research design include: exploratory and casual design. The latter comprise descriptive and correlational design. De Vos *et al.* (2011) define research design as a set of logical arrangements from which perspective researchers can select the one suitable for their specific research goals. McMillan and Schumacher (2010) explain research design as how the study is conducted, the general plan, what happens to the subjects and the methods of data collection employed in order to generate empirical evidence that was used to answer the research questions.

The current study was based on a descriptive research design, the choice of research design was due to the nature of the research problem under consideration, as the study aim was to investigate the value of loyalty cards to customers of fast-moving consumer goods (FMCG) retail stores in Mahikeng.

1.6.4 Research approach

While there are three main approaches in research, namely qualitative, mixed method and quantitative, this research adopted a quantitative approach.

The quantitative approach was selected above other approaches because it is associated with the research design chosen for this study. A cross-sectional survey design is anchored within the quantitative approach methodology. According to Creswell (2003), surveys, experiments and cross-sectional survey design are strategies associated with quantitative research. The cross-sectional research design was used in this study.

Further justification for using a quantitative approach is that the present study collected data by means of questionnaires and Creswell (2003) argues that surveys covering longitudinal and transversal studies, employing questionnaires as a method of data collection to generalise findings from a small sample to a larger

population, is associated with a quantitative approach. Levin (2006) deems cross-sectional design important when studying relationship or in association-related studies that study the association or the relationship between constructs. The present study is an attempt to investigate the relationship between the values of loyalty programs and customers of FMCG retailers.

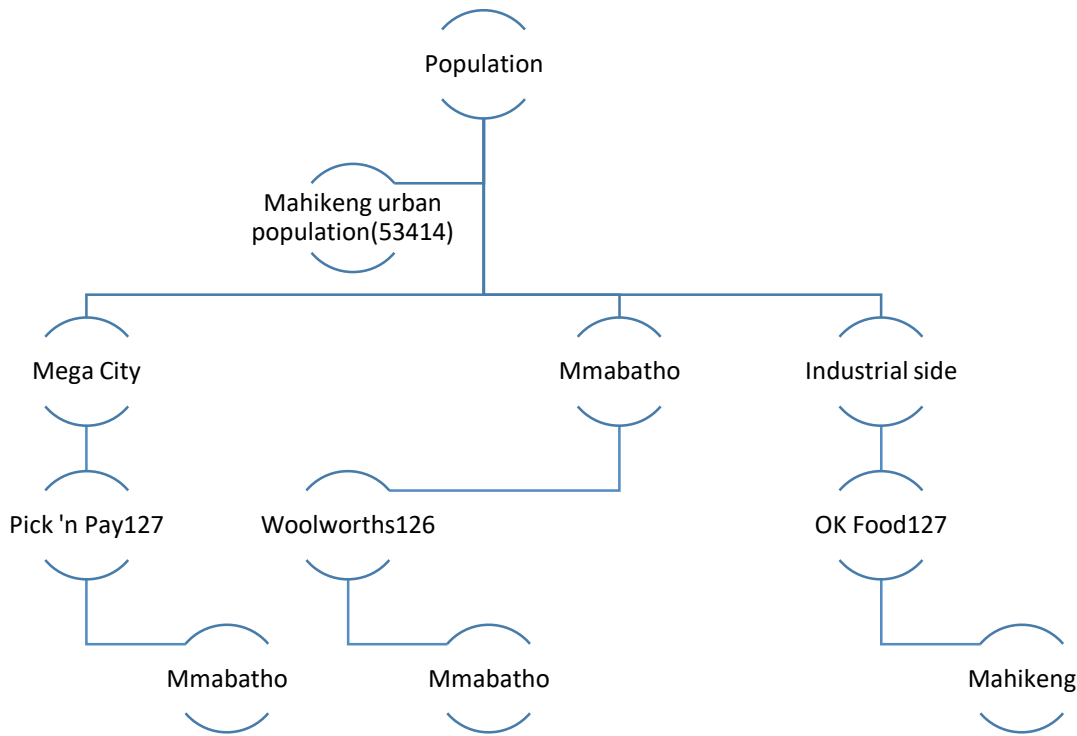
1.6.5 Data collection methods

This study collected data by means of questionnaires. According to Creswell (2014), the questionnaire is the most appropriate data collection method for quantitative research. Levin (2006) agrees with Creswell and indicates that the use of questionnaire is noted to be economical, requires little time to execute, several concepts can be assessed and the occurrence of the result approximated. Additionally, Malhotra and Peterson (2006) confirm that questionnaires allow for easy selection of a representative sample that reflects the features of the entire population. Levin (2006) further affirms that using questionnaires makes it difficult to achieve random inference.

1.6.6 Research population

The population is the targeted community or group of people selected by the researcher for the study. The study aim was to investigate the value of loyalty cards to customers of fast-moving consumer goods (FMCG) retail stores in Mahikeng and so the population of interest to this study was limited to customers who hold a card or is a loyalty points member and customers who do not were excluded from the study. Thus, the population of interest of a given study has common characteristics. The population from which the samples of this study were drawn consisted of customers who buy from FMCG retailers who hold a loyalty card.

Figure 1.3: Population and Sample



Statistics South Africa Census 2011 cited the Mahikeng urban population as 53 414, a number that includes Mahikeng industrial areas, Golfview, Danville, Riviera Park and people living at the urban Mmabatho units.

1.6.7 Sampling Methods

The non-probability (convenience/purposive) sampling technique was employed to select respondents. Important factors that were also considered were easy accessibility and logistics, Maree (2010:177) refers to convenience sampling as a sampling method founded on availability, accessibility and cost.

Furthermore, the study used purposive sampling or judgmental sampling for selecting customers with loyalty cards. Purposive sampling is when researchers intentionally choose individuals because they are information rich resources for the subject under investigation (Babbie, 2007:184).

A major justification for using the purposive technique in this study is because the method addresses selection of respondents, the settings, and events for data collection (Maree, 2010:178).

The purposive technique was thus found to be the best fitting sampling technique for the study as information-rich individuals are important to the study. The respondents (i.e. customers) have the characteristics and knowledge needed by the researcher (Etikan, Musa & Alkassim, 2016:2). This means that individuals for the study were chosen intentionally to satisfy the study needs and have relevant and useful information for answering the research question.

With a 0,05% degree at accuracy and 95% level of confidence, the sample size within the sketched population (Figure 1.3) accumulates to 380. A total of 381 cardholding customers were selected in this quantitative study. The sampling procedure that was employed is reflected in Figure 1.3.

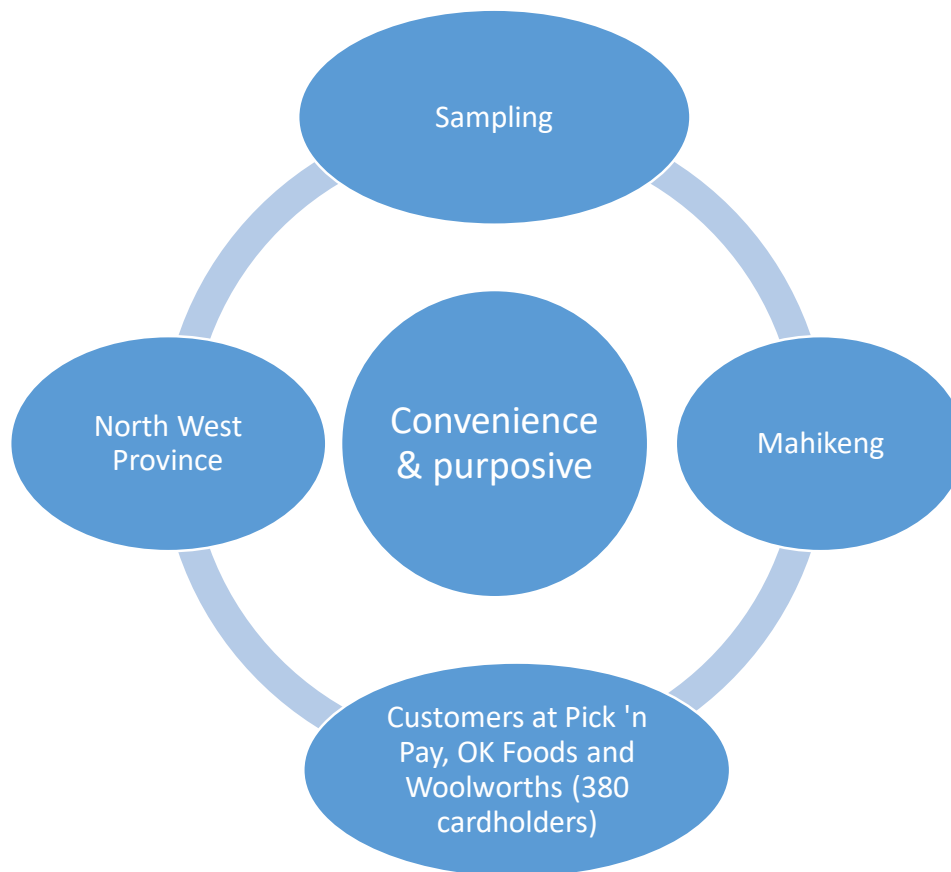


Figure 1.4 Sampling procedure

The sample was selected from customers with loyalty cards at Mahikeng Pick 'n Pay, OK Foods and Woolworths who have knowledge of the value of loyalty cards or programs. Three hundred and eighty (380) respondents were purposively selected to participate in this quantitative study.

1.6.8 Procedures for data collection

The targeted stores were Mahikeng Pick 'n Pay, OK Foods and Woolworths where permission to conduct the study from retailers of these stores was sought.

Customers were conveniently selected as they come out of the selected shops (Pick 'n Pay, OK Foods and Woolworths), upon which those that were willing to complete questionnaires were asked to do so.

1.6.9 Data analysis

The data obtained was analysed at two levels. The first was at univariate level where frequencies, tables and graphs were used to show preliminary analysis. The second was at binary level, where analysis was carried out to indicate the relationships between variables and all questions were tested. The analyses conducted include: reliability and validity analysis, descriptive analysis, exploratory factor analysis, correlation analysis and regression analysis. These analyses were tested by means of SPSS version 26.

1.7 Ethical Consideration

Ethical clearance was sought and obtained from the North-West University (NWU-00749-19-A4). Thereafter, permission to collect data from the identified malls was also obtained from the managers of the malls before commencement of data collection. Ethical principles were adhered to in the course of this study. Honesty and integrity were achieved by the recognition and protection of the rights of respondents. Thus, the rights to self-determination, anonymity, confidentiality and informed consent were observed.

Ethical clearance was sought and obtained from the North-West University (NWU-00749-19-A4), thereafter, respondents' consent was obtained before their participation in the study. Likewise, they were informed of their rights to voluntarily consent or decline to participate and to withdraw participation at any time. Moreover, the purpose of the study was conveyed to all research respondents that they may be aware of the procedures that would be used to collect the data. Lastly, they were assured of no meaningful harm as a result of their participation in the study.

1.8 Chapter Outline

Chapter 1: Introduction and Orientation to the Study

In this chapter, the researcher provides an in-depth background introduction to the study including the problem statement, objectives, research questions, the importance of the study, the design and the research methodology and the study scheme.

Chapter 2: Literature review

In Chapter 2, the literature is examined to explore academic writings on the issues of loyalty programmes and cards that underlie the study. Marketing in the retail sector, marketing mix, marketing strategy, marketing communication mix and integrated marketing communication (IMC) are defined and the synergy aspect of marketing communication, marketing communication in the retail sector, loyalty in the retail sector, history and developments are examined. The topics considered in this chapter include: loyalty programs, consumer loyalty cards, the value of loyalty cards and their benefits to customers of fast-moving consumer goods (FMCG) retailers.

Chapter 3: Design and research methodology

This chapter examines the appropriate design and research methods and all ethical consideration. The methods include: research design, research approach, sampling strategy, target population and method of data collection. The study also addresses the questionnaire design, pre-testing of the questionnaire, followed by administration of the questionnaire. The methods of data analysis are discussed, which include: descriptive analysis, measures of location, measures of variability, measures of shape reliability, validity, factor analysis, correlation analysis, regression analysis, two independent-samples t-test and Cohen's d.

Chapter 4: Results

The chapter discusses and presents the collected data by means of tables using the available technological methods, such as SPSS, in the case of numerical or statistical data. The discussion in this chapter starts with a demographic analysis of respondents and then exploratory factor analysis (EFA). This is followed by the first empirical objectives of this study that examines the values of loyalty cards and benefits to customers. The second empirical objective of this study that analyses the contributing function of the different forms of loyalty programmes is also presented. The third empirical objective that determines the extent to which loyalty programmes increase customer loyalty towards patronising FMCG retailers is further reviewed. Such discussion allows for easy interpretation of the data, from which the possible conclusions are drawn in Chapter 5.

Chapter 5: Conclusions and recommendations

In this chapter, a summary of the study is presented, outlining the results, conclusions and recommendations.

1.9 Conclusion

This study took into account the way in which LPs influence RQ among the participating partners, namely: the retailer and the client. It also investigated the concept of CL and the impact that different forms of LPs might have on it. In addition, the study discussed and summarised the research questions, empirical and theoretical goals. As for the importance of the study, it is clear that this study will contribute to existing knowledge of loyalty programs.

CHAPTER 2: LITERATURE REVIEW

2. INTRODUCTION

This chapter discusses past reviews on loyalty programs (LPs) as it relates to customers' loyalty cards at fast-moving consumer goods (FMCG) retailers. These reviews were globally and locally sought to reveal the present state of the phenomenon under investigation, to determine the current knowledge and identify possible gaps.

FMCG, otherwise known as consumer-packaged goods, are products that are fast to sell at a relatively low cost. They consist of basic everyday items such as toilet soaps, detergents, shampoos, toothpastes, shaving products, shoe polish, packaged foodstuff and household accessories. Some electronic goods also fall into this category. These items are for daily or frequent consumption.

This chapter reviews the literature on loyalty cards. A loyalty card is a market strategy for FMCG retailers aimed at increasing profitability for business owners and also improving customer satisfaction. This is achieved by offering customers a loyalty card program that also allows a retailer to gather data about its customers. Customers are given product discounts, coupons, points toward merchandise or any other reward in exchange for their voluntary participation in the programme. Furthermore, reviews on integrated marketing communications (IMC) are analysed. IMC is a promotional tool used by retailers to communicate and reach out to customers-(Ouwensloot & Duncan, 2008:15).

The goal of this chapter was to identify a research gap regarding the use of loyalty cards. The chapter starts by addressing marketing in the retail sector and then analysing marketing strategy by putting into perspective the marketing mix elements, namely: product, price, distribution and promotion. Likewise, integrated marketing communications (IMC) is discussed and how loyalty cards fit into IMC.

Consumer loyalty cards are conceptualised, linking it to operant conditioning theory. This is because of the dual function of loyalty programs, as it is capable of increasing customer satisfaction and also advancing organisational profitability. Loyalty programs also have an impact on both customer retention and repeat purchase behaviour. The chapter concludes with reviews on the value of loyalty cards and benefits to customers of FMCG retailers.

2.1 Marketing

Marketing, according to Kotler (2004:16), is a social and managerial process whereby individuals and groups get what they need and want through the creation, supply and exchange of products or values with others. This definition is anchored in numerous fundamental concepts, including the needs, desires and demands of products (goods, services and ideas); value, cost and satisfaction; exchange and transactions; relationships and networks; markets and marketers.

Marketing therefore has an organisational function with the goal of not only creating, building, communicating and presenting value to customers, but also managing their relationships in ways that is beneficial to the organisation and relevant stakeholders.

2.1.1 Marketing in the retail sector

Locally and globally the retail sector is characterised by high market saturation and fierce competition, while being confronted with increasingly critical and demanding consumers (Spencer & Rehder, 2012). To differentiate themselves and their products and to secure customer loyalty in the competitive and demanding environment, many retail chains are engaging in a myriad of marketing strategies (Oroh *et al.*, 2017: 2460).

The competitive nature of the growing retail market globally, due to population and economic growth, has necessitated retailers to engage in several promotional marketing activities for the purpose of differentiation and to maintain their customers (Nath *et al.*, 2019). Peattie and Peattie (1994:75) explain that “marketing activities usually specific to a time period, place or customer group, which encourage a direct response from consumers or marketing intermediaries, through the offer of additional benefits”. These activities involve the use of promotional tools (e.g. sampling, discounts, sales, point-of-purchase displays, contests, buy one get one free, coupons, rebates and loyalty programs) and are expected to direct people to make fast decisions and conclude the purchasing process.

Kumar (2019:18) affirms that the high level of competition between retailers is the reason for excessive promotions amongst them. Promotion is also targeted at two main points, the first is to influence customer buying behaviour towards their products and the other is to retain loyal customers. Mohammad (2015) further explains that one main area of marketing that retailers concentrate on is customer satisfaction. This is because of the organisational benefit gained from customer satisfaction. A positive significant relationship is noted to exist between customer loyalty and customer satisfaction (Fornell, 1992). Customer satisfaction is also connected with building and maintaining strong customer relationship (Blattberg *et al.*, 2009). Customer are said to be satisfied only when their perceived value of service and perceived expected value are equal. Kotler and Armstrong (2013: 37) define customer satisfaction as “the extent to which a product’s perceived performance matches a buyer’s expectation”. In order to meet the needs of the consumer in the retail sector, there is a need to conceptualise marketing, the next section addresses the marketing mix.

2.1.2 Marketing Mix

Marketing mix describes the controllable variables used by organisations to satisfy the target market (McCarthy & Perreault, 1987). Kotler and Armstrong (1989:45) define marketing mix as the combination of controllable marketing variables used by industries to produce the response of wants in the target market. McCarthy (1964) summarises the marketing mix into four groups, as illustrated in Figure 2.1, which describe the four Ps of marketing: product, price, place and promotion. These Ps are major core elements that are combined to develop a marketing strategy for achieving the organisation’s objectives (Obasan & Soyebó, 2012). Likewise,

Arjun (2014) describes the four Ps as essential tools once the market needs are identified, required information is obtained as well as indicated for the developing of a market program. This involves deciding how to use the strategy to meet customers' needs and also address challenges faced by competitors. Therefore, marketing comprises the inseparable instruments that strengthen marketing planning. The marketing mix outlines varied decision parameters employed by the industry to market its products (Singh, 2012).

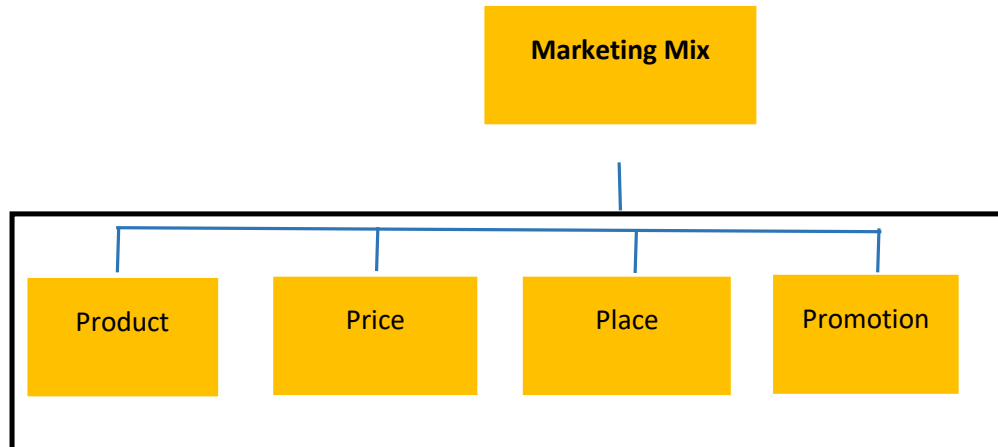


Figure 2.1: The 4Ps of marketing strategy

Source: Hakkak and Ghodsi (2015:300)

Manoj (2013) claims that business organisations use marketing mix to adapt their marketing goals in target markets. Obasan and Soyebó (2012) argue that marketers use this framework in order to evoke desired responses from consumers and target markets. Muhammad *et al.* (2016) investigated the impact of consumer buying behaviour in Pakistan and found marketing mix to be the solution to customer cost or convenience and communication as well as their buying behaviour. They also found that when industries are consumer centric, customers will be loyal to industries' products.

Past studies (Manoj, 2013; Mohammad *et al.*, 2012) affirm the importance of the marketing mix to retailers because the marketing mix elements have been found to be means to an end, as they pave the way for marketing managers to achieve organisational goals and objectives through proper planning. Besides, the marketing mix was found to be controllable parameters with the potential of influencing customer buying behaviour and their decision process (Kotler, 2013). Gitav *et al.* (2013) also agree that the majority of marketing practitioners use marketing mix as the main strategy for creating and developing transaction in the market. These authors furthermore argue that marketing mix is an original model or prototype that presents a universal thought pattern for an effective functioning marketing plan. Relatedly, Gitave *et al.* (2013) illustrate that the mix for the majority of marketers is the toolkit of transaction marketing, the archetype for operational marketing

planning as well as the conceptual platform for solving tactical marketing issues. In the next section the mix elements will be discussed individually as they pertain to the study.

2.1.2.1 Product

Product is referred to as a physical product or service to the consumer that he or she is willing to purchase. It comprises half of the material goods, including furniture, clothing and grocery items and intangible products, such as services that users buy (Singh, 2016). Dang (2015) claims that the product is the first and one of the key marketing elements. Kotler and Armstrong (1989) emphasise that the product "is what can be offered to the market, to get attention, to be the acquisition of used or used, and can satisfy the wants or needs". The product includes the following: natural products; services; experience; people; places; property rights; businesses or organisations, information and ideas (Išoraitė, 2016:27).

A product is a need-satisfying item which is exchanged for a monetary price (Arvinlucy, 2012). It includes both the tangible and intangible attributes (Rezky *et al.*, 2012). The tangible attributes consist of the packaging, quality and brand, whereas, the intangible is the style and image of the product as well as manufacturer reputation (Connett, 2004:7; Lamb *et al.*, 2008:206). The product theory is classified into five product levels: the core, the basic, the expected, the augmented and the potential product.

The core product deals with satisfying the main need to be satisfied by the product (Garcia-Gómez *et al.*, 2012). This is extended to the second level known as the basic product, which is the tangible product that provides the core benefit, products of FMCG retailers such as cosmetics, coffee and beans. The third product level describes the specific characteristics expected by the customer when buying the product (Pour *et al.*, 2013:3275). For example, using loyalty cards is expected to be beneficial to the cardholders, as it helps to save money, enhance ego or self-esteem and promote a sense of belonging.

The fourth product level is the augmented product, which the organisation achieves by adding benefits that exceed the consumer's expectations. Such benefits are unique and are expected to differentiate products from those of their competitors. For example, a coffee manufacturer may add flavours to its coffee. The potential product level represents future adaptations and improvements in the product (Lamb *et al.*, 2008:207).

2.1.2.2 Price

The price of the product pertains to the sales value of the product and the profitability level of the price (Alexandru, 2013). Ehmke *et al.* (2016) assert that the price is a fair assessment of the product, for example, a good price for a good product. In the view of Kotler and Armstrong (2013), the price is described as the amount of money paid in exchange for a product or service or the value of the exchange that assists customers to receive a product or service for a certain amount.

The price relates to issues such as discounts, list prices, credit and repayment terms and conditions. While price is contained in the price, product or service offered for sale and also determine the level of benefits. Price is the only element of the mix that does not include costs charged to the customers to purchase products (Pour *et al.*, 2013:3275).

According to Işoraité (2016:28), price is one of the most important marketing mix element recognised to significantly increase profits and market share. More so, the price is a key factor in a competitive situation that directly affects the company's sales and profitability indicators. Additionally, it is one of the most flexible marketing mix elements and can quickly adapt to environmental changes. In this regard, price is the only element of the marketing mix perceived to generate revenue and considered one of the most important customer satisfaction and loyalty factors (Singh, 2016). For many customers to be aware of prices of goods and services, communication is needed. Advertisement has been found to be a strategy whereby prices are communicated to customers.

2.1.2.3 Place (distribution)

Place or distribution refers to getting the product to the end users or consumers (Alexandru, 2013). This involves all the channels that are followed in transporting the product to its final users. According to Alexandru (2013), place involves the process of getting product to the consumer. As a distribution channel, the appropriate place to get the product to the consumer is crucial, this is the geographical location of the target market (Oyebode, 2017).

Rezky *et al.* (2012) posit that the pathways of conveying goods and services from the manufacturers to the end users are called the place. Thus, place can be regarded as the channel whereby goods are made available in the right quantities and at the right locations when customers need them, which may be the physical shop or virtual retailer (Singh, 2012).

2.1.2.4 Promotion

The last marketing element assists in increasing consumer awareness of their products, leading to increased sales and helping to develop brand loyalty. Brassington and Pettitt (2000:75) define sales promotion as “a range of marketing techniques designed within a strategic marketing framework to add extra value to a product or service over and above the 'normal' offering in order to achieve specific sales and marketing objectives. This extra value may be a short-term tactical nature or it may be part of a longer-term franchise-building program”.

2.2 Marketing Strategy

According to Divya (2013), marketing strategy is the organisation's directed effort at identifying market segmentation and target market, as well as product, price, place and promotion determination. Attain effective marketing strategies requires a combination of a number of marketing strategies working together in a

synergistic way to establish brand, decrease sales conflict and build interest and desire for the product (Sulekha, 2011). Gupta and Nair (2020) describes marketing strategy as the integrated pattern of an organisation's decision regarding the products, markets, and communication, as well as distribution of the product that offers both value to intended customers and also achieves the organisation's goal. Notable also is application of marketing mix in international marketing, where other dimensions such as export marketing strategy, export strategy or business strategy have be used (Moghadam & Foroughi, 2012).

Prior studies (Brodrechtova, 2008; Mohammad *et al.*, 2012; Gitau *et al.*, 2013; Manoj, 2013) noted that the concept of marketing strategy broadly encompasses marketing mix elements, with Gitave *et al.* (2013) claiming that the 4Ps of marketing form part of an important marketing strategy which organisations have to understand so as to market and sell their products effectively. However, the promotional element of the marketing mix, also known as the marketing communication or promotional mix, is most relevant for this study and is discussed in the next section.

2.2.1 Marketing Communication Mix

Marketing communications is one of the four elements of the marketing mix which helps organisations to serve their target markets. Built through good communications, company image and favourable public attitude facilitate business contacts and raising the necessary investment funds (Todorova, 2015:369). Promotional mix (or a marketing communication mix) is the specific combination of instruments used to promote the company to convincingly communicate customer value and build customer relationship (Todorova, 2015:367). Figure 2.2 displays the communication mix, an element that will be discussed in detail as the study progresses.

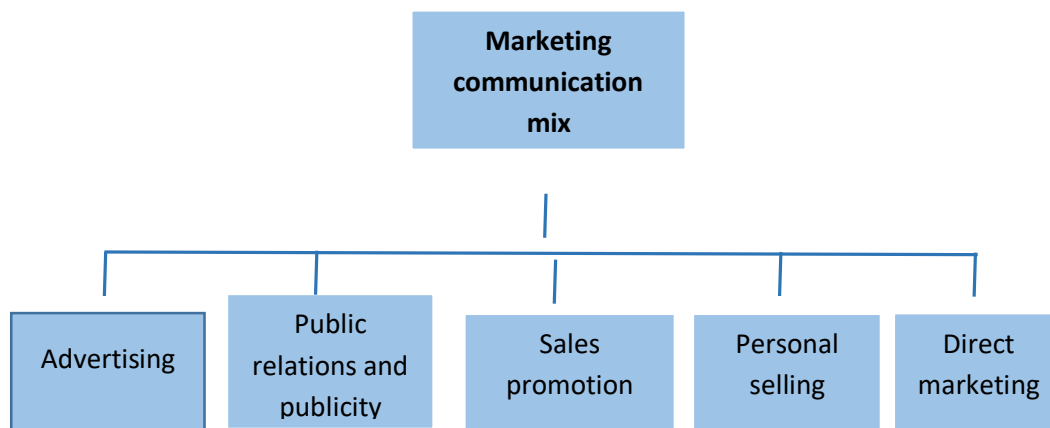


Figure 2.2.: The marketing communication mix with sub-variables

Source: Adapted from Clow and Baack (2010:33); Ouwersloot and Duncan (2008:12) and Belch and Belch (2007:17)

The marketing communications of an organisation are complex measures and techniques through which information about particular goods or services reaches its end users. Kotler and Keller (2012:368) refer to marketing communications as "the means by which firms attempt to inform, persuade and remind their customers - directly and indirectly - of products and brands they sell". Marketing communications represent the voice of the company and its brands, they are the means by which the company can establish a dialog and build a relationship." Velev (2001) considers marketing communication as public communication and thus different from other types of communication-(technical, biological and transport), since the sender and receiver of information are individuals or groups of individuals. Velev (2001) further argues that it is a kind of propaganda to influence the pre-selected audience to turn them in favour of the organisation. This is achieved through transmission of the dosage information. "Marketing communication-directed their efforts to target consumers by developing and implementing programs, fully in line with their character, striving to form in them and preferred brand loyalty and generate demand" (Butkouskaya *et al.*, 2020).

In addition, the marketing communication mix involves informing, persuading and influencing a consumer to make a choice about a product offering (Farzad & Amran, 2012). The goal of this communication or promotion is persuading target customers to buy the product offering. The promotional element involves several communication approaches and activities targeted at the customers. This element mix cannot report effective functioning when used in isolation. According to Ouwersloot and Duncan (2008:15), for an organisation to successfully build customer relationship, there is a need for an integration of the element mix, this integration is discussed in the following section.

2.2.2 Integrated marketing communication (IMC) defined

The marketing function of promotion and integrated marketing communications (IMC) are used interchangeably, although they are sometimes considered as two different features of marketing (Kayode, 2014:9). According to Luxton *et al.* (2015:37), the definition of the IMC concept can be rather ambiguous. This section discusses the various definitions.

Connett (2004:3) describes IMC as a "cross-functional process for creating and nourishing profitable relationships with consumers and other stakeholders by strategically controlling the marketing communication process". Arens *et al.* (2013:701) however, elaborate further by contextualising the relationship that exists due to IMC and explain that the process includes developing and strengthening uniformly beneficial relationships. It is a process of creating a strategy of communication which will enable "constructive contact with the organisation/brand through a variety of media".

In the view of Belch and Belch (2007:15), the promotional mix (advertising, public relations, sales promotion, personal selling and direct marketing) is the instruments used in IMC for communicating with the target audiences. Thus, IMC is the process for developing strategic "brand communication programmes" for satisfying

important internal and external stakeholders (Belch & Belch, 2007:11). Ouwersloot and Duncan (2008:9) have also defined IMC as a “collective term for all the various types of planned messages used to build a brand”. All aforementioned definitions of IMC are adopted as working definition for this study. Kitchen *et al.* (2004:21) furthermore refer to marketing communications as an “umbrella term” that synergises the communication mix elements. This aspect is explained in the next section.

2.2.3 The synergy aspect of marketing communication

Past studies (Belch & Belch, 2007:15) have argued that integrating individuals into the communication mix yields a better result than when used separately. Brand differentiation is also identified as a benefit of integration, which can be achieved by focusing on the customer and developing and maintaining brand equity (Ouwersloot & Duncan, 2008:15). It is important for the industry to arrive at a distinctive competitive edge, because it distinguishes their brands from other competing brands (i.e. differentiation) and their brands are considered to be valued (equity),

Three points appear universal from the aforementioned discussion. First, the role of communication is seen to be important in developing relationships between consumers and organisations. Second, the promotional mix elements must be synergised or integrated and lastly the marketing communication is centred on building brands.

The concept of IMC is centred on customers, particularly because they are at the centre of any business, this explains why marketing communications methods are channelled towards informing, persuading and reminding customers to make repeat purchases and continuously patronise. In light of this, Kotler (2003) notes that IMC strategically looks into the whole marketing process, starting with customers' views that guarantee marketing communications techniques which encourage shared retailer-customer benefits.

IMC is an integrated strategy that utilises the promotional mix elements to develop relationships between stakeholders. Linking this to the present study for example, the relationship would be with consumers using loyalty cards when patronising FMCG retailers in Mafikeng. Promotional mix is critical in the IMC process, as it describes a number of avenues for communicating with consumers. In this regard, promotion will play a greater role than just as a different communication instrument. All sub-variables of the promotional mix need to be planned and implemented in such a way that the goal of the organisation is attained (Percy cited in Kitchen, 2005:75).

According to Turner (2017), the social environment has been impacted by globalisation and advancement in technology, which in turn has affected the growth of IMC. Customer purchasing patterns are also affected because of their exposure to changes in technology, which changes how they receive and interpret marketing communication: for instance, understanding the associated benefits with the use of loyalty cards in a retail sector. The next section discusses marketing communication in the retail sector.

2.3 Marketing Communication in the Retail Sector

The marketing communication process involves the development of a specific message aimed at a specific target audience, for example, consumers using loyalty cards when patronising fast-moving consumer goods (FMCG). This message is sent through a particular medium, such as a magazine advertisement. The following figure illustrates the communication process.

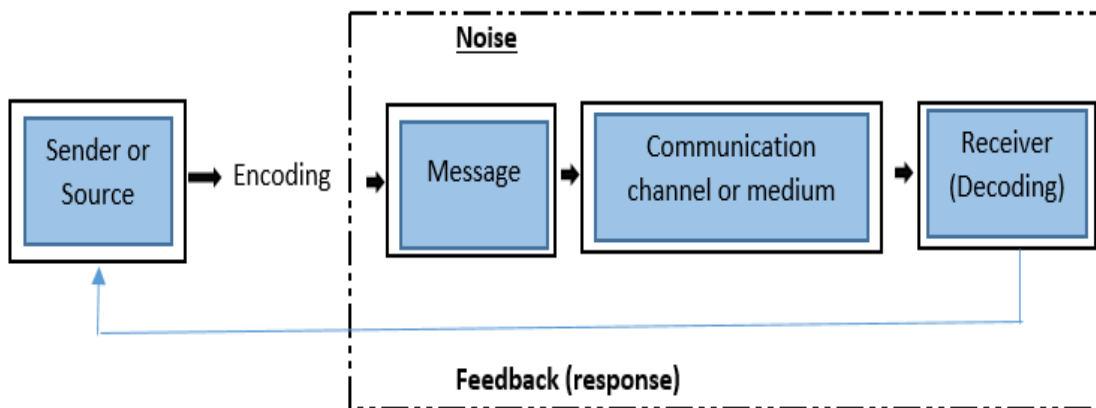


Figure 2.3.: Marketing communication in the retail sector

Source: Adapted from Arens et al. (2011:10); Belch and Belch (2007:139); Ouwersloot and Duncan (2008:70)

As can be seen in Figure 2.3, various elements are involved in the communication process. The figure depicts how messages are sent from the retailer to how they are received by customers, also displaying the encoding and decoding processes that lead to feedback responses to the message (Arens et al., 2011:10).

Messages form part of the marketing communication intended at specific customers. The marketing communication process comprises those features of IMC defined in the communication mix elements in Figure 2.2 (Ouwersloot & Duncan, 2008:70). However, importantly, the communication process may be interjected or hindered by what is regarded as *noise*, which can change the intended and original meaning of the message. When you develop marketing information for a business, the crucial thing is to communicate one central idea to the target audience and "noise" in marketing is a distraction from the purported message. "Noise" can also be too many messages. For example, in advertising loyalty cards on television, such as buy one get one free, the advertisement could contain have too many images communicating different ideas. This will make it difficult for people to remember the message that is communicated, and the advertisement may distract them as well. Likewise, "noise" can be created when a message is similar to that of competitors. If products cannot be differentiated, it becomes difficult for patronage to occur (Melnikova, et.al., 2016:2-3).

Alexandru (2013) states that the communication mix elements comprise sub-variables like advertising, public relations, sales promotion, personal selling and direct marketing and simply describe the promotion as the

process of promoting. According to Alexandru promoting refers to raising awareness or the process of making individuals become aware of something. In view of this, promotion refers to communication and education about a product's benefits and importance to potential consumers.

Several channels of communication are used in conveying the message to different parties, both customers and intermediaries work together to ensure products are received by those that need them. Rezky *et al.* (2012) note that customers are informed, persuaded as well as reminded of the organisation's product through the promotion element of the marketing mix. The aim of such promotional activities is to influence customers' feelings, beliefs or behaviour. Promotion, as part of marketing communication, communicates information concerning the product to the customer with the purpose to cause positive responses from them. The communicated messages are expected to be enriched with relevant product information that fosters customer decision on buying the product. (Melnikova *et al.*, 2016:2). In light of this, Singh (2012) notes that sales promotion are activities such as publicity, public-relations, demonstrations and exhibition that easily communicate to customers about existing products. Singh further argues that promotion, as one of the strongest elements of the marketing mix, involves promotional activities which assist in increasing personal selling, publicity that influences loyalty. Loyalty in the retail sector is addressed next.

2.4 Loyalty in the retail sector: history and developments

Over the past years, loyalty marketing has become a recognised tool in the competitive differentiation plan of commercial distributors, whereby intertype competition and sales formats have become subject to increased competitive pressure (Lugli & Pellegrini, 2005). Several challenges have been faced by distribution companies, including: changes in demand, difficulty in coping with growth in supply, progressively customised and customer unpredictable purchasing behaviour and changes in consumption behaviour.

Lugli and Ziliani (2004) affirm that the retail sector can create and sustain a solid competitive advantage more than their competitors when they are able to effectively handle the changes in market needs of customers. If modern distribution recognises the foundation of its development on the standardisation and globalisation of the offer within a changing competitive environment, then a better understanding of consumers and a more suitable use of information to define the commercial offer has become the new paradigm of trade marketing. More so, early theoretical evidence (Ziliani, 1999; Farinet & Ploncher, 2002; Cedrola, 2006) suggests the need to extend the role of marketing to include building, maintaining and improving relationships with customers. According to prior studies (Invernizzi, 2000; Busacca, 2002), the new definition is important to meet the requirements of all stakeholders involved in the transaction. Nevertheless, the most challenging task of a marketing operator is summarised in the claim of Berry and Parasuraman (1992:179) that: creation of "loyal customers", who will probably never turn to competitors because they are satisfied with the retail company they have chosen and because they feel considered and appreciated by them.

Against the above quote, loyalty marketing can thus be regarded as a management process aimed at identifying, maintaining and increasing the share of wallet of top customers (Berry *et al.*, 1983) and the lifetime value, through a marketing strategy called the loyalty programme. This strategy was known to manage the relationship between consumers and organisations (Woolf, 2002). A loyalty programme refers to a combination of activities and operative marketing tools that a retail company uses to manage relationships with target customers. The loyalty card is known amongst these tools as a core driver for customer targeting initiatives.

Loyalty cards are called by different names and they vary across stores, for example: club or reward card, discount card, frequent shopper card and smart shopper card. Loyalty cards are thin plastic cards with the same appearance as bank cards, which have been extensively incorporated into the business world over the last twenty years (Hine, 1998). For example, Smith (2004) found over half of the shoppers in London using loyalty cards. Smith also found that 42% of consumers use loyalty cards in their daily shopping in the United States. Solove (2001) disclosed that people's wallets are full unconsciously with loyalty cards from different stores.

The loyalty programme was invented in the airline sector in America in the 1980s. The advancement of technology led to the dynamic development of these programs in the 1990s, with new media flourishing. Within the last two decades, loyalty programmes have speedily increased in distribution across industries and countries worldwide (Ziliani, 2004). There are millions of customers using the loyalty card of big retail stores in North America and Europe. Progressive growth was seen in the United States when customers using loyalty cards grew by 70% from 2011 to 2013 (Carter, 2013). A similar increase was reported in Australia, where 88% of customers used loyalty cards as by 2013 (Pattas, 2013).

South Africa also reported an increase in 2011 (Moodley-Isaacs, 2014). South African retailers introduced loyalty programs to its marketing schemes with the aim of reaching 3 million members in the first year. In 2012, far beyond expectations, they doubled this target by reaching over 6 million members. In 2014, 8 million cardholders were obtained (Magwaza, 2014). The loyalty program was found to contribute positively to the economy of South Africa. The retailer's turnover grew tremendously and in less than a year it went from R26 billion in August 2011 to R28 billion in February 2012 (Pick 'n Pay, 2012).

The South African retail marketplace is recognised as the largest retail market in sub-Saharan Africa and the 20th largest in the world. South Africa boasts a significant food and non-food manufacturing sector. While average GDP growth rates are unexceptional, per capita income is considerably higher than elsewhere on the African continent. The South African consumer can be described as brand conscious and ambitious, which contributes towards a highly competitive retail and consumer goods marketplace (Price Waterhouse Coopers, 2012:2). A report from Euro Monitor International (2016) says that retailing in South Africa is expected to grow over the next few years. However, this prediction may be vulnerable to economic instability and any potential labour unrest within the mining industry. The South African retail market is known to be mature, with limited potential for expansion in comparison to other African countries where the potential is still great (Farfan,

2015:1). Jackson (2012:1) concludes that South Africa has become very attractive to Western retailers as they search for new opportunities for growth in emerging markets.

The South African retail market is dominated by 12 major holding companies, which own most of the country's biggest brands between them. The South African supermarket sector is dominated by five major supermarket chains: Shoprite, Pick 'n Pay, Spar, Checkers and Woolworths (Beneke *et al.*, 2012:27). Grocery retailing leads the field in the South African retail market, with food sales accounting for approximately 54% of retail sales in 2011. The grocery marketplace is an intensely competitive environment where supermarkets are competing to satisfy the changing requirements of consumers (Euro Monitor International, 2015) and the South African FMCG marketplace has followed in the rest of the world's footsteps, where LPs are common. The largest LPs in the retail market space in South Africa are Clicks, Pick 'n Pay and Woolworths who offer well-recognised programmes with various formats and incentives for customers (Corbishley, 2017:11). In agreement with this achievement, Moorad (2013) found that about half of the South African population (50%) claim to belong to one loyalty programme. The country also has the highest penetration of loyalty programmes anywhere, with almost two-thirds of the population belonging to more than one programme. Cranston (2018) avers that the majority of South Africans belong to a number of programs because of the benefits attached to the rewards cards, ranging from scoring cash or points to discounts on everything from travel, fuel, healthy foods to activities. Likewise, a consumer survey covering 26 out of the 100+ rewards was conducted among 1 413 South Africans to evaluate rewards members' perceptions of engagement with and behaviours influenced by the various programmes. The report found that the average South African consumer is subscribed to about nine different rewards programmes, covering various sectors, from retail/grocery programmes to banking rewards (Writer, 2018).

Retailers have increased the use of loyal cards because it was not only found to build and foster customer-retailer business relationship, but also contribute to achieving organisational goals and thus enhances organisational growth. According to Meyer-Waarden (2007: 224), "loyalty cards represent tools for developing relationship and sow, offer integrated systems of marketing actions and economic, psychological, and sociological rewards. Successful loyalty schemes increase customer retention, lifetime duration and customer sow". This quote clarifies the primary aim of loyalty card schemes in the organisation where marketers continue to be faced with the challenge of retaining their customers in the often complex competitive business environment. However, through the use of loyalty cards, retailers are able to secure a greater part of their customers' expenditure, while also preventing them from patronising multiple outlets (Meyer-Waarden, 2007:223).

The aforementioned importance of loyalty cards has led to many studies being conducted, for example, Du Toit (2013) investigated factors influencing customer loyalty towards patronising particular industry. Pleshko and Heiens (2014) examined the association between satisfaction and loyalty likewise factors that determine loyalty to a store (Ercis *et al.*, 2010; Jansone, 2012) and I loyalty programs influence on store loyalty (Ahlström & Wangsell, 2014). Past studies have also focused on the benefits of loyalty programmes across cultural feelings

of loyalty plans (Steyn, Pitt *et al.*, 2010), perceived benefits of loyalty programmes and customers' impact on and satisfaction with the programme (Mimouni-Chaabane & Volle, 2010). The present study investigates the value of loyalty cards to customers of fast-moving consumer goods (FMCG) retail stores in Mahikeng. Knowledge over the use loyalty cards can improve repeated purchases, increase organisations' profitability margin and foster societal development.

2.5 Understanding Loyalty Programs (LP)

There has been an increase in competition within the fast-moving consumer goods (FMCG) sector (Meyer-Waarden 2015), in which customers are faced with several retailers to choose from and most often select retailers that offer the most value. These competitive marketing conditions necessitate differentiation (Dorotic, *et al.*, 2012). One of the marketing strategies used by retailers to gain supremacy is through differentiation of their offerings to target customers. For this cause, relationship marketing tools are operationalised to enhance, promote and earn customer relationship (Bojei *et al.*, 2013:171).

In South Africa, LPs are growing rapidly (Chance, 2016) and is referred to as a planned marketing technique that helps customers in engaging in repetitive purchasing and spending more regularly and in greater amounts (Olivier & Burnstone, 2014). Likewise, a LP can be viewed as an effective scheme used by a company to intensify its plan to maintain their customers and ensure they are retained (Arbore & Estes, 2013; Vilkaite-Vaitone & Papsiene, 2016). The technique takes the form of rewards, discounts and any other form of points in exchange for customers' patronage, creating a win-win situation for all stakeholders. Sharma and Verma (2014) agree, asserting that LPs are developed for customers to benefit in exchange for their patronage. It is believed that when customers are satisfied with the offerings of a product, they are more likely to remain with the retailer concerned (Xie & Chen, 2013:466). However, one major challenge for retailers offering a LP is the ability to recognise the appropriate sets of rewards that are not easy to imitate and at the same time able to achieve the provider's goals (Omar *et al.*, 2015:145). In the view of Steyn *et al.* (2011) LPs that do not provide adequate value consequently lead to customers sourcing better alternatives. Given this fear, Oberholster (2016) identifies several reasons why LPs may fail, which include amongst others complication of the program, inadequate return on investment, lack of perception of benefits for customers and no customer retention on the part of the LP. Moreover, a LP is only known to be effective and seen to achieve its goal when customers admit that the program is beneficial to them (Saeed, 2019; Yi & Jeon, 2003). However, regardless of this fact, previous studies (Holbrook, 1996; Keller, 1993; Steyn *et al.*, 2010:371) elucidate the importance of LPs for its members and explain that LPs assist to educate customers on the gain of the program. Moreover, LPs' goal is also to deliver added worth to the customers (Bolton *et al.*, 2007).

According to Mimouni-Chaabane and Volle (2010), the observed benefits refer to the value provided by the programme for its members. In this regard, it can be argued that one determining factor of a successful LP is associated with benefits to membership due to accumulated rewards from such benefits (Demoulin & Zidda,

2008). Based on a review of literature in the 1960s, an early study (Haley, 1968) recognised the usefulness of customers' benefits when they consume products. In this frame, the author proposed benefits attached to consuming certain products as a foundation of segmentation by emphasising that benefits become the fundamental cause for genuine market segments.

The benefits of LPs are categorised in different ways. O'Brien and Jones (1995), for example advocate the worth of LP according to five essentials: convenience, money value, aspirational worth, variety of redemption opportunities and significance. Other scholars (Demoulin & Zidda, 2009; Lacey & Sneath, 2016) group the benefits into two broad classifications, hard and soft benefits. The hard benefits encompass tangible features such as cash-related rewards, coupons, discounts, and donations. Soft benefits address emotional aspects, such as priority on waiting lists, preferential treatment, etc., which give customers an enhanced sense of importance that drives them in various ways. Meyer-Waarden (2007) groups the various forms of paybacks of LP membership into three categories: economic (discounts), psychological (sense of community) and sociological (special status).

According to Soderlund and Colliander (2015), LPs' benefits are used in several service industries because of an association between LPs' customer satisfaction, customer commitment and customer share. Past studies (Palmatier *et al.*, 2006) have established a link between loyalty program rewards, increased revenue and improved share of wallet. Cromhout *et al.* (2016:8) note that loyalty program rewards are not only beneficial to companies, but customers also enjoy these benefits.

From the above, companies invest a great deal in implementing the program, driven by the aspiration to cultivate and improve loyalty as well as satisfaction with customers and other stakeholders (Du Toit & Cant, 2012:1423). For example, Magwaza (2014) reports how Pick 'n Pay in South Africa increased investment in its loyalty card programme to the tune of R140 million in the year 2012 with the goal of promoting customer satisfaction and its sales.

A loyalty programme has the potential to increase a futurist commitment towards preferred goods and services, leading to repetitive purchasing, even when situational factors and marketing efforts are expected to influence switching behaviour (Meyer-Waarden, 2015: 22). In addition, LPs are not affected by economic crisis, because of their progressive increase in the retail industry as business technique to secure customers in stiff competition (Zakaria *et al.*, 2014:23). Customer satisfaction rises from the perceived discrepancy that arise between the expected performance of LPs and their actual performance on the value dimensions being considered by the customer. Drawing from expectancy disconfirmation theory, according to Jones *et al.* (2006) and Chitturi *et al.* (2008), it is expected that different processes motivate three types of value that will affect the level of customer satisfaction. For example, the utilitarian benefits otherwise known as the value perceived from LPs cover

tangible characteristics. This involves cognitive processes that deal with feelings of confidence. Thus, a customer's decision to purchase a set or a particular product is driven by the satisfaction linked to a feeling of confidence. Hedonic and symbolic value is in turn connected to emotional responses that produce feelings of cheerfulness and excitement (Aurier & Guintcheva, 2014; Chitturi *et al.*, 2008).

Additionally, Omar *et al.* (2015) offer prominence to aspects such as design, composition and delivery of the LP's benefits to the customers' effectiveness. These authors contend that satisfaction is attached to the customer affirmativeness to the rewards presented by the company. This was exemplified in two recent studies in Malaysia, in which Omar *et al.* (2015) found that customers of grocery stores showed that not all LPs yield positive customer satisfaction, revealing that the hedonic type of benefits was insignificantly linked to customer satisfaction. Similar results were reported in a study on the Lithuanian grocery industry, however for a different benefit. The study found the effect of recognition and convenience benefits to be insignificant to customer satisfaction (Kyguoliene *et al.*, 2017). This is credited to a host of loyalty cardholders.

A careful review of past studies on LPs indicates that a number of varied concepts are used by different retailers to define LPs (Dorotic *et al.*, 2012). In this study, the concept "loyalty programme" is used within the context of FMCG retailers to represent a program that offers customers benefits on past account of their purchases (Kim *et al.*, 2013; Sayman & Hoch, 2014).

2.6 Consumer Loyalty Card (CLC)

Kumar and Shah (2004) describe consumer loyalty as a behavioural measure comprising proportion of buying, probability of buying again, buying frequency, repeat buying behaviour, buying sequence and other dimensions of buying behaviour; all of which must be fulfilled for a reward program to be effective. Customer loyalty is said to be guaranteed only when the above measures are realised in a program. A CLC is on the other hand, according to Tsiotsou and Goldsmith (2012), a "program that allows consumers to accumulate free rewards when they make repeat purchase with a firm", emphasising gaining and maintaining competitive advantage through a defence strategy. The goal therefore moves from a short-term profitability plan to long-term customer retention. Babin and Harris (2015) hint that programs of this nature project into rewarding future purchase. Achieving success requires marketers to identify and understand significant performance predictors to the organisation before designing and refining an effective reward program.

2.6.1 Overview of customer loyalty programs explained

According to Potgieter and Mandlasi (2018:11), the customer loyalty card (CLC) is often mistakenly called a customer "loyalty" program and several terms have been coined, including: customer rewards program (CRP), loyalty card/program, frequent user program, affinity program, accumulation program, loyalty scheme and repeat purchase program. In this study CLC and CRPs will be used interchangeably.

Babin and Harris (2015) conceptualise the term loyalty and note an unresolved question regarding what “loyalty” consists of with regards to CLCs, arguing for marketers to possibly substitute the concept with consumer commitment, retention rate or sole usage. Within this uncertainty, Szczepańska and Gawron (2011:65) clarify that consumer loyalty is “a constant and positive attitude towards an object”, such as a brand or an organisation. Again, Oliver (1999) explains that customer loyalty is “a deeply held commitment to rebuy or re-patronise a preferred product/service consistently in the future”. Du Toit (2012) combines both definitions, stating that “a loyal customer is someone who has a positive attitude towards the organisation, repeatedly purchases from it and intentionally recommends it to others through positive word-of-mouth”. Similarly, Basson (2014) asserts that loyalty is “brand love” and argues that to understand brand love, three factors need to be considered: passion-driven behaviour; self-brand integration and positive emotional connection. According to Blyth (2013), the idea behind developing CLCs can be traced to the theory of operant conditioning whereby positive reinforcement will make a shopper to repeat purchase that product. Nevertheless, a debate exists whether consumer loyalty and CLCs should be explained from a behavioural perspective or as a psychological phenomenon (Tsiotsou & Goldsmith, 2012).

Loyalty cards offer several benefits to customers, which come in the form of rewards (Corbishley, 2017:35), either tangible or intangible. Tangible rewards are benefits such as financial rewards, gifts and discounts, while intangible rewards target customers’ psychological or emotional mind-set (Garcia-Gómez *et al.*, 2012:549). Developers of LPs aim to build those offerings that are able to reach customers at the level of behaviour and attitude (Eason *et al.*, 2015:71).

Additionally, Schumann *et al.* (2014) elucidate that a combination of reward programs “brings together an assembly of partners across a broad range of retail and service sectors”. Lee *et al.* (2014) differentiate between programs and state that point-based programs are focused on short-term sales, whereas a rewards-based program is concerned long-term sales. What is however important is the LCs with positive predictors, which include rewards associated with monetary savings, entertainment and social benefits as these have been found to impact on customer loyalty (Kim *et al.*, 2013).

The method to designing a LC is contingent on the design components that are combined. Breugelmans *et al.* (2015:129) list the components as “membership requirements (voluntary or automatic); program structure (frequency reward programs – FRPs and customer tier programs – CTPs); point structure; reward structure; and program communication”. All customer reward programs (CRPs), regardless of what they are called, offer a two-sided incentive. For example, East *et al.* (2013) explain that the first side is the ability of the program to influence customers by means of increasing consumer acquisition, retaining customers and share of wallet. The second deals with utilising consumer data for marketing research purposes, particularly for precise market segmentation and how to encourage customers to increase their purchases.

Most CRPs are designed to enable customers to earn rewards or points repeatedly and they work towards obtaining these rewards. It is like a chain process; customers always have to build upon the reward obtained. In an airline industry study Dréze and Nunes (2011) found that reward trade-ins are accompanied by increased effort to attain the same goal again. However, these findings cannot be valid for rewards card users of FMCG retailers, because frequently obtained small rewards cannot have the same effect they do for airline industry card users. Although a well-designed CRP encourages repurchase, some provide extra incentives without additional costs for example getting a free meal for every 10 meals purchased at a restaurant. Other CRPs have a ranked structure with several tiers (three is recommended by East *et al.*, 2013:40) and special awards, status, benefits, confining the number of allowable consumers associated with the different levels. This design is very helpful because the majority of customers feel very appreciated. While some CLCs deal with future buying, others and particularly those in the USA offer rewards immediately as discounts on selected products.

CRPs develop a complex information technology system and database, which allows for easy collection of huge amounts of marketing data and data-mining to permit custom-made and personalised IMC with customers. With such technology, consumers shopping patterns and buying behaviour are monitored, followed and customer defection is easily traced and counteracted.

Some contradictions however exist in regard to loyalty cards. Blyth (2013) asserts that “in many ways people are not loyal, and their loyalty cannot be bought: only a small percentage of loyalty card holders actually are loyal, and the existence of loyalty cards has had minimal impact on market structures. If loyalty can be generated, though, it does increase profitability”. East *et al.* (2013) show that it is not easy to measure the incentive effect of loyalty cards, because of several influencing factors. Blyth (2013) argues that CRPs are more popular among business consumers, particularly in the airline industry, explaining that their company takes care of the bill, while the cardholder gains the benefits without personal financial implication.

Some CRPs are more effective in growing the numbers of customers (market share) rather than convincing them of repetitive purchasing (increasing share of wallet) Prior studies (Xie & Chen, 2014; Babin & Harris, 2015) warn that there is a need to guard against creating the opinion that CRPs are indeed the perfect shopping opportunity, because some customers are deal seekers who subscribe to several programs and select stores purely on the basis of best offers, showing no loyalty to any store. Likewise, Gómez *et al.* (2012) advise grocery store retailers to “focus their efforts on designing loyalty programs which contribute to improve the perception the consumers have thereof”. This may be attained by offering several rewards, including tangible and intangible incentives.

A major difficulty faced by marketers is identifying how to shift customer frequency from a CRP to outlet loyalty. Kang *et al.* (2015), in agreement with the statement of Evanschitzky *et al.* (2012:128) that “company loyalty primarily attracts customers to a particular outlet and program loyalty ensures that once inside the store, more

money is spent”, suggest that marketers need to integrate economic, psychological and sociological mechanisms to face their challenges.

According to Noble *et al.*, (2014), an effective CRP depends on marketers of FMCG retailers exploring two theories: cognitive evaluation and rational choice theory. Both theories will provide greater insight into how customers evaluate the rewards they receive in relation with redemption-related concerns. Changing Minds (2018) is of the view that marketers must focus their marketing strategies on extrinsic motivation theory. The theory assists to explain how individuals are driven by external tangible incentives and loyalty program customers could easily be lured with positive related rewards. Intrinsic motivation is to be combined into a IMC to support program members in appreciating their membership, while also aligning their standards with that of the industry.

2.7 Value of loyalty cards and benefits to customers of fast-moving consumer goods (FMCG) retailers

A loyalty program (LP) is a system used by larger retail stores to attract customers for continuous patronage (Corbishley, 2017:34). Garzia-Gomez *et al.* (2012) explain that they do so by means of accumulating points through purchases and recording on a card tangible rewards, such as discounts on forthcoming purchases, gifts and intangible rewards such as customers’ needs, privileged access to products and special communication. Hutchinson *et al.* (2015) opine that in a modern competitive environment customer acquisition is simply insufficient for any industry to sustain market share. However, retaining customers is increasingly more important for industries to attain a competitive advantage. In this regard, loyalty programs (LPs) are gradually becoming a crucial strategy for businesses worldwide to maintain their customers while developing and building stronger relationships, as explained in Section 2.5 of the dissertation.

Loyalty cards comprise a host of tangible or intangible benefits and rewards. While tangibles are benefits linked to financial incentives, gifts and discounts, whereas intangible incentives are aimed at target customers’ psychological and/or emotional mind-set (Garcia-Gómez *et al.*, 2012). Tangible rewards are often available for a limited period, they are universal and the majority benefit from the program.

In South Africa, Corbishley (2017) analysed retail loyalty programs by examining customer-retailer relationships. The goal was to establish cardholders’ perception on the various rewards of loyalty programs in the supermarket setting. Findings exhibited feelings towards the several forms of LPs. It was found that LPs offering tangible and immediate rewards were highly favoured.

2.8 Summary of the Chapter

This chapter analysed past reviews on loyalty programs as they relate to customers’ loyalty cards at fast-moving consumer goods (FMCG) retailers. Both global and local reviews were researched so as to situate the present

state of the phenomenon under investigation, determining the current knowledge and identify possible gaps. More so, the chapter addressed marketing in retail sector and also analysed marketing strategy by putting into perspective the marketing mix elements: product, price, distribution and promotion. Likewise, integrated marketing communication (IMC) was discussed and how loyalty cards fit into the mix element.

Consumer loyalty cards were then conceptualised and fitted into two of the mix elements, namely advertisement and sales promotion. Additionally, loyalty programs were addressed as a deliberate act by the researcher to reflect the importance of the concept of the loyalty program, due to its great impact on both customer retention and repeat purchase behaviour. The chapter reviewed literature on the value of loyalty cards and benefits to customers of fast-moving consumer goods (FMCG) retailers. Furthermore, the different kinds of loyalty programs of FMCG retailers were analysed, followed by past reviews on loyalty programs (LP) and customer loyalty (CL) as it relates to decisions to patronise FMCG retailers.

Lastly, it was ascertained that all of the literature report one shortcoming or the other of consumer loyalty cards and also revealed, to the knowledge of the researcher, the limited study on consumer loyalty cards at FMCG retailers in Mafikeng, South Africa. The present study is an attempt to close this gap, as the study investigates the value of consumer loyalty cards of FMCG retailers and their benefits to consumers in the above region of South Africa. This is relevant as it will provide greater insight to customers using loyalty cards and also contribute towards development of growth in society.

CHAPTER 3: RESEARCH METHODOLOGY

3. INTRODUCTION

The study investigates the relationship between the value of loyalty programs (LPs) and their benefits to customers of fast-moving consumer goods (FMCG) retailers in Mahikeng. To achieve this aim, the chapter addresses the methods used in gathering data for the empirical part of the study in order to achieve the stated aim in Chapter 1. The methods include data collection process, procedures and instrument used in gathering the data, the population and sampling techniques with justifications and data analysis.

The study is based on the assumptions of marketing research, which Malhotra (2010:39) states helps industries in decision making that is related to identification of problems and solutions as well as opportunities concerning marketing. The United Kingdom Chartered Institute of Marketing (cited in Bradley, 2010:4) describes marketing research as “the management process for identifying, anticipating, and satisfying customer requirements profitably”. The need of identifying, anticipating and satisfying consumer needs necessitate marketers to plan and engage in collecting relevant data, hence marketing research is conducted. Mooi *et al.* (2018:2-3) define marketing research as a systematic method which involves planning, collecting of data, analysing, interpreting and presenting findings. This assists in identifying problems, defining opportunities, evaluating marketing options as well as monitoring performance. Marketing research establishes the connection between customer-retailer in the form of information. The information provides greater insight into customer needs to the retailers and helps the industry to conduct an applicable marketing strategy.

In line with the primary objective of the study, the following empirical objectives were formulated:

- Examine the values of loyalty cards and benefits to customers of fast-moving consumer goods (FMCG) retailers.
- Analyse the contributing function of the different forms of loyalty programs as regards the quality of the relationship and the loyalty of the program members and the distributor offering the program.
- Determine the extent to which loyalty programs increase customer loyalty to patronise FMCG retailers.

The following section discusses the research design as selected for the study, the methods and procedures for collecting and analysing the needed information in a research study.

3.1 Research Design

Creswell and Poth (2016:5) refer to research design as the entire process of research, a general plan used by a researcher to answer the stated research question that includes methods and procedures for data collection and analysis. As a marketing-related study, marketing research is used in this study. Marketing research is classified into three groups: exploratory research, causal research and descriptive research (Mooi *et al.*,

2018:13). Selecting the best research design for the study is driven by the research objective of the study (Berndt & Petzer, 2011:31). A brief explanation of the designs follows next.

Exploratory research is appropriate for studies with a high level of uncertainty and ignorance to clarify unclear situations (Zikmund & Babin, 2013:48). Mooi *et al.* (2018:14) note that exploratory design is important in the identification of research problems and assists in finding significant factors' relevance to the research. It is also a research design characterised with a high degree of flexibility. Causal research design aims to establish cause and effect relationship (Mooi *et al.*, 2018:18). This is to say that causal research shows by means of experiments how a dependent variable is affected by an independent variable, while other variables are held constant. According to Nassaji (2015:129), the goal of descriptive research is to describe a phenomenon and its characteristics as well as describe objects, groups, individuals or environments asking questions such as who, what, when, where and how. Atmowardoyo (2018:198) explains that the most common methods of data collection are surveys, panels and observations and that descriptive research tends to be more structured than exploratory research as it reports more accurately and comprehensively. This study used descriptive research design considering the nature of the study. As the study was focused on describing how LPs can predict customer loyalty towards patronizing FMCG.

3.2 Research Approach

The research approach is a research plan that details data collection methods, analysis and its interpretation. According to Tobi (2016), the research approach adopted is based on the research problem to be addressed. There are two main approaches in research: qualitative and quantitative analysis (Creswell & Creswell, 2017). When choosing one of these approaches, certain criteria must be considered. Criteria such as the nature of the research problem, goal of the project, availability of resources (i.e. time and finances, sensitivity of the subject matter, discipline of the study and researcher's personal experiences, skills, interest and attitudes) (Grover, 2015).

Qualitative research is non-numerical, as the qualitative approach deals with the understanding of participants' experiences of a specific incidence (Saldana & Omasta, 2018). Moreover, it employs fewer participants that might not be representative of the general population (Creswell & Poth, 2018). Unstructured, exploratory research methodology often applies (Mooi *et al.*, 2018:14).

On the other hand, the quantitative approach, according to Atmowardoyo (2018: 197), focuses on using numerical data to investigate relationships among variables, hence quantitative research is descriptive or experimental. Quantitative research mainly tests hypotheses on a huge representative sample through structured data collection methods (Mooi *et al.*, 2018:32).

For this study, a quantitative approach was chosen. The justification for using a quantitative approach is that the cross-sectional research design chosen for this study is anchored within the quantitative approach methodology. Creswell and Creswell (2018) state that surveys, experiments and cross-sectional surveys are strategies associated with quantitative research. Likewise, quantitative research allows statistical analysis of a great amount of statistics of representative cases (Atmowardoyo, 2018:197). Another justification is the data collection method used in the present study. A questionnaire was used to collect data, which Creswell (2018) indicates is an example of a data collection method in quantitative studies.

3.3 Sampling Strategy

Mooi *et al.* (2018:42-43) refer to sampling as selecting a portion of the larger target population, which will be used as representation of the whole population. Moreover, sampling strategy is the plan carried out by a researcher to ensure that the study sample is representative of the entire population of interest. Sharma (2017:749-752) states that there are two main sampling strategies, probability and non-probability sampling strategies, which are addressed in Section 3.3.3

3.3.1 Target population

Bryman and Bell (2015) define target population as the totality of units from which samples are selected, while Malhotra (2010:372) describes target population as a group of people selected for the study because they possess the information needed by the researcher. The population of interest therefore is defined as the loyalty cardholders or loyalty point members of FMCG stores. The target population of this study is card holders of OK Foods, Pick 'n Pay and Woolworths.

As the population of interest of a given study have common characteristics, the population from which the samples of the study were drawn only consist of customers who buy from FMCG retailers.

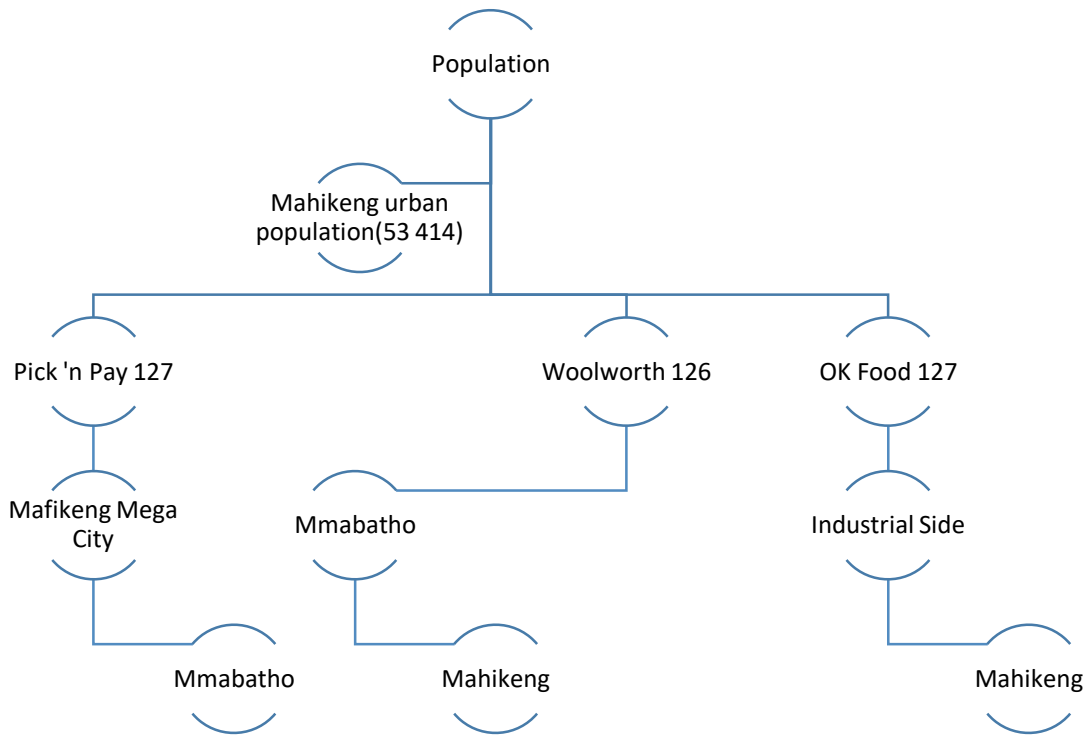


Figure 3.1: Population and Sample

3.3.2 Sampling frame

Taderdoost (2016:16) refers to a list containing all members of the population from which a sample is drawn as a sampling frame. The sampling frame represents the population of interest. Malhotra (2010:373) explains sampling frame as providing direction towards defining which participants are to be included in the sample. Considering these explanations, the sampling frame was a list of independent customers with loyalty cards of FMCG retailers in Mahikeng, North West, South Africa. The FMCG stores that were covered in the sample were the following three stores: OK Foods, Pick 'n Pay and Woolworths. In this manner, the study sampling frame embraced independent customers selected from these retailers in this region of the North West Province, South Africa:

- OK Foods
- Pick 'n Pay
- Woolworths

3.3.3 Sampling method

According to Kegel *et al.* (2019:25), sampling method is the application of a sampling technique to select cases from the target population. Because a researcher is not able to collect data from the entire population, due to constraint of time and resources, the need to select a sample becomes important. The sampling method assists to reduce the number of cases (Sharma, 2017:749). Based on prior studies, the sampling process involves the following steps: clearly defining target population, selecting sampling frame, choosing sampling technique, determining sample size and collecting data (Creswell & Poth, 2018; Mooi *et al.*, 2018).

Taderdoost (2016:20) avers that there are two main sampling techniques: probability sampling and non-probability sampling. In probability sampling, chances or possibilities of selecting an individual from the population is known and is usually equal for everyone. The implication is that there is the possibility for answering research question, achieving study objectives and making statistical inferences about the population. Probability sampling consists of simple random sampling, systematic sampling, stratified sampling, cluster sampling and disproportional sampling. The benefit of probability sampling is that sampling error can be measured (Levy & Lemeshow, 2013).

Non-probability sampling does not allow for equal representation; however, this sampling procedure is frequently used because it is easily executed and less costly than probability sampling methods (Levy & Lemeshow, 2013). Examples of non-probability the sampling technique are quota sampling, purposive sampling, snowball sampling, convenience sampling and self-section sampling (Sarstedt *et al.*, 2018).

The study used purposive sampling, also called judgmental sampling, to select cardholding customers patronising stores in Mahikeng. Purposive sampling is when researchers intentionally chose individuals because of their knowledge on the subject under investigation, which makes it non-probability sampling (Mooi *et al.*, 2018:44). A major justification for using purposive sampling is because the method addresses selection of respondents, the research setting is also considered and data collection procedures are covered (Taderdoost, 2016:23). Therefore, the purposive sampling technique was considered the best sampling technique for the study, since information-rich individuals are important for the study. The respondents (i.e. customers) have the characteristics and knowledge needed by the researcher (Etikan *et al.*, 2016:2). This means that respondents for the study were intentionally chosen to satisfy study needs and have relevant and useful information for answering the research questions.

3.3.4 Sample size

Guetterman (2015:2) describes sample size as the number of elements to be integrated in the study. Often a large sample size is recognised as good for increasing precision. According to Remler and Van Ryzin (2011:281), large sample size increases the likelihood of recognising statistically significant differences among

groups Furthermore, factors such as financial and logistic constraints, rules of thumb and the number of subgroups in a non-probability data collection strategy determine the sample size (Guetterman, 2015:3). The researcher used a sample size similar to past research to determine the sample size for the present study since Struwig and Stead (2013: 15) indicate that a researcher can use sample size in a similar research as comparison of other researcher's judgements.

A sample of 380 customers with loyalty cards at OK Foods, Pick 'n Pay and Woolworths was selected for this study. This sample size falls within the range of similar studies, among which Radder *et al.* (2015) with a sample size of 350, Kyguolienė *et al.* (2017) with a sample size of 312 and Arebo (2017) with a sample size of 395. Therefore, this sample size was deemed sufficient and was shared equally among the three selected stores: OK Foods (127), Pick 'n Pay (127) and Woolworths (127).

3.4 Data Collection

This section discusses the data collection method used in the study. Data collection deals with how information about a phenomenon under investigation is gathered for the purpose of answering research questions (Paradis *et al.*, 2016:263). The data collection process is a sensitive part of research because the information collected is what is analysed, interpreted and generalised to the rest of the population. Malhotra (2010:228) suggests that the method employed to collect data should allow for respondent control over the whole process as it will encourage superior cooperation. Observation and surveys are mostly used for data collection in quantitative research (Queirós *et al.*, 2017:383).

Observation is a data collection method that focuses on recording the behaviour, lifestyle patterns, objects and incidences as they occur. This method does not require any questioning between the observed participant and the researcher or interviewer (Zikmund & Babin, 2013:190). Observation is conducted using a device or by person (Queirós *et al.*, 2017:379). In the view of Struwig and Stead (2010:96), this method of inquiry has its limitation regarding the difficulty encountered in the observation of attitudes, motivating factors and intentions, which can be biased.

According to Paradis *et al.* (2016:263), the survey method uses a questionnaire in a systematic and organised way to collect data and as Malhotra (2010:211) argues, a structured questionnaire allows the researcher to gather information from study respondents. The structured questionnaire forces standardisation during data collection process.

Mooi *et al.* (2018:66) claim that surveys allow the researcher to gather data relevant to the respondents' attitudes, feelings, perceptions, values, opinions, as well as their beliefs. Survey methods comprise of personal interviews, telephone surveys, drop-off surveys and self-administered questionnaires.

This study used a self-administered questionnaire. Mooi *et al.*, (2018: 78) explain self-administered questionnaires as a survey in which respondents take the responsibility to read, answer or complete without the researcher necessarily being present. The questionnaire consists of closed-ended questions, whereby respondents select from the options the alternative that applies best to them. Thus, administering the questionnaire is less stressful, simple and data gathered are more reliable, because responses are restricted to the options given in the questionnaire.

3.4.1 Questionnaire design

According to Mooi *et al.*, (2018:80), careful and special attention needs to be put into designing a questionnaire and the following needs careful attention: the question structure, order and wording as well as how the questions are connected with the response formats. Singh (2017:792) elaborates that a questionnaire needs to have the following objectives: the questionnaire (i) should convert the required information into clear questions that the individuals are able to answer; (ii) the design should encourage participants to want to partake in the research; and (iii) the design should be aligned with the research objectives. Furthermore, it is important that each question is based on one subject or idea and must state the statement very clearly, each question needs to be well phrased and simple in order to ensure clarity, because statements that are not well written result in erroneous answers or unanswered questions (Mooi *et al.*, 2018:80).

According to Song *et al.* (2015:325), guidelines significant to designing a questionnaire include the following: (i) The question must certainly describe the topic being discussed. (ii) Use simple wording to construct a question, the words must correspond with respondents' vocabulary level. The use of slang and abbreviations are not allowed. (iii) Avoid using leading questions, so that respondents are not provided with hints on the required answers. (iv) Statements should be both in positive and negative format and (v) avoid complex question, each question should contain one issue at a time so as to prevent ambiguous responses. The timeframe of completing a questionnaire is very important, according to Maree *et al.* (2011:159). Completing a questionnaire should not exceed 20 minutes, signifying therefore that the questionnaire must not be over worded and not exceed 100 to 120 items. It is important to confirm this during a pilot study.

The afore-stated guidelines informed the designing and phrasing of the study's questionnaire. The language was well written and simple to ensure clarity; phrases were simple and no unambiguous words were used. The questionnaire of the study was followed by a cover letter (see Annexure A). The letter assisted in explaining the aim of the study to respondents, ethical considerations and contact details. Special attention was taken in designing the study questionnaires to ensure that it can be completed in less than 20 minutes, statements did not exceed 100 items, thus making the length of the questionnaire acceptable (see Annexure B).

3.4.2 Questionnaire format

Song *et al.* (2015:323) state that there is a need for considering relevance and accuracy when developing a questionnaire. Likewise, the researcher must decide between structured and unstructured questions. Unstructured questions are more qualitative and are open-ended questions, where respondents have a choice whether to write their opinions as well as express their opinions openly. Structured questions rely on closed-ended and fixed-alternative questions, where respondents are to pick from relevant options (Bryman, 2004). There are two main advantages to structured questions: first, lower cognitive load on the respondent leading to higher response and more accurate data. Secondly, the researcher can easily code and analyse data from structured questions (Dalati & Gómez, 2018:184).

The present study used structured questions with the Likert scale response format, since a Likert scale is often used with structured questions. The Likert scale refers to a five-(or seven) point scale response format that allows people to express the extent of their agreement or disagreement with a particular statement (Mooi *et al.*, 2018:73).

In line with the above description, Liu *et al.* (2016) state that the most popular scale type used in questionnaires is the Likert scale. Mooi *et al.*, (2018:73) attest that a Likert scale is used to test strength of agreement, emphasising further that a Likert scale is easy to administer and respondents find it very easy to understand. These arguments form the justification for using a Likert scale in this study.

3.4.3 Questionnaire layout

The questionnaire for the study comprises two sections, A and B, the latter being divided into three parts (Part A, B and C). Also, section A captures the demographic details of respondents. Part A measures the impact of different forms of loyalty programs to consumers of FMCG retailers. Part B measures the value of loyalty cards to customers of FMCG retailers. Part C consists of five questions and all three parts were measured on a five-point response Likert scale.

3.4.4 Pre-testing of the questionnaires

Pre-testing is a significant part of the research survey design; a survey is not considered complete until a pre-test is conducted. McDaniel and Gates (2007:353) argue that it is important for individuals chosen for the pre-test to come from the target population from which respondents for the main study will be drawn. Berndt and Petzer (2011:146) claim that it is problematic to find a noteworthy limitation in the questionnaire after conducting the main study, since it then becomes either difficult or impossible to repair the occurring problems and could be a waste of time.

Zikmund and Babin (2013:183) is of the view that pre-testing involves trial testing of the questionnaire conducted for the purpose of resolving problems regarding instructions, scale items or design of a survey

instrument and also to identify respondents' misinterpretations of the items. For Cant *et al.* (2005:157) pre-testing could help to improve the whole questionnaire, starting from the instructions to content phrasing sequence and layout, as well as intuitiveness. Furthermore, Malhotra (2010:354) avers that after completion of the questionnaire by the respondents, the interviewer must debrief the respondent by explaining study objectives to respondents and then ask for feedback concerning their interpretation and understanding of each question, respondents' explanation of their answers, as well as other challenges they experienced while completing the questionnaire. Berndt and Petzer (2011:147) argue that debriefing is salient to the research as it draws attention to several important points such as clarification of the wording used in the questionnaire, the allocated time needed to complete the questionnaire and issues such as objections on cultural, religious or moral grounds.

Achieving face and content validity were two important steps of concern in the pre-testing stage. The first step was to examine statements in the questionnaire by the relevant field researchers to find any possible hitches. The second was concerned with the debriefing procedure that deals with the understanding of the questionnaire. Two academic staff members were involved in the debriefing process to pre-test the questionnaire, a first-language English speaker and a second-language English speaker. This briefing aimed to make sure that the language in the questionnaire is clear enough for all respondents. Respondents completed the questionnaire in 10 minutes, which is sufficient time to complete a questionnaire according to McDaniel and Gates (2007:353). The feedback received from the pre-testing exercise assisted the researcher to refine the items in the questionnaire.

The feedback also assisted in modifying the questionnaire, thereafter the instrument was pilot tested to confirm validity, reliability as well as the clarity of the questionnaire. Leedy and Ormrod (2010:111) affirmed that a pilot study is used in establishing the feasibility of the research. While pre-testing is recognised to be very time consuming, it may eventually save the researcher time, because it helps to indicate how the relevant the measuring instrument can help in achieving the overall research objective. Bradley (2010:211) claims that a pilot test is necessary before the main survey, as this will ensure that the questionnaire is measuring what it is to measure and respondents understand the questions. Therefore, after seeking and obtaining permission from the manager of a mall in Mahikeng, shopping customers were approached to fill in the questionnaires after ascertaining whether they are loyalty cardholders. Thus, a total of five customers completed and returned the questionnaire. As a result of the pilot testing, the questionnaire was found appropriate for use in the larger sample.

3.4.5 Administration of the questionnaire

Administration of the questionnaire took two months, starting January 2020 and completed in March 2020. Administration of the questionnaire was only possible after management of the identified malls granted permission. The targeted stores were Pick 'n Pay, OK Foods and Woolworths, but cardholders from other stores

were included so as to leave the possibility of making comparisons open. Likewise, the researcher sought permission to conduct the study from the management of these retailers.

Respondents were briefed about the study and the information sheet, making it clear that their participation was strictly voluntary. Respondents had the choice of discontinuing their participation at any time they feel uncomfortable with their participation, without any penalty. Those that showed willingness to take part in the study were given a consent form, in which they confirmed their understanding of the study.

3.5 Data Preparation

After data administration and collection, the goal was to assess the collected questionnaires. According to Mooi *et al.* (2018:105), any questionnaires with incomplete or inaccurate and unsuitable answers may be returned to the respondents or discarded once the missing value is more than 10%. In the present study, incomplete questionnaires were discarded when more than 10% was missing. The reasoning behind this is that for a researcher to complete an incomplete questionnaire is highly dubious. Returning it to respondents is also questionable because good practice would be that the researcher only scrutinise the questionnaires once respondents have left. This way, the researcher cannot link a person to their answers, thus keeping it mostly anonymous.

3.5.1 Data cleaning

To ensure analysis output is correct, there is a need to clean the data. Data cleaning, according to Malhotra (2010:461), comprises of “consistency checks for data that are out of range, logically inconsistent or have extreme values and treatment of missing responses”. Data impurities may also be seen in the form of missing responses from respondents. Malhotra (2010:461) explains how missing responses can be treated in any data. According to this author, missing responses may be replaced with the following: imputed response or a neutral option, deleted either case-wise or pair-wise. No missing responses were imputed in this study.

3.6 Statistical Analysis

Data collected was tested using the Statistical Package for Social Sciences (SPSS), version 26 for Microsoft Windows. Various analyses were conducted in the study and they are explained below:

3.6.1 Descriptive analysis

Descriptive analysis is a univariate analysis and it helps in the simplification of data by showing basic characteristics such as central tendency, distribution and variability (Zikmund & Babin, 2013:364). Also, it is useful for systematically articulating data in a meaningful way (Young & Wessnitzer, 2016). For Conner (2017:52) descriptive analysis gathers, summarizes and presents data to show patterns in the research data. Struwig and Stead (2013:159) agree that descriptive statistics provide an overall, or comprehensible and simple reflection of a large amount of data. Measures of location, measures of variability and measures of shape all

form part of descriptive statistics (Conner, 2017:52). All of these comprise the statistical techniques used in this study. The following is a brief description of measures of location.

3.6.2 Measures of location

According to Mooi *et al.* (2018:113), measures of location define the central tendency of the data and this includes the mean, median, mode and mean. They are statistical parameters typical of all measurements.

Sarkar and Rashid (2016:306) state that the median is the value occurring in the middle of the set of scores when ranked from the smallest to the largest, therefore, it separates the lowest 50% of cases from the highest 50% of cases. When a dataset has extreme values, the median is the preferred measure of central location. Contrary to the sample mean, the sample median is not affected by outliers. In fact, the sample median is affected by at most two values in the sample (Patil, 2020:13). Similar to the sample mean and the population mean, the population median can be defined. Though, the sample median does not equate the population median. In statistics, the sample median is used to infer population median.

Patil (2020:8) describes the mode of a data as the measurement occurring with the greatest frequency. When data are grouped, the grouping with the highest frequency becomes the mode. However, the mode is less frequently used in statistical analysis since its value depends on the accuracy with which the data are measured; although it may be useful for categorical data to describe the most frequent category.

According to Sarkar and Rashid (2016: 304), the most common of the measures of central tendency is the mean, also called the arithmetic mean. Patil (2020:3) refers to the mean as the average value of the sample or population distribution and it is denoted by the Greek letter μ . In statistics, μ is usually unavailable and to obtain information about population mean μ from sample mean will be calculated. The sample mean indicates the location (centre) of the sample. The present study used mean for measures of location.

3.6.3 Measures of variability

Dispersion of study data was measured with measures of variability, which include: range, interquartile, variance and coefficient of variation. Range measures the spread of the collected, whereby the difference between the smallest and largest value is seen. Interquartile range measures differences between the 75th and 25th percentile. Variance is the mean squared deviation from the mean; the bigger the scatter of data points the larger the variance. Standard deviation is the square root of the variance and coefficient of variation measures the “ratio of the standard deviation to the mean expressed as a percentage” (Malhotra, 2010:487).

The standard deviation in this study was measured as a dispersion from the mean scores of respondents. Next is a description of measures of shape.

3.6.4 Measures of shape

Measures of shape refer to the skewness and kurtosis of a distribution. Arriaza *et al.* (2019:99) define skewness as a measure of shape determining whether or not the "left half looks like the right half". According to Cain *et al.* (2017:1717), kurtosis describes the measure of the degree to which a given distribution is more or less "peaked", relative to the normal distribution. Kurtosis is very useful in decision-making and for interpretation of the distribution. There are three categories of distributions: (i) leptokurtic distribution, which indicates a positive excess kurtosis; (ii) mesocratic distribution, showing a zero value; and (iii) platykurtic distribution, representing a negative excess kurtosis. This study makes use of both skewness and kurtosis.

3.6.5 Reliability

Reliability is defined as the repeatability of results in repeated measurements. According to Malhotra (2010:318), reliability is measured using internal consistency reliability or test-re-test reliability. The internal consistency reliability is said to be insufficient when the split-half coefficient is less than 0.7 (Malhotra, 2010:319). In this study, the internal consistency reliability of Section B, Part A, B and C were through Cronbach's alpha to determine whether the scale used was reliable.

Cronbach's alpha is the frequently used test to define the internal consistency of a measuring instrument. It is a scale of reliability, showing internal consistency, which indicates the degree of interrelationship of a set of items as a group. In this analysis, the average of all correlations in every combination of split-halves is determined (Lobiondo-Wood & Haber, 2013). Any figure below 0.70 is to be reported as low reliability, since the Cronbach's alpha result lies within a number 0 and 1 with an acceptable reliability score at 0.70 and above (Shuttleworth, 2015).

3.6.6 Validity

Validity refers to the extent to which a concept is accurately measured in a quantitative study (Mooi *et al.*, 2018:39). It is important for the researcher to ensure that the content of the survey is valid; this means that the measuring instrument adequately covers all the content that it should measure with respect to the variable (Mooi *et al.*, 2018:40). In this regard, validity was established through seeking the opinion of experts about whether the study instrument measured the concept intended. Likewise, the researcher was concerned with whether the instrument covers the entire domain related to the construct it was designed to measure. The four types of validity considered by the researcher were construct validity, nomological validity, content validity and criterion validity (Netemeyer *et al.*, 2003).

Construct validity refers to drawing inferences about test scores related to the concept being studied (Mooi *et al.*, 2018:39; Sajid *et al.*, 2019:3). Nomological validity is related to construct *validity*, requiring a comparison of at least two concepts and those concepts should have a possible relationship. Testing for nomological validity encourages researchers to specify clearly the predictions between concepts being studied (Hagger *et al.*,

2017:10). A further discussion of this will be provided in Section 3.7.8. Content validity deals with definition of the concept that needs to be measured and discussion of what is or not to be included in the definition. Using trust as an example, Geyskens *et al.* (1998) explain trust between businesses to refer to honesty and/or benevolence amongst exchange partners. What this clearly indicates is that honesty and benevolence need to be mentioned in the questions used to measure trust. Thus, content validity is realised prior to the actual measurement. Criterion validity explains the extent to which a research scale is related to other scales that measure the same variables. The statistical test to conduct is correlations to ascertain the extent to which the different scales measure the same variable.

3.6.7 Factor analysis

Factor analysis is a statistical test for analysing variable relationships for complex concepts such as multi-dimensional scales, attitude patterns or psychological scales. It permits the investigation of constructs that are not easily measured directly by allowing the collapsing of a large number of variables into a few interpretable underlying factors (Mooi *et al.*, 2018:266).

The important aspect of factor analysis is that multiple observed variables have similar patterns of responses because they are all associated with a latent variable, which cannot be measured directly (Field, 2013:666). Each factor consists of a certain amount of the overall variance in the observed variables and the factors are always listed from the highest down to show the amount of variation they explain (Hair *et al.*, 2013).

The eigenvalue is a measure that shows how much of the variance of the observed variables a factor explains. Any factor with an eigenvalue ≥ 1 explains more variance than a single observed variable (Field, 2013). This factor, which captures most of the variance in those three variables, could then be used in other analyses. All other factors with least amount of variance are generally dropped and discarded. Factor loading is another key element of factor analysis, the relationship of each variable to the underlying factor is expressed by factor loading (Mooi *et al.*, 2018:276).

3.6.8 Correlation analysis

Statistically, correlation denotes association between two quantitative variables (Schober *et al.*, 2018:1763). The association is assumed to be linear when one variable increases or decreases a fixed amount for a unit increase or decrease in the other (Senthilnathan, 2019:2; Schober *et al.*, 2017).

Gogtay and Thatte (2017:78) note that correlation coefficient is measured on a scale from + 1 through 0 to – 1 and a complete correlation between two factors is expressed by either + 1 or -1. The correlation is said to be positive when two factors increase in the same direction. Negative correlation occurs when an increase in one variable leads to a decrease in the other variable, while a complete absence of correlation is represented by 0. There are two main types of correlation, the Pearson Product Moment Correlation and the Spearman Rank Order Correlation (ρ). A Pearson correlation is when both variables are measured at an interval level.

Spearman is used when there are two ordinal variables. In this study Pearson Product Moment Correlation analysis was applied, as it assisted in describing the strength of the relationship between study variables. What follows next is a brief discussion on regression.

3.6.9 Regression analysis

The relationship between variables can be represented by a simple equation called the regression analysis (Mooi *et al.*, 2018:216). Thus, regression means that the average value of y is a "function" of x , meaning that y changes with x . The regression analysis in the present study helped to identify the impact of the independent variable (x) on the dependent variable (y) (Gogtay *et al.*, 2017:48)

Darlington and Hayes (2016:153, 440) note that a regression analysis is a statistical way of arranging variables that have impact in a study and that regression analysis does the following: (i) sorts out the most significant factors, (ii) identifies variables that could be ignored and (iii) shows factors interaction and how certain the researcher is of all items in the questionnaire.

In the above context, regression analysis was used to assess the relationship between independent variable and dependent variable.

3.6.10 Two independent-samples t-test and Cohen's d

The two independent-samples t-test, also called a between-groups design, is a test used to compare the mean difference between two groups to show a visual inspection of data from two groups to determine whether the groups differed based on an assumption of equal variances (White *et al.*, 2020:158). Likewise, it is used to test a control and experimental group, each case having scores on two variables, that is the grouping (independent) variable and the test (dependent) variable. The grouping variable divides cases into two mutually exclusive groups or categories (Li, 2016:1560). For example, the grouping variable can be gender (boys or girls) and the test variable describes each case according to some quantitative dimension such as test performance. The t-test assesses whether there is a significance difference in the mean value of test performance of one group from that of the other group.

Assumptions in conducting a two independent-samples t-test include: (i) assumption of independence, in this case data in each group are independent of each other; (ii) assumption of normality, whereby the test variable is normally distributed within each of the two populations; and (iii) assumption of homogeneity of variance, in this case the variances of the two population are equal (Kim, 2015:544). Cohen's d is an effect size often used to indicate the standardised difference between two means. For example, Cohen's d test is for reporting the results of t-test and ANOVA. It is an appropriate effect size for the comparison between two means if two groups have related standard deviations and are of the same size.

3.7 Summary of the Chapter

The chapter addressed how the aim of the study was achieved and in this regard, the methods used in gathering data for the empirical study was discussed. The methods include: method used for data collection, procedures and instrument used in gathering the data, the population and sampling techniques with justifications and data analysis. Likewise, reliability and validity were discussed in the chapter.

CHAPTER 4: DATA ANALYSIS AND INTERPRETATION

4. INTRODUCTION

The chapter presents the data analysis and interpretations of empirical findings. Study findings are depicted by means of tables and pie charts. The sections covered in this chapter include the pilot testing, data gathering process, preliminary data analysis, demographic analysis, exploration of factor analysis, descriptive statistic, correlation analysis, regression analysis and the summary of the chapter. Pilot testing was conducted to establish the reliability of the scales of measurement. The data gathering process describes the data collection methods, including adherence to research ethical principles. Thereafter preliminary data analysis is discussed in reference to prior analysis. The demographic analysis introduces all the demographic details of the study respondents. This is followed by descriptive statistics detailing the mean, standard deviation, kurtosis and skewness of demographic factors. The exploration of factor analysis was tested using principal component analysis with promax rotation. Next is the correlation analysis of testing for the relationship between the independent variable and dependent variables of the study. The regression analysis conducted is explained and the chapter concluded with a summary.

4.1 Pilot Testing

To test for content validity, the questionnaire was pre-tested. Thereafter, a pilot test was carried out on a convenience sample of five customers of loyalty programs in the North West Province. Respondents who took part in the pilot study were not involved in the main study. The pilot study was conducted to establish the reliability of the scales to be used for data collection for the main data.

During data cleaning, only two of the statements were rephrased for better clarity. The questionnaire was deemed viable as mistakes found did not exceed the 10% margin of error.

4.2 Data Gathering Process

Ethical clearance was sought and obtained from the North-West University ethical committee and permission to collect data was further obtained from the managers of the malls in Mahikeng. Thereafter, customers were approached to fill in the questionnaires after ascertaining whether they were loyalty cardholders and consented to participate in the study. Participation was voluntary and respondents were free to withdraw their participation should they feel uncomfortable about any items in the questionnaire.

Data gathering was conducted to investigate the relationship between the value of loyalty programs (LPs) and their benefits to customers of fast-moving consumer goods (FMCG) retailers in Mahikeng. The measurement was obtained through the empirical objectives laid out in Chapter 1. A total of 380 questionnaires were distributed to customers with loyalty cards from OK Foods, Pick 'n Pay and Woolworths who were willing to participate in the study. Participation was strictly voluntary in this study.

The questionnaire consisted of a total of 24 items, which were divided into Section A and B. Section A consisted of 6 questions focusing on the demographics details of respondents, namely gender, marital status, age, shop patronised and level of education. Section B consisted of the scale of measurements, categorised into three main questions. Question 1 comprised five items aimed at testing loyalty programs' impact. Question 2 contained seven items measuring the value of loyalty cards and question 3 consisted of six items aimed at assessing customer loyalty.

4.3 Preliminary Data Analysis

The preliminary data analysis conducted in this study include: coding, data cleaning and tabulation.

4.3.1 Capturing and Coding

Data was captured in SPSS version 26. During the capturing, coding was carried out. The study questionnaire comprised of two sections. Section A detailed demographic data; Section B measured loyalty program impacts, value of the loyalty card and customer loyalty. Table 4.1 shows all variable codes and assigned values.

Table 4.1: Coding information

Section A: Demographic information			
Question	Code	Construct measured	Value assigned to response
1	1	Gender	1 = male 2 = female
2	2	Marital status	1= single 2 = married 3 = separated 4 = divorced 5 = widow/er
3	3	Age	1 =18-25 years 2 = 26-30 years 3 = 31-35 years

			4 = 36-40 years
			5 = 41 years and above
4	4	Patronise	1= Pick 'n Pay 2 = OK Foods 3= Woolworths 4= Others
5	5	Others	-
6	6	Level of education	1 = No matric 2 = Matric 3 = Technical college 4 = University degree 5 = Others

Section B: Loyalty Program Impact

Question	Code	Construct measured	Value assigned to response
1	SecB_A_1 - A_5	Loyalty Program Impact (LPI)	1=strongly disagree 2=disagree 3=neutral 4=agree 5=strongly agree

2	SecB_B_1- B_7	Value of Loyalty card	1=strongly disagree 2=disagree 3=neutral 4=agree 5=strongly agree
3	SecB_C_1- C_6	Customer Loyalty (CL)	1=strongly disagree 2=disagree 3=neutral 4=agree 5=strongly agree

4.3.2 Data cleaning

The data cleaning process started with consistency checks for data, which were out of range or logically inconsistent and extreme values and missing responses were sorted.

4.3.3 Tabulation of variables

405 questionnaires were distributed among respondents but three hundred and eighty (380) were considered useable after the data cleaning process. Thereafter, the data were coded and tabulated.

4.4 Demographic analysis

This section presents and analyses the demographic details of respondents. Section A of the questionnaire gathered demographic data regarding gender, marital status, respondent age, shops patronised and education qualification. Table 4.2 below shows the demographic details of respondents.

Table 4.2: Demographical profile of respondents

GENDER	Male	Female
	129	251

MARITAL STATUS	Single	Married	Separated	Divorced	Widowed
	235	126	1	11	6
AGE	18-25	26-30	31-35	36-40	>40
	96	56	70	56	102
PATRONISE	Pick 'n Pay	OK	Woolworths	Others	
	167	87	99	27	
EDUCATION	No matric	Matric	Technical college	University college	Other
	13	92	82	162	1

Table 4.2 presents the gender distribution of the study, marital status, age, shops that respondents often patronise and their education qualification.

The following are the graphical presentations of the demographics of study respondents

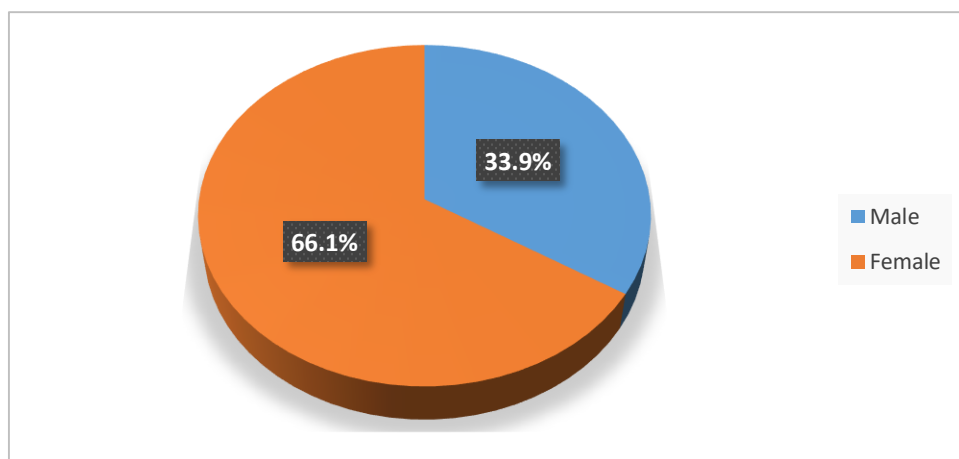


Figure 4.1: Gender

Figure 4.1 shows the gender as represented in the study. The majority of the respondents that participated in the study were female (66.1%) only 33.9% were male.

Next is the graphical representation of marital status.

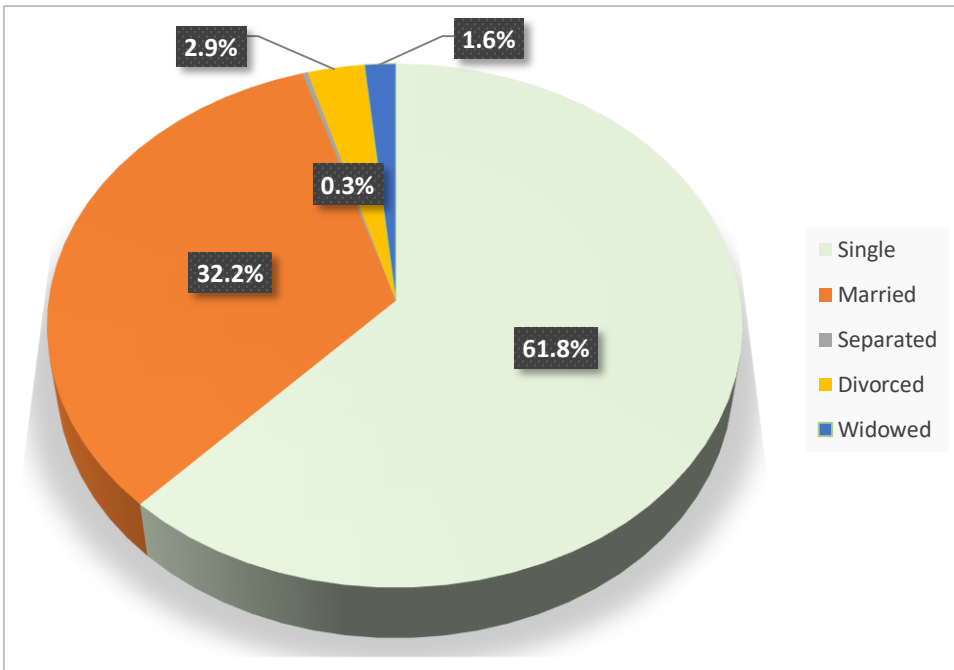


Figure 4.2: Respondents' marital status

Figure 4.2 shows the marital status of study respondents. The marital status of respondents comprised the following: the majority (61.8%) of the respondents were single, 32.2% were married, 0.3% were separated, those divorced were 2.9% and the widowed were 1.6%.

What follows next is respondents' age.

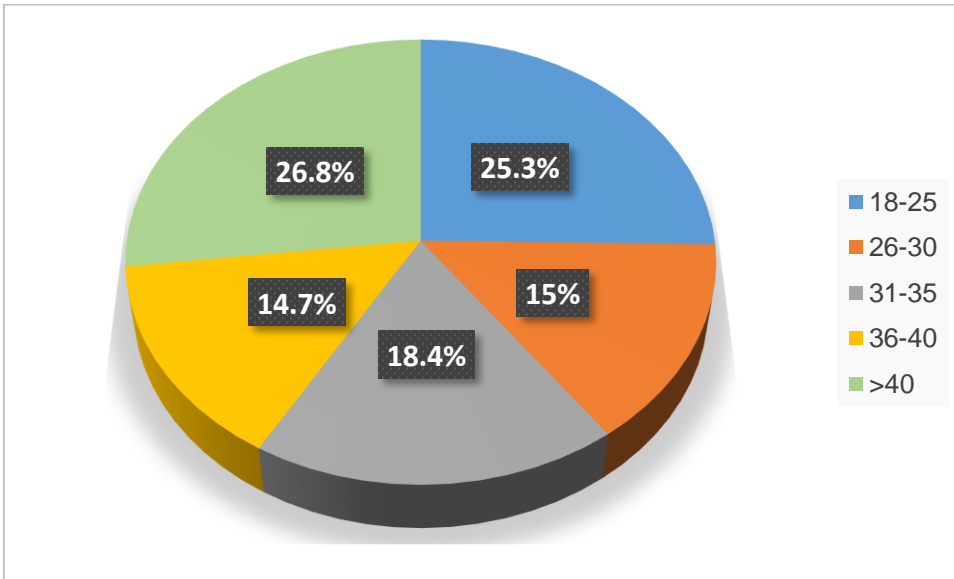


Figure 4.3: Respondents' age

Figure 4.3 displays respondents' ages. The majority of the individuals that participated in the study were over 41 years of age (102; 26.8%). The lowest age range was respondents between the ages 26-30 and 36-40, representing 14.7% of the total age of respondents. Those between ages 18-25 and 31-35 were 25.3% and 18.4% respectively. Next is the figure on retailers patronised.

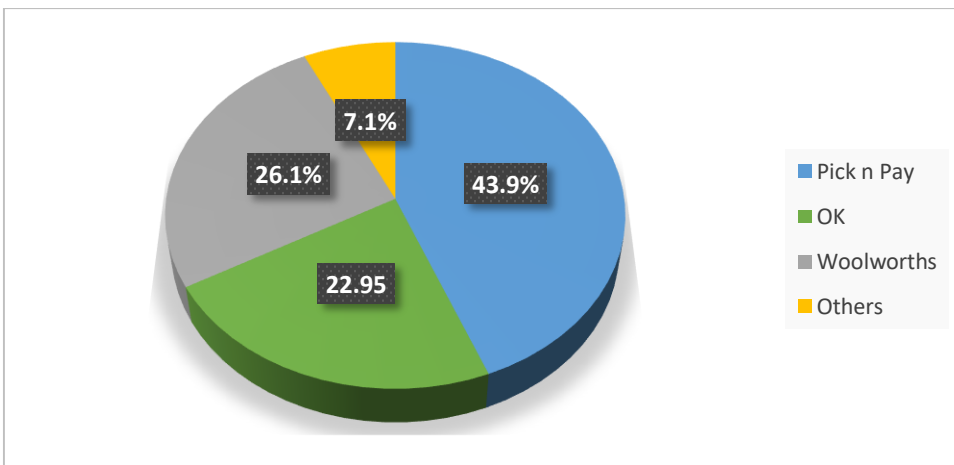


Figure 4.4: Patronage

Figure 4.4 depicts the retailers where data was collected. These were Pick 'n Pay (43.9%), OK Foods (22.9%) and Woolworths (26.1%). The respondents patronising retailers other than the aforementioned came to 7.1%. What follows next is the figure on education.

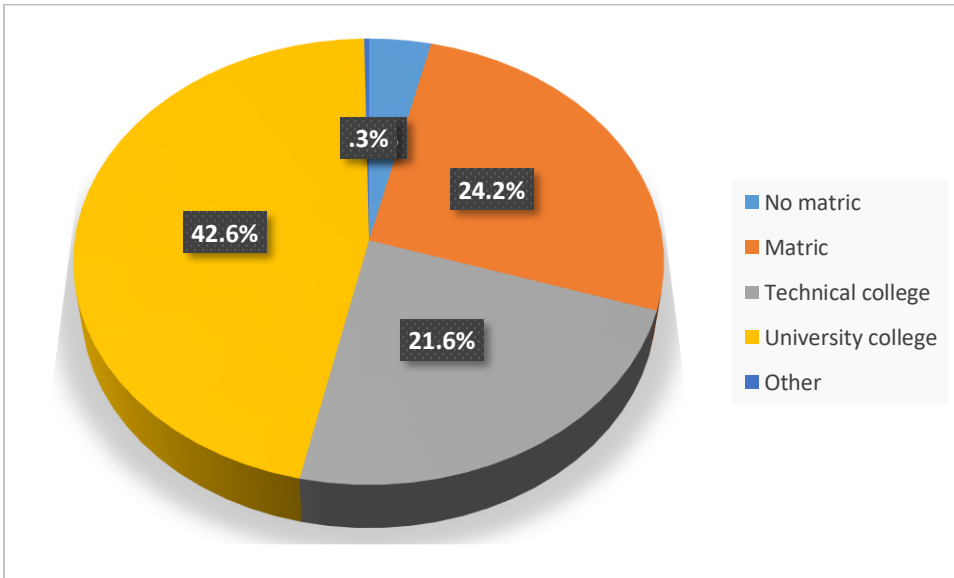


Figure 4.5: Education qualification

Figure 4.5 shows respondents' educational level. The majority of the respondents (162), constituting 42.6% of the overall respondents in the study, had a tertiary qualification and only 13 (3.4%) had no matric certificate. Respondents who had matric certificates came to 92 (24.2%) and 82 (21.6%) had technical college certificates.

The next section presents the descriptive statistics.

4.5 Descriptive Statistic

The five-point Likert scale in Section B of the questionnaire was used to collect data for descriptive statistics. The mean, standard deviation, skewness and kurtosis were determined from the data. Table 4.3 provides a summary of the descriptive analysis. A higher mean score correlates with higher agreement.

Table 4.3: Descriptive statistics

Items	N	Mean	SD	Skewness	Kurtosis
Loyalty program impact	380	3.7673	.79157	-0.900	1.303
A1	380	3.65	1.035	-0.838	0.550
A2	380	3.78	0.957	-0.661	0.324
A3	380	3.86	0.988	-0.771	0.236
A4	380	3.82	1.020	-0.932	0.768
A5	380	3.73	1.024	-0.715	0.213
Value of loyalty card	380	3.7360	.80956	-0.766	0.838
B1	380	3.92	1.010	-1.038	0.882
B2	380	3.81	0.977	-0.737	0.228
B3	380	3.75	0.969	-0.680	0.241
B4	380	3.74	0.985	-0.668	0.018
B5	380	3.58	1.029	-0.545	-0.190
B6	380	3.62	1.004	-0.458	-0.187
B7	380	3.74	0.971	-0.772	0.446
Customer loyalty	380	3.9250	.67916	-0.975	2.240
C1	380	3.75	0.897	-0.663	0.560
C2	380	3.84	0.934	-0.619	0.114
C3	380	3.99	0.923	-0.985	1.035

C4	380	3.85	0.843	-0.617	0.497
C5	380	4.13	0.863	-1.017	1.218
C6	380	3.99	0.909	-0.886	0.843

Section B of the questionnaire consisted of three scale measurements with the Likert scale response having values 1-5, indicating strongly disagree, disagree, neutral, agree and strongly agree. The three scales measured loyalty program impact, value of loyalty card and customer loyalty.

Values lower than 3 indicated that respondents strongly disagreed, disagreed and felt neutral with the statements, while 4 and 5 showed that the respondents agreed and strongly agreed with statements.

All constructs measured a mean value above 3.0. Respondents strongly agreed with the impact of a loyalty program (mean = 3.7673; SD = .79157), value of loyalty card (mean = 3.7360; SD = .80956) and customer loyalty (mean = 3.9250; SD = .67916).

The mean, as indicated in Table 4.4, explain that respondents strongly agreed that loyalty programs retain customers, ensure customer loyalty, promote repeat purchase and enhance customer satisfaction. Additional findings show that respondents strongly agreed that loyalty cards motivate customers, increase loyalty, stimulate relationships between retailers and customers, increase purchases, provide customers with a sense of belonging to a certain societal class and entice potential customers to become customers.

Results also show that respondents strongly felt that flexible reward programs encourage engagement in a loyalty program. Likewise, they felt that customer satisfaction is the bedrock of customer loyalty. Moreover, they strongly agreed that good customer service integrated with loyalty programs are expected to build relationships between customers and retailers. Finally, respondents strongly felt that people are loyal to programs that are trustworthy and advertisement of loyalty programs encourages customer loyalty.

Table 4.3 shows a positive skewness in all three constructs, since all factors fell between the recommended -2 and 2. Values, therefore, were all accepted. The kurtosis of each was accepted, although the kurtosis of construct three was rather high but was kept.

4.6 Exploration of Factor Analysis

Section B of the questionnaire was tested using exploratory factor analysis (EFA), through the use of principal component analysis and varimax rotation. To test the adequacy of the sample for conducting EFA, the Kaiser Meyer Measure of Sampling Adequacy (KMO) was conducted and the factorability of the correlation matrix for the items was confirmed using the Bartlett's Test. Table 4.4 shows the sampling adequacy and factorability.

Table 4.4: Sampling Adequacy and Factorability of the Correlation Matrix

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.935
Bartlett's Test of Sphericity	Approx. Chi-Square	3892.739
	Df	153
	p-value	.000

The KMO (KMO= 0.935 > 0.5) is greater than the benchmark of 0.6, as recommended by Dimitrov, (2014), and therefore, the sample was adequate for conducting exploratory factor analysis and a significant p-value ($p < 0.05$) of the Bartlett's test of sphericity (Bartlett's test = 3892.739; $df = 153$; and $p = .0.000 < .0.5$) shows that the correlation matrix of the items is factorable (Leech *et al.*, 2014).

All communalities are greater than 0.3, according to Leech *et al.* (2014) variables greater than 0.3 should be used in factor extraction. Factors extraction is portrayed next.

Table 4.5: Factor extraction

Component	Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %
1	8.509	47.273	47.273
2	1.493	8.293	55.566
3	1.362	7.565	63.131

Using the Kaiser's rule of eigenvalues greater than one (Brown, 2006), the table above shows that there are three factors with eigenvalues greater than one which implies that three factors are to be extracted. These three factors explain approximately 63.131% of the total variation, which implies that they explain more than 50% of the variation and Meyers *et al.* (2012) deem this as adequate. The extracted factors are presented next.

Table 4.6: the rotated component matrix

	Factors			
	1	2	3	*Comm
A1			.770	.556
A2			.774	.630
A3			.830	.640
A4			.779	.682
A5			.698	.594
B1	.720			.644
B2	.780			.714
B3	.786			.698
B4	.789			.666
B5	.866			.643
B6	.849			.647
B7	.837			.678
C1		.501		.530
C2		.746		.563
C3		.875		.687
C4		.687		.613
C5		.861		.649
C6		.562		.529

Eigen	47.273	8.293	7.565
Values			
% of variance	63.131		

The Promax rotated factor matrix above shows that Factor 1 (value of loyalty cards) comprises seven items, B1-7 Factor 2 (customer loyalty) comprises six items, C 1-6 and Factor 3 (loyalty program impact) comprises five items A 1-5. The tests conducted provided satisfactory results. All the factor loadings had values above 0.5, hence all factors loaded as expected. An

4.7 Reliability and Validity Analysis

Cronbach Alpha was used as a measure of reliability. The findings are presented in Table 4.7.

Table 4.7: Cronbach alpha and average inter-item correlation

Construct	Numbers of items in scale	Cronbach Alpha	Item means	Average inter-item correlation
Loyalty program impact	5	0.847	3.767	0.526
Value of loyalty cards	7	0.916	3.736	0.611
Customer loyalty	6	0.852	3.925	0.492

The Cronbach's alpha measurement used in the study indicated acceptable inter consistency, all the factors reported good reliability: loyalty program was $\alpha = 0.85$, value of loyalty cards was $\alpha = 0.92$ and customer loyalty was $\alpha = 0.85$. According to George and Mallery (2016:240), 0.70 is the recommended value of standard Cronbach alpha. Therefore, the reported reliability in the study was satisfactory. In addition, the average inter-item correlation must be above 0.3 to be valid (Aluko & Odularu, 2013:17). In the present study, the average inter-item correlation varied from 0.492 to 0.611. Such high inter-item correlation is expected and acceptable, especially when items measure the same concepts with slight differences (Felton, 2008:40).

The scale of measurement was deemed acceptable, because of their Cronbach Alpha values, and the average inter-item correlation values were also supported by previous studies (Myburgh *et al.*, 2014:124; Katamba, 2010:22) who argue that an average of 0.6 average inter-item is also acceptable.

The following section presents the correlation analysis and its findings.

4.8 Correlation Analysis

Table 4.8 shows the correlation between the three scales of measurement used in the study.

Table 4.8: Correlation analysis

	(LPI)	(VLC)	(CL)
Loyalty Program Impact (LPI)	1.000	.	
Value of Loyalty Card (VLC)	.612**	1.000	
Customer Loyalty (CL)	.593**	.660**	1.000

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

Table 4.8 shows that the correlations between all three constructs (LPI, VLC and CL) range between $1 \geq r \geq -1$, which means that all constructs are significant and the correlation is in the expected positive direction. The table further indicates nomological validity. The relationships between all three constructs are therefore significant.

What follows next is the regression analysis.

4.9 Regression Analysis

Table 4.9 shows the finding from the regression analysis and ANOVA test conducted on the dependent variables (customer loyalty) with the independent variables (loyalty program impact and value of loyalty card).

Table 4.9: Regression model summary model

Standardised beta coefficient	r ²	Adjusted r ²	Standardised Error Estimate	F	Significance level
0.702	0.492	0.490	0.48523	182.746	0.000*

*Significance at the p < 0.05 (2-tailed)

A coefficient of determination of 0.492 shows that 49.2% of the variation in customer loyalty amongst customers of fast-moving consumer goods (FMCG) retailers in Mahikeng can be attributed to loyalty program impact as well as the value attached to the program. In other words, the benefit derived from loyalty programs determined whether people will patronise a certain loyalty program or not. An F value of 182.746 and a significance of 0.000 (F = 182.746 p < 0.05) suggest that the independent variables reliably and significantly predict the dependent variable. That is to say, loyalty program impact and the value of program card can be used as predictors to customer loyalty to FMCG retailers. The next table depicts each independent variable's contribution to the prediction of customer loyalty.

Table 4.10: Contribution of each of the independent variables, Model 1

Model 1	Standardised Coefficients Beta	t-value	Significance level
Dependent Variable			
Customer Loyalty		11.020	.000
Independent Variables			
Loyalty Program Impact	0.302	6.505	.000

Value of Loyalty Card	0.475	10.234	.000
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*Significance at the <0.05 level (2-tailed)

Table 4.10 shows that the independent variables have a significant influence on customer loyalty. Loyalty program impact (LPI) ($\beta = 0.302$, $p = 0.000 < 0.05$) and value of loyalty card (VLC) ($\beta = 0.475$, $p = 0.000 < 0.05$) have a significant influence on the dependent variable (customer loyalty).

4.10 Summary of the Chapter

The chapter presented findings using tables and pie charts. The following sections were discussed thoroughly: pilot testing, data gathering process, preliminary data analysis, demographic analysis, exploration of factor analysis, descriptive statistic, correlation analysis and regression analysis.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5. INTRODUCTION

Marketers and retailers are faced with the challenge of retaining their customers because of the competitive nature of the business environment. Loyalty programs (LPs) have been recognised to be an important marketing strategy for securing a greater part of customer expenditure. A LP is a planned marketing strategy used by fast-moving consumer Goods (FMCG) retailers globally and in South Africa to build and develop customer-retailer business relationship with the motive of achieving organisational goals and enhancing business growth. Moreover, LPs have been found to encourage repetitive buying and in larger quantities as well. The strategy is aimed to not only improve relationship quality, but to increase loyalty and to secure consumer patronage through incentives and rewards (Meyer-Waarden, 2015:23; Zhang & Breugelmans, 2012:50).

LPs offer points, discounts and various forms of incentives in exchange for sponsoring membership of LPs and this fosters brand loyalty and advocacy. In addition, the program creates a win-win situation for retailers and customers, as the former gain market share and profitability, while customers are provided with benefits in exchange for their patronage. One major difficulty however for retailers that offer LPs is the identification of the right set of incentives, which are difficult to imitate on the one hand and able to achieve the goals of the supplier on the other hand. This is because people are likely to leave one program for another should the program not be sufficient and beneficial (Evanschitzky, *et al.*, 2012:627; Stathopoulou & Balabanis, 2016:5802).

A well-developed LP is expected to increase customer retention and lifetime duration, because it has the potential to increase a future commitment to preferred goods and services, which in turn will lead to repetitive purchasing, even when situational influences and marketing efforts are expected to cause switching behaviour (Waarden, 2015:22).

The study endeavoured to investigate the conflicting value of loyalty cards particularly in Mahikeng. In achieving this goal three research objectives were formulated including :1) to examine the values of loyalty cards and benefits to customers of fast-moving consumer goods (FMCG) retailers. 2)To analyse the contributing function of the different forms of loyalty programs and 3) To determine the extent to which loyalty programs increase customer loyalty towards FMCG retailers. The findings in the study thus will provide greater insight into the benefits contained in reward systems and how this will impact on FMCG retailers, specifically and the country in general. This chapter gives an overview of the study and discusses the main findings so as to draw the final conclusions. The chapter outlines the study contributions, followed by recommendations for future studies, limitations of the study and future research opportunities as well as the overall conclusion of the study

5.1 Overview

The section provides a brief overview of the previous four chapters. The primary objective of this study was to investigate the relationship between the value of LPs and their benefits to customers of FMCG retailers in Mahikeng.

Chapter 1 introduced the loyalty program, its purpose and benefits to fast-moving consumer goods (FMCG) retailers and the background of the study was set out to contextualise the study. The statement of the problem served to identify the gap in research so as to focus the study in terms of methodology and sampling population. Section 1.4 presented the study's primary objective, three research questions and three empirical objectives. The significance of the study was then discussed according to the domains of theoretical significance, methodological significance and practical significance. Next a preliminary review of the literature and research methodology followed, where the methods used in achieving the study aim were critically discussed. The ethical consideration and chapter outline were also considered and the chapter concluded with a summary in Section 1.10.

Chapter 2 discussed the secondary data available on loyalty cards, as stipulated in Chapter 1, Section 1.4.2, and presented the review under the following headings: marketing in the retail sector; marketing mix; marketing strategy; marketing communication mix; integrated marketing communication (IMC) defined; the synergy aspect of marketing communication was examined; marketing communication in the retail sector; loyalty in the retail sector: history and developments. It was found from prior studies that loyalty programs are important tools used by retailers to foster, build and develop customer-business relationship with the aim of achieving organisational goals and enhancing business growth. The following topics were also discussed: understanding loyalty programs; consumer loyalty cards; overview of customer loyalty cards; the value of loyalty cards and benefits to customers at fast-moving consumer goods (FMCG) retailers. It was shown that loyalty programs comprise a host of tangible or intangible benefits and rewards. The chapter ended in Section 2.8 with a summary of the chapter.

The goal of Chapter 3 was to discuss the methods used in gathering data for the empirical part of the study, as stated in Section 1.4.1 and Section 1.4.2 of Chapter 1. Next the research design was examined, indicating that the study used a cross-sectional research design. Then research approach was discussed and how the quantitative approach was decided for the study. Sampling strategy and target population were addressed and the target population was shown to be cardholders with the focus on those at OK Foods, Pick 'n Pay and Woolworths. The sampling frame was drawn, the sampling method was presented and it was shown that purposive sampling, also called judgmental sampling, was used for selecting loyalty program customers patronising stores in Mahikeng. A sample size of 380 customers with loyalty cards from OK Foods, Pick 'n Pay and Woolworths was selected for participation in the study. The description of how data were collected was addressed and the questionnaire design was explained. The questionnaire was carefully designed and phrased

to meet all the necessary requirements, as stated in past studies. Also, a cover letter explaining the study aim, ethical consideration and contact details accompanied the questionnaire. The questionnaire format was examined, with comprised structured questions with Likert scale response format and the questionnaire layout was also analysed. Next came the pre-testing of the questionnaire (Section 3.5.4), followed by a description of how the questionnaire was administered (Section 3.5.5). Administration of the questionnaire took two months after management of the identified malls granted permission. Data preparation was discussed next (Section 3.6), followed by data cleaning (Section 3.6.1). Statistical analysis (Section 3.7), descriptive analysis (Section 3.7.1), measures of location (Section 3.7.2), measures of variability (Section 3.7.3), measures of shape (Section 3.7.4), reliability (Section 3.7.5), validity (Section 3.7.6), factor analysis (Section 3.7.7), correlation analysis (Section 3.7.8), regression analysis (Section 3.7.9), two independent-samples t-test and Cohen's d (Section 3.7.10) were briefly discussed and the chapter closed with a summary in Section 3.8.

5.2 Main Findings of the Study

The discussion in this section is on the main findings, which is aligned with the stated empirical objectives as presented in Chapter 1 Section 1.4.2.

Section 4.5 focused on a demographic analysis of respondents, whereby the majority of the respondents were female (66.1%) and 33.9% were male. The marital status comprised the following: a majority of the respondents were single (61.8%), 33.2% were married, 0.3% were separated, 2.9% were divorced and 1.6% widowed. With regards to age, the majority of the respondents were over 41 years of age. The lowest age ranges were respondents between the ages 26-30 years and 36-40 years. Data were collected at Pick 'n Pay (43.9%), OK Foods (22.9%), Woolworths (26.1%) and 7.1% represented respondents patronising shops other than the aforementioned. Most of the respondents had a matric certificate and a tertiary qualification (university degree or technical college certificate), while only a few did not have a matric certificate.

Section 4.7 centred on exploratory factor analysis (EFA) and the analysis provided satisfactory results, as all the factor loadings had values above 0.5, indicating that all factors were significant and all items were correlated and loaded as expected.

The first empirical objective examined the value of loyalty cards and benefits to customers. Regression analysis was conducted in Section 4.10 and a relationship between values of loyalty cards and benefits to customers was found. The findings suggest that the value of a program card can be used as predictor to customer loyalty to FMCG retailers in Mafikeng. The implication of this finding is that customers will only patronise a loyalty program that provides good value as well as offers some kind of benefit.

The second empirical objective of this study was to analyse the contributing function of the different forms of loyalty programs. The study findings show significant contributing functions of loyalty programs (Table 4.12). Loyalty programs were also found to increase customer loyalty and stimulate relationships between retailers and customers. The findings suggest that loyalty programs such as reward programs, point systems, discount

programs and coupons contribute towards motivating customers' purchasing behaviour. The findings further suggest that different forms of loyalty programs play a role in providing customers with sense of belonging and assist in enticing potential customers.

The third empirical objective of this study was to determine the extent to which loyalty programs increase customer loyalty towards FMCG retailers. It was found in the correlation analysis in Section 4.9 that a significant positive relationship exists between loyalty programs and customer loyalty. The findings suggest that an increase in the services of a loyalty program will lead to an increase in customer loyalty.

5.3 Relevance of the Study

The study investigated the relationship between the value of the LP and its benefits to customers of FMCG retailers in Mahikeng, North West Province, in South Africa.

The study investigated the concept of customer loyalty (CL) and the impact that different forms of LPs might have on it. Furthermore, the findings of this study have portrayed the LP as a marketing strategy that could enhance sales and generate sales growth for better growth in FMCG industries in the North West Province. Therefore, the findings of the study contribute to existing literature and add to FMCG retailers and loyalty programs, especially regarding the value of the loyalty program and its benefits to all stakeholders (customers, retailers and government). The special focus on loyalty programs is because of their contributing role towards aiding customer loyalty and thus contribute to the financial growth of FMCG retailers.

In addition, findings have shown that the value of LPs is a predictor to customers' loyalty and so the study adds to the growing literature on LPs for FMCG industries. Based on this study, retailers that do not offer LPs should do so, where viable.

Lastly, several contributing functions of loyalty programs were found in the study, functions which could add to the limited knowledge base regarding LPs in FMCG industries locally and internationally. These contributing functions may also provide retailers and entrepreneurs with a better understanding and insight into the importance of investing in LPs and encourage continuous use of the programs. They will also aid in the identification of the right combination of rewards, which are difficult to imitate.

5.4 Recommendations

The study investigated the relationship between the value of LPs and customer loyalty to FMCG retailers in Mahikeng. Based on the objectives laid out in Chapter 1, Section 1.4 and the main findings presented in Section 5.3, the following recommendations have been formulated:

- The provision of a smart shopper program by FMCG retailers in Mafikeng is suggested, as this will enable a quick cashier-customer relationship and ensure that customers are in position to accumulate points on their cards. It will also foster a healthy collaboration between the management of FMCG retailers and customers at all FMCG retailers in Mafikeng.
- The constant reminding of customers to swipe their cards is important, which should be indicated at the entrance of FMCG stores, at the payment point and verbally by cashiers. Such reminders will ensure that customers do not miss out on rewards and points on every purchase and because customers only patronise a loyalty program that provides good value and offers, this will strengthen customer satisfaction and comfort levels and thus retain customers.
- It is further recommended that FMCG industries should develop and create shopping apps and encourage online shopping amongst their customers. The app should be easy to use and customer friendly. This initiative can also integrate partnering with banks, whereby customers can earn EBucks at a satisfactory rate during purchases. Digital shopping is convenient and less stressful, as it avoids queues during physical-contact shopping. Joining up with Ebucks will further foster satisfaction and customer loyalty.
- Additionally, it is recommended that FMCG retailers across South Africa should strategically design programs in which rewards are connected with the next purchase. The intention is to increase retention rates. For example, the next purchase should be associated with a free golf training course or a free visit to a spa or personal stylist services, which may be a free hair cut or a hair dressing service. Rewards that offer more symbolic benefits, such as a free ticket to VIP, can also be strategically designed.
- Finally, FMCG retailers should create a tier reward system that aligns benefits with members' status (silver, gold, platinum). The higher the membership status the higher the benefits accrued to members. The awareness of this package should be an open plan, whereby all customers have knowledge of it through regular and periodic messages to them via emails and messenger. Linking rewards to members' status will foster healthy competition among customers and increase repetitive purchases.

5.5 Limitations to the Study

This study is not without limitations. Due to time and financial factors, the study is not longitudinal and conducted using a cross-sectional research design. This design requires the use of quantitative approach, an approach that may limit study findings to interpretations from only numerical data. It is suggested that future research on the value of loyalty programs should be longitudinal and adopt a mixed methodology research design, as this will provide additional qualitative information from customers' meanings and understanding of the value of loyalty program.

Secondly, the study was conducted on loyalty program members in Mafikeng, North West Province in South Africa, which resulted in a smaller sample size. The implication of such findings is that making inferences about the rest of the country may prove difficult. It is recommended that future studies should consider a bigger

sample size from more than one province in the country, as this will result in a larger sample size and make generalisation more broadly applicable.

Thirdly, this study concentrated on constructs that focused on loyalty program impact and loyalty programs in relation to reward programs, point systems, price discounts and coupons. Future studies might vary and use different constructs to determine different perspectives on loyalty programs. Through these studies, other contributing functions may arise for possible considerations when investing the loyalty program for FMCG industries.

Fourthly, the study collected data on demographics, but did not examine demographic influence on LPs. There is a need for future studies to test in terms of gender, ethnicity, income, age and education level, as this will also enrich the body of knowledge on LPs.

Finally, the study did not consider the frequently used loyalty program. There is a need for future studies on loyalty programs to consider the preferred used loyalty programs. This may be important in the identification of LPs that are most important for generating increased sales and financial growth for FMCG industries.

5.6 Future Research Opportunities

This study investigated the conflicting value of loyalty cards at fast-moving consumer goods (FMCG) retail stores in Mahikeng, but many topics pertaining to such a program and particularly in Mafikeng are yet to be fully explored. A significant extension of the present study would be to examine the most frequently used loyalty program of FMCG retailers. It is plausible that some LPs are more beneficial than others. Such knowledge would provide valuable insights into designing an LP that can increase profitability and retention rates. It is also worthwhile to collect additional data and explore the loyalty card and its benefits, which could reveal important empirical understandings and add to the research on loyalty programs in Africa. Another direction for future research would be to develop a model that studies marketing promotion and LPs. The way a promotion is presented, whether through word of mouth or in a store and on the website, may play a critical role in its effectiveness. Further studies could therefore examine the impact of promotion on LP offers.

5.7 Conclusion

Based on the findings of this study, the following conclusions were drawn:

The study found a positive correlation between the loyalty program and customer loyalty. Customer loyalty to fast-moving consumer goods (FMCG) retailers in Mahikeng was also found to be attributable to loyalty program impact and the value attached to the program. In other words, the benefit derived from loyalty programs determine whether people will patronise a certain loyalty program or not. The implication is that loyalty program impact and the value of program card may be used as predictors to customer loyalty for FMCG retailers in South Africa and globally.

Furthermore, loyalty programs such as reward programs, point systems, discount program and coupons contribute towards motivating customers' purchasing behaviour, increase customer loyalty, stimulate relationships between retailers and customers, increase purchases and provide customers with a sense of belonging as well as assist in enticing potential customers.

Based on the empirical findings, the objectives of this study have been reached successfully. The study thus contributes to a deeper understanding of LPs and offer insight to retailers and entrepreneurs on the benefits of LPs towards customer loyalty. This is with the view that customer satisfaction is the bedrock of customer loyalty and their patronage is dependent on the value of LPs.

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ANNEXURE

TO WHOM IT MAY CONCERN

02 December 2020

This serves to confirm that the dissertation submitted in fulfilment of the requirements for the degree Master of Business Administration in Commerce and Administration at the Mafikeng Campus of the North-West University submitted by O.A. Tsele (student number: 18009190), titled

H.S. Schutte

B.A. – Translation

(PU for CHE) 1998

084 556 0724

**MEASURE CONFLICTING VALUES OF LOYALTY
CARDS AT FAST-MOVING CONSUMER GOODS
(FMCG) STORES IN MAHIKENG**

has been language edited as required.

HS SCHUTTE

16 December 2020

I, Dr JH van Schalkwyk hereby affirm that I conducted the statistical analyses for Mr OA Tsele for the mini dissertation titled 'Measure conflicting values of loyalty cards at fast-moving consumer goods (FMCG) stores in Mahikeng'.

Dr JH van Schalkwyk

A handwritten signature in black ink, consisting of several fluid, overlapping strokes that form a stylized representation of the initials 'JH'.



Informed Consent Form to Complete a Questionnaire on Measuring conflicting values of loyalty cards at fast-moving customer goods retail stores in Mahikeng

Participation in a study on loyalty cards among customers of fast-moving customer goods (FMCG) in Mahikeng

Through purposive sampling method, you have been selected as a possible participant in this study because you are a customer at FMCG. The study is conducted by Otsile Tsele, an MBA student at North-West University Mafikeng Campus, South Africa.

Purpose of study

The purpose of the study was to investigate the relationship between the value of LPs and their benefits to customers of the FMCG sector in Mahikeng.

Procedures

You will receive with this form a questionnaire requesting you to respond to some statements on your views on the impact of loyalty program, and your perception on the value of loyalty card as well as your opinion on your loyalty as a customer patronizing FMCG in Mahikeng. Section A of the questionnaire will focus on demographic information including gender, marital status, age, shop patronize, and level of education.

Potential Risks and Discomforts

As a respondent in this study, you are exposed to very low risks. Nevertheless, your participation is voluntary and you may decide to discontinue with the study should you feel uncomfortable with any part of the study.

Potential Benefits to Participants and/or to Society

From your responses to the statements on the questionnaire and information provided by you will assist in a deeper understanding of loyalty programs (LPs) and this will offer insight to retailers and entrepreneurs on the benefits of LPs towards customer loyalty. This will be of great benefit to South Africa as a country, contribute to the financial growth of FMCG retailers, and the field of marketing, as well as research on loyalty programs.

Confidentiality

The information provided by you will be treated and kept confidential. This will be achieved as your responses cannot be traced to you because your name and identification number is not required as you fill this questionnaire.

Right of Research Respondents

Participation in this current study is voluntary. By implications you shall not be penalized if you decide to withdraw your participation any time during the study. It is not compulsory that you complete any portions of the surveys that you do not wish to complete.

Identification of Investigators

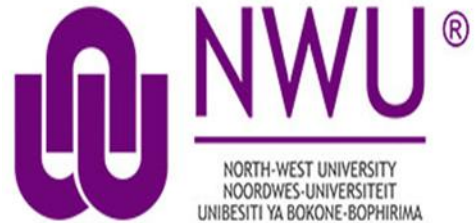
Please contact O.A. Tsele at otsiletsele41@gmail.com or Prof J.J. Prinsloo at hein.prinsloo@nwu.ac.za , or Dr. J.H. Van Schalkwyk at hugvsc@gmail.com any time you have questions concerning this study.

Signature of Research Respondent

I, having read and understood the explanation about the study, agree to participate

Signature of participant:

Date:



**For office use only: Respondent code:
Voluntary Questionnaire for MBA
studies.**

Student number: 18009190
Contact: 073 473 0775
Email: otsiletsele41@gmail.com
Supervisor: Prof JJ Prinsloo
Contacts: 082 904 0977
Email: Hein.Prinsloo@nwu.ac.za

Dear Respondents,

My name is **Otsile Tsele**, I am an MBA student at North-West University, student number **18009190**. Part of the requirements for this program is to complete a research project. I am undertaking an empirical study on the benefit of loyalty cards for consumers at Fast Moving Consumer Goods (FMCGs), with special focus at OK food, Pick n Pay and Woolworths retail outlets in Mahikeng. It is believed that the outcome of a study of this nature would contribute significantly to consumers, retailers, and society at large as it will contribute to economic growth and development.

The questionnaire will take approximately 15 minutes of your time to complete. There shall be no compensation in participating in this survey. For the sake of confidentiality, please do not indicate your name.

If you agree to be a respondent in this study, please answer all questions as honestly as possible and return the completed questionnaire promptly. Participation is strictly voluntary, and you may refuse to participate at any time.

The responses in this questionnaire will be treated with privacy and confidentiality. Only the researcher has access to completed questionnaire.

The survey is intended to measure your perceptions and understanding of issues highlighted in each question.

Thank you for your participation.

Otsile Tsele (MBA researcher)

SECTION A: Demographic information

Instruction

Indicate your responses by ticking (√) in the box corresponding with your answer

1. Your gender

Male	1
Female	2

2. Please indicate your marital status

Single	Married	Separated	Divorced	Widow/er
1	2	3	4	5

3. Please √ the age that applies to you

18-25years	1
26-30years	2
31-35years	3
36-40	4
41years and above	5

4. Please √ the shop you patronize (Tick only one)

Pick n Pay	OK shop	Woolworths	Others
1	2	3	4

5. If your answer to question 4 is others, please specify which shop.....

6. Level of education

No matric	1
Matric	2

Technical college	3
University degree	4
Others	5

If other, please specify: _____

SECTION B:

Please answer all questions.

Question 1

		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	Reward programs retain customers	1	2	3	4	5
2	Point systems ensure customer loyalty	1	2	3	4	5
3	Loyalty card programs that offer price discounts promote repeat purchases	1	2	3	4	5
4	Loyalty cards that give points enhance customer satisfaction	1	2	3	4	5
5	Loyalty card programs that offer coupons promote customer loyalty	1	2	3	4	5

Question 2

		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	Loyalty cards motivate customers	1	2	3	4	5
2	Loyalty cards increase loyalty	1	2	3	4	5
3	Loyalty cards stimulate relationships between retailers and customers	1	2	3	4	5
4	Loyalty cards increase purchases	1	2	3	4	5
5	Loyalty cards provide customers sense of belonging to a certain societal class	1	2	3	4	5
6	Customers who possess loyalty cards are proud of it	1	2	3	4	5
7	Loyalty cards entice potential customers to become customers	1	2	3	4	5

Question 3

		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	Flexible reward programs encourage engagement in a loyalty program	1	2	3	4	5
2	Customer satisfaction is the bedrock of customer loyalty	1	2	3	4	5
3	Good customer service integrated with loyalty programs build relationships between customers and retailers	1	2	3	4	5
4	Loyalty program promotions stimulate customer loyalty to a retailer	1	2	3	4	5
5	Customers are loyal to programs that are trustworthy	1	2	3	4	5
6	Advertisement of loyalty programs encourage customers loyalty	1	2	3	4	5

Thank you again for taking your time to complete this questionnaire.



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Economic and Management Sciences Research Ethics
Committee (EMS-REC)

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25 October 2019

Prof J J Prinsloo
Per e-mail

Dear Prof Prinsloo,

EMS-REC FEEDBACK: 25102019
Student: Tsele, O (18009190)(NWU-00749-19-A4)
Applicant: Prof J J Prinsloo - MBA

Your ethics application on, Conflicting value of loyalty card as fast moving consumer goods (FMCG) retail stores in Mahikeng, that served on the EMS-REC meeting of 25 October 2019, refers.

Outcome:

Approved as a minimal risk study. A number NWU-00749-19-A4 is given for three years of ethics clearance.

Kind regards,

A handwritten signature in black ink, appearing to read 'Bennie Linde', enclosed within a circular scribble.

Prof Bennie Linde
Chairperson: Economic and Management Sciences Research Ethics Committee (EMS-REC)
Potchefstroom Campus
Mini-dissertation body only as on
24 November 2020

Mini-dissertation body only as on 24 November 2020

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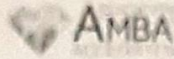
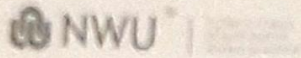
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<http://commercial.nwu.ac.za/business-school>
Email: Prinsloo@nwu.ac.za
Cell: 082 904 0977

02 July 2019

Dear Retail Management

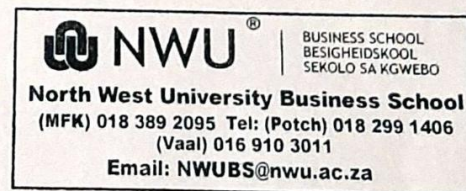
Re: Empirical fieldwork (Retail loyalty cards)

This letter serve as confirmation that Mr O A Tsele (student number: 18009190) (NWU-00749-19-S4) is currently a registered student for a MBA degree at North West University, Business School – Mafikeng campus.

Mr Tsele's intention is to do empirical research, analysing the understanding and value of retail loyalty cards at fast moving customer goods retail stores, in Mahikeng. Physical fieldwork would be done in the areas, surrounding the relevant retail outlet. Thus, no fieldwork will take place inside relevant retail outlets.

It will be highly appreciated, allowing Mr Tsele to conduct his fieldwork (towards the completion of an MBA degree) outside selected retail outlets.

Kindest regards



Prof JJ Prinsloo (Promotor)

North West University
Business School

ACCEPTENCE:

I, Chabo Moadi in my capacity as Store Manager
hereby authorise the student to collect data for the above said reason/s.

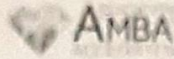
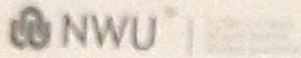
Signed at R.P. Mogalety on this 02 day of 07 2019.



Signature

PICK 'n PAY
MmABATHO

Company stamp



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Tel: 018 389 2387
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Email: Prinsloo@nwu.ac.za
Cell: 082 904 0977

02 July 2019

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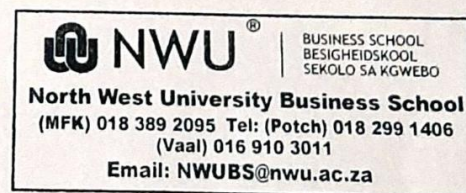
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Prof JJ Prinsloo (Promotor)

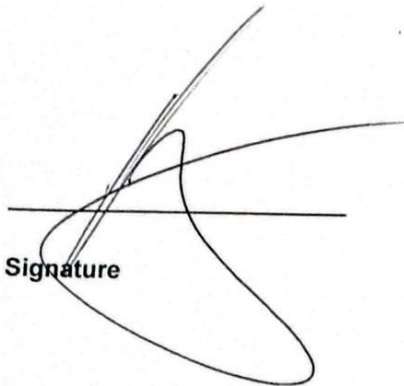
North West University
Business School



ACCEPTENCE:

I, RIAN OESTHUIZEN in my capacity as MANAGER
hereby authorise the student to collect data for the above said reason/s.

Signed at MARIKENY on this 3th day of JULY 2019.


Signature

Company stamp

**OK LIQUOR INTERMEAT
1987**



Date:.....

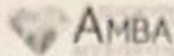
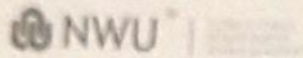
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02 July 2019

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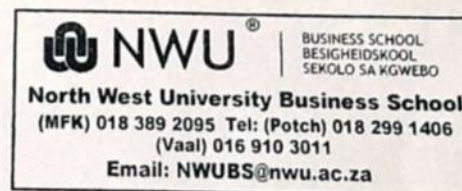
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Kindest regards



Prof JJ Prinsloo (Promotor)

North West University
Business School



ACCEPTENCE:

I, JOYCE MOLEFALDI in my capacity as FOOD MANAGER.
hereby authorise the student to collect data for the above said reason/s.

Signed at Mmabatho on this 10 day of 07 2019.

Signature

Woolworths Mmabatho Mall 3109
Shop no 24, The Crossing Mall
cnr Nelson Mandela Drive
& Sekame Road
Mafikeng
Tel: 018 397 9360

Company stamp