



**THE INFLUENCE OF LOYALTY PROGRAMS ON BUSINESS PERFORMANCE
OF RETAIL FIRMS: AN EMPLOYEE'S PERSPECTIVE**

BY

KEAGAN ANDERSON

STUDENT NUMBER: 219481628

DATE OF REGISTRATION: 1 APRIL 2021

SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS
FOR THE DEGREE OF

BACHELOR OF COMMERCE HONOURS

IN THE

FACULTY OF BUSINESS AND ECONOMIC SCIENCES

AT THE

NELSON MANDELA UNIVERSITY

STUDY LEADER: PROF. J. KRÜGER

SUBMISSION DATE: 1 NOVEMBER 2021

DECLARATION BY CANDIDATE

NAME: KEAGAN ANDERSON

STUDENT NUMBER: 219481628

QUALIFICATION: BACHELOR OF COMMERCE HONOURS

TITLE OF TREATISE: **THE INFLUENCE OF LOYALTY PROGRAMS ON**
BUSINESS PERFORMANCE OF RETAIL FIRMS: AN
EMPLOYEE'S PERSPECTIVE

DECLARATION:

In accordance with Rule G5.6.3, I hereby declare that the above-mentioned treatise is my own work and that I have not previously been submitted to another University or for another qualification



ACKNOWLEDGEMENTS

I would like to express my sincere gratitude to those without whom this study would not have been possible.

- Professor Janine Krüger, my supervisor, for her continuous support, patience and guidance throughout this study.
- All the respondents that participated in the study by completing questionnaires administered for the study's empirical investigation.
- My family and friends for their continuous support and motivation throughout the year and this study.

ABSTRACT

Retailers play an important role in the South Africa economy as they provide their customers with products to meet their basic needs. Because of their important role, retailers try and use loyalty programs to understand and meet their customer needs. The primary objective of the study is to investigate the influence that loyalty programs have on the firm's overall business performance. The study looked from the perspective of the employees of the various retailers. The results of the empirical investigation found that loyalty programs have strong influence on customers' buying behaviour, and in turn influencing business performance.

TABLE OF CONTENTS

	Page
DECLARATION BY CANDIDATE	i
ACKNOWLEDGEMENTS	ii
ABSTRACT	iii
TABLE OF CONTENTS	iv
LIST OF FIGURES	vii
LIST OF TABLES	ix

CHAPTER ONE

INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION AND BACKGROUND OF THE STUDY	1
1.2 PROBLEM STATEMENT	2
1.3 RESEARCH OBJECTIVES	2
1.3.1 PRIMARY OBJECTIVE	2
1.3.2 SECONDARY OBJECTIVES	2
1.3.3 METHODOLOGICAL OBJECTIVES	3
1.3.4 RESEARCH QUESTIONS AND HYPOTHESES	3
1.4 SIGNIFICANCE OF THE STUDY	5

CHAPTER TWO

OVERVIEW OF LOYALTY PROGRAMS AND BUSINESS PERFORMANCE

2.1 INTRODUCTION	6
2.2 DEFINITIONS OF THE KEY CONCEPTS	6
2.2.1 LOYALTY PROGRAMS	6
2.2.2 BUSINESS PERFORMANCE	6

TABLE OF CONTENTS

	Page
2.2.3 CUSTOMER SATISFACTION	7
2.2.4 TRUST	7
2.2.5 COMMITMENT	7
2.2.6 CORPORATE IMAGE	7
2.2.7 SWITCHING COSTS	7
2.2.8 COMMUNICATION	7
2.2.9 CUSTOMER LOYALTY	7
2.3 THE IMPORTANCE OF THE RETAIL INDUSTRY	8
2.4 OVERVIEW OF LOYALTY PROGRAMMES	8
2.5 MEASURING BUSINESS PERFORMANCE	9
2.6 INFLUENCE OF LOYALTY PROGRAMMES OF BUSINESS PERFORMANCE	10
2.7 THE FACTORS INFLUENCING THE USE OF LOYALTY PROGRAMME	11
2.7.1 CUSTOMER SATISFACTION	11
2.7.2 TRUST	12
2.7.3 COMMITMENT	13
2.7.4 CORPORATE IMAGE	13
2.7.5 SWITCHING COSTS	14
2.7.6 COMMUNICATION	15
2.7.7 CUSTOMER LOYALTY	15
2.8 HYPOTHESISED MODEL OF THIS STUDY	17

TABLE OF CONTENTS

	Page
CHAPTER THREE	
RESEARCH DESIGN AND METHODOLOGY	
3.1 RESEARCH DESIGN	18
3.1.1 RESEARCH PARADIGM	18
3.1.2 RESEARCH DESIGN	18
3.1.3 DESIGN TYPOLOGY	29
3.2 RESEARCH METHODOLOGY	19
3.2.1 RESEARCH POPULATION AND SAMPLING	19
3.2.2 DATA COLLECTION AND THE MEASURING INSTRUMENT	20
3.2.3 DATA ANALYSIS	21
3.3 ETHICAL CONSIDERATIONS	22
CHAPTER FOUR	
EMPIRICAL RESULTS	
4.1 RESULTS OF THE DEMOGRAPHIC INFORMATION	23
4.2 RESULTS OF THE RESEARCH ON LOYALTY PROGRAMME VARIABLES INFLUENCING BUSINESS PERFORMANCE	24
4.2.1 VALIDITY AND RELIABILITY OF THE INDEPENDENT AND DEPENDENT VARIABLES	24
4.2.2 DESCRIPTIVE STATISTICS OF THE INDEPENDENT AND DEPENDENT VARIABLES	26
4.2.3 EMPIRICAL RESULTS OF THE CORRELATION AND RELATIONSHIPS BETWEEN THE INDEPENDENT AND DEPENDENT VARIABLES	26
CHAPTER FIVE	
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	
5.1 INTRODUCTION	29

TABLE OF CONTENTS

	Page
5.2 MAIN FINDINGS OF THE LITERATURE REVIEW	29
5.3 MAIN FINDINGS OF THE EMPIRICAL INVESTIGATION	30
5.3.1 CONCLUSIONS AND RECOMMENDATIONS FROM THE DEMOGRAPHIC INFORMATION	30
5.3.2 CONCLUSIONS AND RECOMMENDATIONS THE RESULTS OF THE RESEARCH ON LOYALTY PROGRAM VARIABLES INFLUENCING BUSINESS PERFORMANCE	30
5.4 LIMITATIONS OF THE STUDY	31
LIST OF SOURCES	33
ANNEXURE A: COVER LETTER AND SAMPLE QUESTIONNAIRE	39
ANNEXURE B: TABLES OF EMPIRICAL RESULTS	44
ANNEXURE C: ETHICS CLEARANCE FORM	49
ANNEXURE D: TURNITIN SUMMARY	51

LIST OF FIGURES

	Page
FIGURE 1.1 HYPOTHESISED MODEL OF LOYALTY PROGRAM FACTORS INFLUENCING BUSINESS PERFORMANCE	4

LIST OF TABLES

	Page
TABLE 4.1: MULTIPLE REGRESSION ANALYSIS	27
TABLE B.1: FREQUENCY DISTRIBUTION OF THE RESPONDENTS' DEMOGRAPHIC AND EMPLOYMENT INFORMATION	44
TABLE B.2: VALIDITY AND RELIABILITY FOR CUSTOMER SATISFACTION	45
TABLE B.3: VALIDITY AND RELIABILITY FOR TRUST	46
TABLE B.4: VALIDITY AND RELIABILITY FOR COMMITMENT	46
TABLE B.5: VALIDITY AND RELIABILITY FOR CORPORATE IMAGE	46
TABLE B.6: VALIDITY AND RELIABILITY FOR SWITCHING COSTS	47
TABLE B.7: VALIDITY AND RELIABILITY FOR COMMUNICATION	47
TABLE B.8: VALIDITY AND RELIABILITY FOR CUSTOMER LOYALTY	47
TABLE B.9: VALIDITY AND RELIABILITY FOR BUSINESS PERFORMANCE	48
TABLE B.10: DESCRIPTIVE STATISTICS OF THE INDEPENDENT AND DEPENDENT VARIABLES	48
TABLE B.11: PEARSON'S CORRELATION COEFFICIENTS	48

CHAPTER ONE

INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION AND BACKGROUND OF THE STUDY

The retail industry is one of the largest industries around the world, whether it be through instore purchases or online purchases. The retailers within the retail industry continue to grow as the industry becomes more established. Retailers are constantly finding ways to develop their market share within the industry through innovation and consistent performance (Alam, Galvan & Martinez, 2016:1). These innovative ways are only made possible through customer loyalty and customer satisfaction. While the retail industry is one of the most profitable industries, there is the chance that retailers are not maximising their potential profits (Zakaria, Rahman, Othman, Yunus, Dzulkipli & Osman, 2014:24).

People are constantly relying on retail stores for their basic needs, such as food, clothing and any other basic household needs. Customers visit retail stores daily to buy these basic products needed. Therefore, it can be said that the retail industry plays an important role in a country's economy as without these basic need providers, consumers would not be able to survive (Ligthelm, 2004:40).

With an industry that has a customer base that is large, such as the customer base of the retail industry, there is the threat of competing firms. Many firms enter the retail space with multiple different product offerings. It is important for a firm to generate a product offering that stand out from its competitors. Customers want the best quality product for the best appropriate price. In the past, firms did not focus on product quality as there was not much competition in the retail space. As the competition comes steep, firms are forced to improve the quality of their product offering or they will not succeed in the market (Makhitha, 2013).

Customers become loyal to retailers when they are satisfied by the products and services that are offered to them by the retailers. Customer loyalty is a complex topic to understand from a retailers' perspective. Because of this complexity, retailers need to find ways to create sustained customer loyalty if they want to improve their business performances (Gable, Fiorito & Topol, 2008:33).

Retailers use loyalty programs to retain customers and to promote the buying of their products. Loyalty programs offer customers a point system of sorts that will offer rewards to the customers after an accumulation of their points (Zakaria *et al.*, 2014:23). Therefore, retailers

use their loyalty programs to create and develop long-term relationships with their customers. In addition, loyalty programs are designed by retailers to entice customers to continue to buy their products (Gable *et al.*, 2008:33).

1.2 PROBLEM STATEMENT

A major problem faced by the retail industry is the perception that retailers do not hold their customers' interests with a high regard. Customers feel that their needs are not a top priority to retailers and that the only concern of retailers is to generate as much of a profit as possible (Froud, Tischer & Williams, 2017:2). Customers are therefore not willing to show any loyalty to retailers, making it difficult for retailers to retain their customers (Gable *et al.*, 2008:33).

According to a study done in the USA, 80% of customers using loyalty programs suggest that loyalty programs have a huge influence on their decision to support retailers. Therefore, it is important for retailers to understand the impact that loyalty programs have on their customers' loyalty (Zakaria *et al.*, 2014:34).

Retailers need to investigate their customers' satisfaction needs and how loyalty programs can influence these needs. Once retailers understand these needs, they will be more equipped to increase their customer loyalty, resulting in better business performance.

1.3 RESEARCH OBJECTIVES

The research objectives include the primary objective of the study, and the secondary objectives that support the achievement of the primary objective. The methodological objectives are also included in this section and these objectives indicate the direction that must be taken to complete the study.

1.3.1 PRIMARY OBJECTIVE

The primary objective of this study is to investigate the influence loyalty programs, offered by retailers to their customers, have on the overall business performance of the firms, from the perspective of their employees.

1.3.2 SECONDARY OBJECTIVES

To further understand the primary objective, the following secondary objectives have been formulated:

SO¹: To investigate the factors that influence the use of loyalty programs.

SO²: To determine what business performance entails.

SO³: To investigate whether the employees feel that the loyalty programs offered influence business performance positively.

1.3.3 METHODOLOGICAL OBJECTIVES

To achieve the secondary objectives and the primary objective of the study, the following methodological objectives need to be achieved:

MO¹: To conduct a literature overview on loyalty programs offered by retailers by considering the types of loyalty programs offered, the factors influencing the decision to provide loyalty programs and the influence of loyalty programs on business performance.

MO²: To develop a hypothesised model of the loyalty program factors influencing business performance from an employee perspective.

MO³: To determine an appropriate research design, methodology and method (measuring instrument) that will be most suitable to collect data and test the formulated hypotheses as presented in the hypothesised model empirically.

MO⁴: Provide recommendations to retailers on how to use loyalty programs to improve business performance.

1.3.4 RESEARCH QUESTIONS AND HYPOTHESES

The following research questions assist in achieving the primary objective of this study:

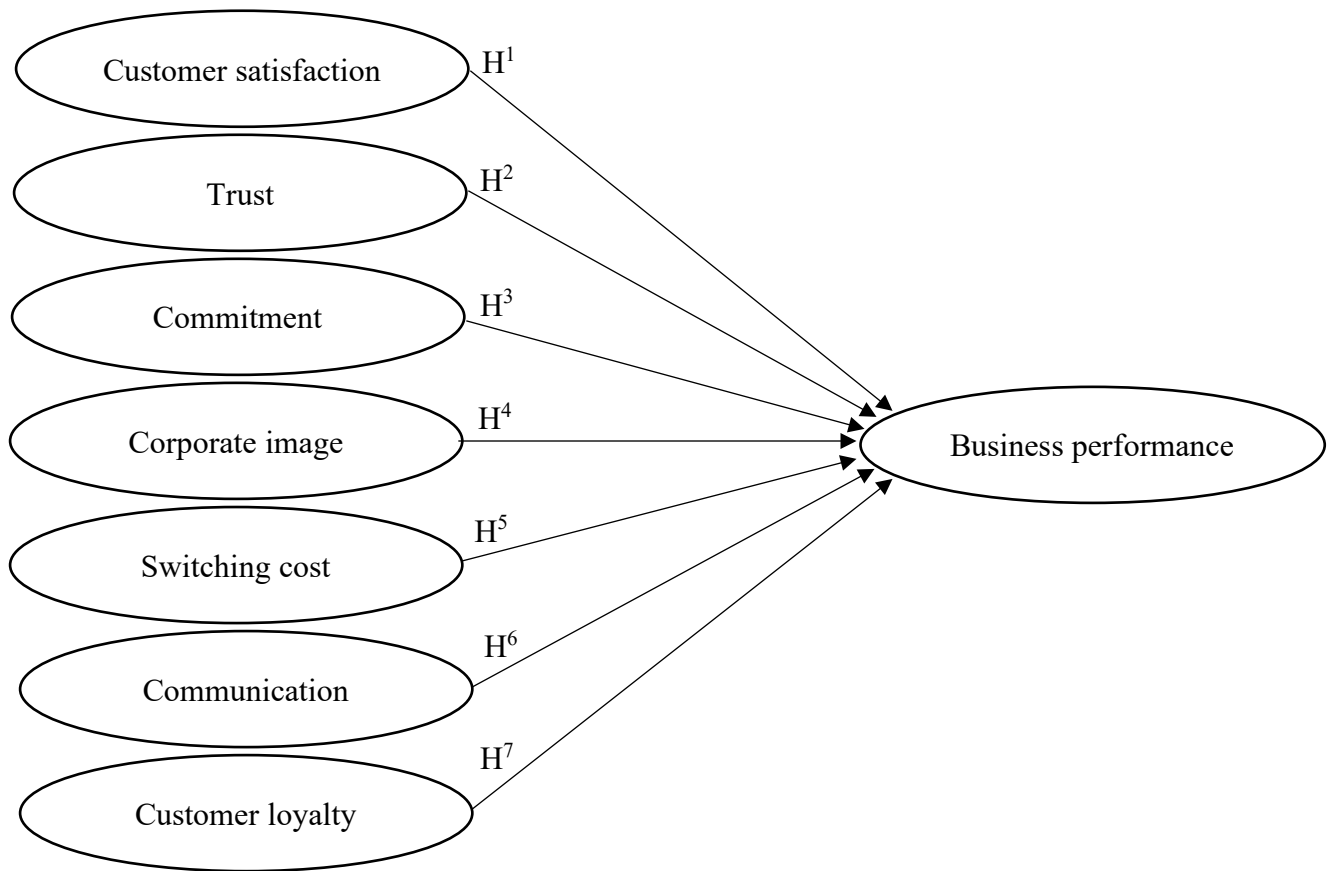
RQ¹: What factors influence the use of loyalty programs?

RQ²: How can firms measure business performance?

RQ³: How can loyalty programs be used to improve business performance?

The above research questions allow for the development of a hypothesised model and the formulation of hypotheses. Figure 1.1 presents the hypothesised model for this study indicating the loyalty program factors influencing business performance.

FIGURE 1.1: HYPOTHESISED MODEL OF LOYALTY PROGRAM FACTORS INFLUENCING BUSINESS PERFORMANCE



SOURCE: The researcher's own compilation

As can be seen from Figure 1.1, these formulated hypotheses provide direction for the study and for the achievement of the primary objective of the study that is linked to the research problem. These null (H_0) and alternative (H_A) hypotheses are:

H_0^1 : Customer satisfaction has no significant influence on business performance.

H_A^1 : Customer satisfaction has a significant influence on business performance.

H_0^2 : Trust has no significant influence on business performance.

H_A^2 : Trust has a significant influence on business performance.

H_0^3 : Commitment has no significant influence on business performance.

H_A^3 : Commitment has a significant influence on business performance.

H_0^4 : Corporate image has no significant influence on business performance.

H_A⁴: Corporate image has a significant influence on business performance.

H₀⁵: Switching cost has no significant influence on business performance.

H_A⁵: Switching cost has a significant influence on business performance.

H₀⁶: Communication has no significant influence on business performance.

H_A⁶: Communication has a significant influence on business performance.

H₀⁷: Customer loyalty has no significant influence on business performance.

H_A⁷: Customer loyalty has a significant influence on business performance.

1.4 SIGNIFICANCE OF THE STUDY

There is a perception that retailers do not take into account their customer's needs and expectations when delivering a product offering to them. Because this perception is being missed by the retailers themselves, this problem needs to be highlighted and investigated. The aim of this study is to determine what factors influence a customer's willingness to support a retail store and how retailers can use this knowledge to their advantage and improve their business performance. Once a firm understands what influences a customer's loyalty, the retailers will be able to use that knowledge when considering the benefits and offers associated to their loyalty programs. Therefore, this study will also assist retailers in gathering knowledge on the customers in the market to help them develop a loyalty program that matches the customer needs and expectations.

CHAPTER TWO

OVERVIEW OF LOYALTY PROGRAMS AND BUSINESS PERFORMANCE

2.1 INTRODUCTION

This study aims to investigate the influence that retailers' loyalty programs have on their business performance, from an employee's perspective. A retailer refers to a store that provide various products and services to their customers to satisfy any need or desire. As suggested previously, the retail industry is one of the largest industries in South Africa, if not the world (Alam *et al.*, 2016:1). Because of this, it can be assumed that retailers play an important role in contributing to the economy. Therefore, this chapter will investigate the factors that influence the use of loyalty programs, determine what business performance entails, and will investigate whether employees feel that the loyalty programs offered influence business performance positively.

In this section, the importance of the retail industry and retailers will be discussed, followed by an overview of loyalty programs and what influence these programs have on retailers' business performance. The factors that influence the loyalty programs of retailers will be investigated to gain a better understanding of the loyalty programs and their functions, and this will be compared to a model that has be designed by the researcher.

2.2 DEFINITIONS OF THE KEY CONCEPTS

In the following section, a definition of key concepts in this study will be provided.

2.2.1 LOYALTY PROGRAMS

Loyalty programs are marketing strategies that reward customers for their loyal purchasing behaviour. The main aim of these programs is to encourage these customers to maintain their loyal behaviour (Sharp & Sharp, 1997:474). Firms use loyalty programs to offer customers an incentive to support the firm through the recurring purchasing behaviour (Gomez, Arranz & Cillan, 2006:387).

2.2.2 BUSINESS PERFORMANCE

According to Morgan (2012), business performance refers to how effectively a firm generates a financial profit and how they improve their economic position in the market. However, business performance does not only refer to the financial gain of a firm but also the strategic and social growth of the firm within the society around them (Gomez *et al.*, 2006:389).

2.2.3 CUSTOMER SATISFACTION

Customer satisfaction refers to how well a firm can meet the needs and expectations of their customers. A firm must maintain the same level of service and focus to their customers before and after the sales transaction if they are to maintain a good level of customer satisfaction (Act, 2021).

2.2.4 TRUST

Trust is a fundamental building block of all relationships. It can be defined as when one party has confidence in another party to display honesty and integrity toward them (Omar, Alam, Aziz & Nazri, 2011:336). According to Rachbini, Hatta and Evi (2019:119), trust can be translated into customer confidence in a firm and their brand.

2.2.5 COMMITMENT

Commitment can be defined as the desire to maintain a relationship of value with loyal customers. It is a key concept when creating loyalty amongst customers (Mattila, 2006:175).

2.2.6 CORPORATE IMAGE

Richard and Zhang (2012:572) state that corporate image is the impression that a firm leaves on their customers. This impression is influenced by the firm's reputation and brand perception as well (Rachbini *et al.*, 2019:118).

2.2.7 SWITCHING COSTS

Switching cost is the cost that a customer would incur if they change from one firm to another. Switching costs creates a barrier that firms have to overcome to 'steal' customers away from other firms (Minarti & Segoro, 2014:1016).

2.2.8 COMMUNICATION

Communication can be defined as the exchange of information, through speaking or writing, from one party to another. This factor can influence the overall experience that customers receive from a loyalty program (Berezan, Yoo & Christodoulidou, 2016:101).

2.2.9 CUSTOMER LOYALTY

Loyalty is created when customers become attached or show a high level of commitment to a firm or brand. It can be described at the continuous relationship between the firm and their customers (Rachbini *et al.*, 2019:120).

2.3 THE IMPORTANCE OF THE RETAIL INDUSTRY

The retail industry is an important contributor to the economic success of a country. Because retailers form a large portion of a country's product and service providers, they have a responsibility to give back and support the societies around them. This allows retailers to help combat major social issues in the country, such as poverty and hunger (Tehseen, 2014:2). Retailers are not only responsible for providing an average quality of products, but rather a higher quality to their customers. This contributes to the overall improvement of the society's lifestyle, resulting in the people living healthier (Cummins, Findlay, Petticrew & Sparks, 2005:288).

Another economic benefit that the retail industry has for a country is how it assists with the unemployment crisis, particularly in developing countries. The retail industry provides job opportunities for the more unskilled worker and provides them with an income to survive. More and more, a country's population is becoming highly dense with unskilled workers. This is due to the lack of education or the lack of access to education facilities, making it difficult for these workers to earn a viable income. Retailers solve this dilemma as the majority of the people that they employ do not need to be highly skilled. Therefore, they can employ the unskilled worker and provide them with a wage that allows them to support themselves and their families (Bertrand & Kramarz, 2001:3,7-8).

People are constantly looking for 'the product' that suits them or is tailor made to meet their needs and desires. Retailers have an important role in assisting their customers in achieving this desire by giving their customers access to a variety of products (Argentesi, Buccirosi, Cervone, Duso & Marrazzo, 2016:2). Customers are looking for products that are not only of a good quality but have an affordable price that matches the value of the product. Each customer has a specific price that they are willing to pay for certain types of products, and retailers need to meet these demands. Therefore, it is up to retailers to sought out suitable suppliers that can provide them with good quality products at a reasonable price (Inderst & Shaffer, 2007:46).

2.4 OVERVIEW OF LOYALTY PROGRAMS

As previously discussed, loyalty programs are useful marketing tools that firms can use to improve their customer loyalty and increase their customers' purchasing behaviour. These programs allow firms to retain their customers as these customers are offered an incentive to shop at the firm (Sharp & Sharp, 1997:474). Rust and Zahorik (1993) emphasise the idea of

customer retention over pursuing new customers and believe that it is more expensive to try and attract new customers compared to retaining their existing customers. Loyalty programs provide customers with rewards that are often either of financial value or beneficial to a third-party social firm, such as a charity (Uncles, Dowling & Hammond, 2003:297).

Customers are always interested in taking advantage of the loyalty programs and the rewards that they offer. More than 60% of customers in Europe and America are part of at least one loyalty program of a retail grocery store. This allows retailers to use these programs to drive their customer retention programs (Meyer-Waarden & Benavent, 2009:345). With the growth of competition in the retail industry, firms are beginning to see the importance and benefit that effective loyalty programs can provide to them. Firms can use their loyalty programs to increase the 'foot traffic' in their stores, improve their relationships with their customers and to improve their overall sales (Omar *et. al.*, 2011:333).

Nearly every retailer in South Africa makes use of a loyalty program for their customers. This is because it gives the retailer valuable information on their customers' purchasing behaviour. One of the most popular loyalty programs is Clicks' Clubcard. After launching in 1995, the Clicks Clubcard has continued to grow each year. This loyalty program gives holders discounts on certain products, cashback after every purchase and vouchers or rewards (Clicks Group, 2020). Pick 'n Pay's smart-shopper card is another major loyalty program in South Africa. This program was launched by Pick 'n Pay in March 2011 and rewards customers when they shop at one of the retailer's outlets. Loyalty program holders also have access to discounts on products where ordinary customers do not. Using the loyalty program can reward customers with special vouchers that can be used at other companies, such as free rides from Lyft (Bizcommunity, 2011). Other well known loyalty programs in the South African retail industry include Woolworths' WRewards, FNB's ebucks and Edgars Thank-U rewards. These are the major loyalty programs in the South African market. While there has been a decline in the use of loyalty programs, these programs continue to dominate the market with 72% of their customers making use of the program and its rewards (Bizcommunity, 2020).

2.5 MEASURING BUSINESS PERFORMANCE

One of the main objectives of a firm is to perform and generate wealth. Because this is such a major objective for a firm, it is important that they can measure their performance and try to correct their actions to improve their performance, if need be (Gunawan, Ellis-Chadwick & King, 2008:362). Salyova, Taborecka-Petrovicova, Nedelova & Dad'o (2015:624) state that in

order to measure business performance, a firm needs to identify both financial and non-financial indicators of business performance. These could be the factors that are being investigated in this study, namely customer satisfaction, trust, commitment, corporate image, switching costs, communication and customer loyalty.

Salyova *et. (2015:625)* conducted a study to measure the effect that market orientation has on the business performance of their respondents. Market orientation refers to when a firm focuses on meeting the needs and wants of their customers. In their study, Salyova *et. (2015:625)* found that a customer focus approach can have a positive influence on business performance. They also found that customer satisfaction and customer loyalty levels can be measured and tracked by firms. Tajeddini and Trueman (2008:283) also conducted a study surrounding business performance measurement, but also looked at the influence that innovation had on business performance. They noticed that innovation is an important aspect on generating performance growth, however, it was also important to note that if customers do not accept the innovativeness of the firm or the developments of their products, it could result in poor performance. Retailers need to determine which business performance indicators to track, even if some may seem more subjective than objective (Salyova *et al., 2015:624*).

2.6 INFLUENCE OF LOYALTY PROGRAMS ON BUSINESS PERFORMANCE

Loyalty programs have an influence on the performance of a firm as the firm intends. This influence can either be effective for the firm or detrimental to the firm, especially if the programs are not implemented correctly (Sharp & Sharp, 1997:474).

There are two aims of loyalty programs that are quite evident to a firm. The first aim is to increase sales and the purchasing behaviour of customers. Naturally, firms want these programs to increase their sales and revenues, and they can achieve this if their customers are purchasing more of their products. The second aim of these programs is to improve the firm's brand awareness and to build strong and long-standing relationships with their customers (Uncles *et al., 2003:298*). Retaining customers is better known as defensive marketing and is a very important aim of loyalty programs. Defensive marketing strategies are less expensive when compared to marketing strategies that focus on competing for attaining new customers (Sharp & Sharp, 1997:474).

A firm should not only use their loyalty programs to gain short-term benefits, such as financial profits or increased sales, but should also consider the long-term benefit that these programs could have for the firm. Firms can increase their market share and improve their market position

as they build strong relationships with their customers through their loyalty programs (Sharp & Sharp, 1997:475). Rust and Zahorik (1993) emphasise the fact that firms can improve their market share through developing and maintaining strong relationships with their customers, and that customers only become truly loyal to a firm if the firm is treating them as if they are important to the firm.

Loyalty programs contribute to the retention of customers because they offer customers access to discounts and promotions only available to members of on the loyalty program. This makes the customer feel that they are valued more by the firm compared to a ‘first-time’ customer to the firm. Because these customers feel valued by the firm, the customers support the firm even more (Meyer-Waarden & Benavent, 2009:347). Customers tend to keep supporting the firms that they have loyalty programs with as the switching costs that are incurred when changing to a new firm is high since the customers are no longer experiencing the rewards and discounts from the loyalty programs. Retail firms and airlines are two types of firms that use the high switching costs to their advantage by making their normal prices of products and services expensive and then offering much lower prices for their loyalty program customers (Gomez *et al.*, 2006:388).

2.7 THE FACTORS INFLUENCING THE USE OF LOYALTY PROGRAMS

There is fierce competition within the retailing business environment and having a loyalty program that meets customers’ needs is very important. Retailers must use their loyalty programs to combat the external influences on the customer perceptions on loyalty programs (Minarti & Segoro, 2014:1016). The factors that have an influence include customer satisfaction, trust, commitment, customer loyalty, corporate image, switching cost and communication.

2.7.1 CUSTOMER SATISFACTION

It has already been identified that customer loyalty is important to the growth of a firm. Therefore, it can be said that customer satisfaction is vitally important if a firm wants to create a loyal customer base (Bowen & Chen, 2001:214). Customer satisfaction can be defined as the measure of how well the firm’s product offering is meeting their customers’ expectation. This is a very important tool for firms to use as customer satisfaction allows the firm to build good relationships with their customers and turn these relationships into profit generating vehicles for the firm over the long term (Hanif, Hafeez & Riaz, 2010:45). Firms need to find ways to create value through their products as customers are constantly looking for products that add

value to their lives. Customers are left unsatisfied if they feel that the product offering of a firm does not add value considering the cost to obtain these product offerings. The only way that firms can add value to their product offerings for their customers is if they know what their customers are looking for. Therefore, management needs to engage with their customers closely and offer them a value that is unique to their competitors in the market (Radojevic, Stanistic & Stanic, 2015:13). Loyalty programs can be used by firms to increase their customers' satisfaction levels and prevent competitors from taking the customers away from the firms. Customers that use the firm's loyalty program tend to find the satisfaction that they require, and because of this, customers become loyal to the firm. Therefore, customer satisfaction influences whether customers use loyalty programs or not, and once they are utilising these programs, they tend to find more satisfaction from the firm and its products. (Dlamini & Chinje, 2019:237). Based on the discussion, the following null and alternative hypotheses are formulated:

H₀¹: Customer satisfaction has no significant influence on business performance.

H_A¹: Customer satisfaction has a significant influence on business performance.

2.7.2 TRUST

Trust is another factor that influences the perception of loyalty programs. Trust helps people feel confident in their relationships and when a customer has trust with a firm, they feel confident that the firm can satisfy their desires or needs, and this results in customer loyalty (Rachbini *et al.*, 2019:119). Firms gain their customers' trust over time as the customers develop positive experiences with the firm. Trust can be viewed from a cognitive and affective perspective. Cognitive trust refers to the customer's thoughts and perceptions of a firm or the firm's product and performance, and this reflects how confident the customer is in the firm (Dlamini & Chinje, 2019:237). When a firm implements a loyalty program, they are planning on building a relationship with the customer using the loyalty program. Trust will have an influence on effectiveness of the relationship between the firm and their customers because trust plays a large role in relationship building (Dlamini & Chinje, 2019:237). Based on the discussion, the following null and alternative hypotheses are formulated:

H₀²: Trust has no significant influence on business performance.

H_A²: Trust has a significant influence on business performance.

2.7.3 COMMITMENT

Commitment is an important aspect that helps create customer loyalty. Customers become committed to a firm when they feel attached to a specific brand or product that the firm is offering to them (Mattila, 2006:175). Because customers are attached to the firm's brand or product, they will continue to support the firm. This results in customer retention (Dlamini & Chinje, 2019:238). Therefore, firms would need to find ways to create customers' commitment to their brand, such as through invoking a positive emotional feeling inside their customers. By invoking such a feeling, customers feel that the firm values the relationship between them, and the customers will begin to be committed and loyal to the firm (Richard & Zhang, 2012:574). Through customer retention and having a strong relationship created with customers, firms can ensure their customers' commitment to them. When costs are involved to change between different products, and ultimately different firms, customers tend to be discouraged from deterring from the firm. This also assists to build customer commitment and firms can use this to their advantage by developing a loyalty program that offers customers a significant price reduction when they remain with the firm (Dlamini & Chinje, 2019:238). Based on the discussion, the following null and alternative hypotheses are formulated:

H_0^3 : Commitment has no significant influence on business performance.

H_A^3 : Commitment has a significant influence on business performance.

2.7.4 CORPORATE IMAGE

Firms need to focus on their corporate image and reputation in order to create customer loyalty towards their brand. The corporate image of a firm has both physical and behavioural attributes. The physical attributes include the firm's name, the product identity and the firm's image, while the behavioural attributes refer to the perceived quality of the firm and its products (Farida & Ardyan, 2018:17). The impression that a customer has of a brand can have a great influence on the firm because if a customer is not satisfied with the brand or perceives that the brand to have a negative connotation, then customer loyalty will be low or non-existent (Richard & Zhang, 2012:572). This impression of corporate image is influenced by six factors. The first factor is corporate identity, and this is associated with the firm's personality and the distinguishing features of the firm, such as their name, logo and service quality. The reputation of the firm is the next factor influencing a customer's impression, and this refers to how a firm's stakeholders view the firm. If a firm has a good reputation amongst its stakeholders, then customers will also have a good perception of the firm, and vice versa. Another factor is the

firm's product or service offering. Customers want to receive a good quality product or service from a firm, and if they do, they will associate this good quality with the firm's corporate image. The fourth factor is the physical environment in which the firm operates. If the firm creates a safe and friendly environment for customers, the customers will develop a level of trust with the firm, which enhances the corporate image. The next factor is the personalised relationship a firm has with each customer. Customers want to feel valued by the firm and this will affect how the customer perceives the firm. The final factor that affects a customer's impression of the firm is the accessibility of the firm's products and services. Customers do not want an experience with the firm that requires them to go through great lengths to support the firm. If the firm provides a product or service to their customers that followed a painless process and is relatively hassle free, customers will appreciate the firm more. All of these factors have a significant influence on a customer's perception of the firm's corporate image (Farida & Ardyan, 2018:18). Based on the discussion, the following null and alternative hypotheses are formulated:

H₀⁴: Corporate image has no significant influence on business performance.

H_A⁴: Corporate image has a significant influence on business performance.

2.7.5 SWITCHING COSTS

Once firms have attracted customers, firms need to prevent the customers from deterring. One way that this can be done is through switching costs. Switching costs create a barrier that customers need to overcome to change firms (Minarti & Segoro, 2014:1017). According to Lee, Lee and Feick (2001:36), switching costs are the costs that customers incur if they decide to change between firms (products or services), which they would not have incurred should they decide to stay with the current firm. These costs can be monetary, such as when firms give discounts to loyal customers. When customers leave to current firm for a competitor, they will no longer receive the discount. The uncertainty that customers face when changing from one firm to another is another type of switching cost that customers are exposed to, even though it is non-monetary (Minarti & Segoro, 2014:1017). Switching costs contribute to the competitiveness of the market as competitors find it difficult to attract customers away from a firm if the switching costs are high. Firms do not need to focus as much of their efforts in customer satisfaction if there are high switching costs involved. This is because when a customer is dissatisfied with the firm, they need to consider if their dissatisfaction with the firm is worth them incurring the expensive costs that are associated with changing to a different firm

(Lee *et al.*, 2001:36). This may lead to the firm having a group of falsely loyal customers. Therefore, the influence that high switching costs has on a firm's loyalty program may be positive, but it does create a false sense of loyalty amongst those dissatisfied customers that are remaining with the firm to avoid the high switching costs (Yang & Peterson, 2004:805). Based on the discussion, the following null and alternative hypotheses are formulated:

H₀⁵: Switching cost has no significant influence on business performance.

H_A⁵: Switching cost has a significant influence on business performance.

2.7.6 COMMUNICATION

Communication is the next factor that can have an influence on a firm's loyalty program. Firms need to maintain a strong level of communication with their customers if they would like them to be loyal (Berezan *et al.*, 2016:101). This communication involves the firm keeping in touch with their customers on a regular basis and updating them on the firm's business activities and products (Berezan, Raab, Tanford & Kim, 2015:203). Customers will only trust a firm if they are constantly aware of what is going on in their relationship with the firm (Berezan *et al.*, 2016:101). Communication in the form of customer education can also have an influence on a firm's loyalty program because the more educated a customer is on the firm's products, the more involved the customer will be with the firm's products. When a customer is educated on the firm, and its products, the customer is able to see and understand how the firm is delivering good quality products and services to them, creating customer satisfaction and loyalty. This encourages customers to use the loyalty program. Therefore, how educated a customer is on a firm's product has an influence on whether customers will use the firm's loyalty program or not, which a firm establishes through effective communication methods with their customers (Berezan *et al.*, 2015:203). Based on the discussion, the following null and alternative hypotheses are formulated:

H₀⁶: Communication has no significant influence on business performance.

H_A⁶: Communication has a significant influence on business performance.

2.7.7 CUSTOMER LOYALTY

Customer loyalty can also be created through brand loyalty. However, it is important to note that customer loyalty is not brand loyalty because customer loyalty is related to the customers' perspectives and feelings towards the firm and not necessarily the brand that is associated with

the products offered by the firm (Uncles *et al.*, 2003:298). According to Wijaya (2005:24), customer loyalty is affected by two factors. The first factor is when there is a strong attitudinal commitment to a firm. This attitudinal commitment refers to the emotional attachment that customers develop to a firm and the personalised experience that all customers are wanting from firms (Uncles *et al.*, 2003:299). The second factor that affects customer loyalty is customer retention or the repurchase behaviour of customers. However, if customers have a high level of repeat purchasing behaviour but a low level of emotional attachment to the firm, inertia loyalty is created. The problem with inertia loyalty is that this does not lead customer retention but is rather used to gain new customers for the firm. This type of loyalty has a negative influence on a firm's loyalty program as customers do not have an emotional attachment to the firm and would not feel the need to participate in a loyalty program. Latent loyalty develops in customers when the customers have a high level of emotional attachment to the firm but a low level of repeat purchasing behaviour. When a customer has a high level of emotional attachment to a firm as well as a high level of repeat purchase behaviour, premium or true customer loyalty is created for the firm. Because of the large influence that customer loyalty has on loyalty programs, firms need to focus on generating high levels of customer loyalty. (Wijaya, 2005:25). Based on the discussion, the following null and alternative hypotheses are formulated:

H_0^7 : Customer loyalty has no significant influence on business performance.

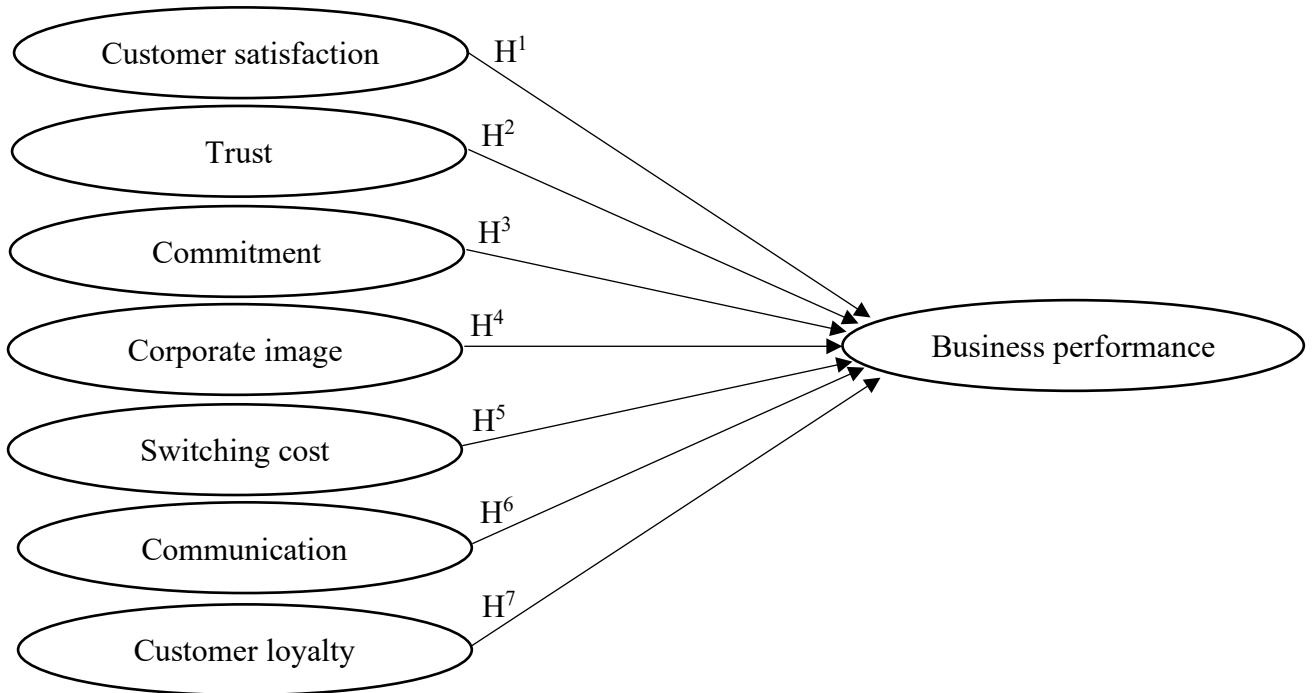
H_A^7 : Customer loyalty has a significant influence on business performance.

All of these factors influence whether customers are willing to support a firm through their loyalty programs. Therefore, these factors have a major influence on the effectiveness of loyalty programs, and this should be investigated by a firm so that they can fully capitalise on their loyalty programs.

2.8 HYPOTHESISED MODEL OF THIS STUDY

Based on the preceding discussions, Figure 2.1 presents the hypothesised model of factors influencing business performance of retail business to be empirically investigated in this study.

FIGURE 2.1: HYPOTHESISED MODEL OF LOYALTY PROGRAM FACTORS INFLUENCING BUSINESS PERFORMANCE



SOURCE: The researcher's own compilation

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 RESEARCH DESIGN

The research design outlines the methods and techniques that will be used to answer the research questions and hypotheses of this study (Groenewald, 2004:44). It provides the reader with a clear understanding of how the data needed in the study was collected and analysed (Saunders, Lewis & Thornhill, 2009:137). The research design contains the research paradigm, research approach and design typology.

3.1.1 RESEARCH PARADIGM

According to Rahi (2017:1), a paradigm refers to a set of beliefs and assumptions that are shared by researchers when approaching research problems and conducting the research. These paradigms can either be positivistic, pragmatistic, interpretive or participatory. A positivistic paradigm is a paradigm where knowledge is obtained through experiments and observations, whereas a pragmatistic paradigm is one that uses mixed approaches to solving the research problem and uses a 'best fit' solution (Saunders *et al.*, 2009:120). A participatory paradigm is used when considering both objective and subjective approaches and can adequately provide solutions to political and social issues compared to the positivistic paradigm (Rahi, 2017:1). The interpretive paradigm is one that explores the true understanding of the world that we in and tries to understand the social experiences that are being investigated (Saunders *et al.*, 2009:120). This study has adopted a positivistic research paradigm as this study will use empirical methods, such as experiments and data collection, to investigate the research problem.

3.1.2 RESEARCH APPROACH

The research approach can either be qualitative or quantitative in nature. Quantitative research methods focus on the collection of numeric data and analysis of the data. This data is collected from a sample of a larger population and is used to make assumptions about the population (Rahi, 2017:2). Qualitative research methods deal with subjective experiences of attitude and opinions. This type of research assesses the opinions and impressions of individuals, which cannot be collected or grouped for analysis (Kothari, 2004:5). The research approach in this study will be a quantitative approach because the study will compare and explore the relationship among various variables and collect numeric data for analysis.

3.1.3 DESIGN TYPOLOGY

The research design can be either be exploratory, explanatory or descriptive in nature. An exploratory study is one where there is little to no past research or data on the research problem being studied (Saunders *et al.*, 2009:139). This allows this type of research the flexibility when making investigating decisions, and often can result in informal studies (Kothari, 2004:37). A research design can also be explanatory, which is one where the focus is on explaining specific aspects of the study in a more detailed manner. This type of study investigates specific variables and the relationship between them in the study (Saunders *et al.*, 2009:140). A descriptive research design is a type of study where the researcher uses a scientific method of observing and explaining the behaviour of specific variable without influencing them in any way (Kothari 2004:37). The topics and variables being investigated are clearly defined in the study (Saunders *et al.*, 2009:140). This study will make use of a descriptive research design as the data that will be analysed will not be influenced by the researcher and the topic will be investigated thoroughly for a complete understanding of customer loyalty programs on business performance.

3.2 RESEARCH METHODOLOGY

Secondary research is the collection of data and literature from previous research on the topic and the primary research refers to original data that is collected by the researcher first-hand from respondents (Bouchrika, 2021). The secondary research of this study will make use of secondary sources, such as academic sources, internet sources and books, to conduct a literature review investigating loyalty programs and the influence they have on business performance. Once the literature review is concluded, primary research in the form of an empirical investigation will be conducted by distributing self-administered questionnaires to employees of various retailers offering loyalty programs.

3.2.1 RESEARCH POPUALATION AND SAMPLING

A population refers to an entire group of individuals or items that are being investigated to draw a conclusion from, whereas a sample is a specific group of individuals or items that is drawn from the large population to collect data from and investigate closely (Scribbr, 2020a). The population for this study is employees of all firms in the Port Elizabeth area and the sample for this study is the employees of retailers that offer loyalty programs to their customers in Port Elizabeth.

Researchers can use either probability sampling or non-probability sampling as their sampling approach. Probability sampling is the sampling approach that says that each object in the sample has an equal chance or probability of being selected, whereas non-probability sampling is the sampling approach where the probability or chance of selection of the objects in the sample is unknown (Rahi, 2017:3). Non-probability sampling will be used, and there are four main types that can be identified. The first type is purposive sampling, which is when researchers will use their own judgement when deciding on the population that is to participate in their study. The next type of non-probability sampling is convenience sampling. This type of sampling is when the sample is hand selected from the population. The third type is quota sampling and is when the sample chosen is done so on a non-random basis from the population. The fourth type is self-selection, which is when the members of the population volunteer to participate in the study. An invitation is presented to the population, and only those that volunteer for the study are considered in the study (Vehovar, Toepoel & Steinmetz, 2016:328). Therefore, non-probability convenience sampling is applicable as the employees in the population will be chosen due to availability and is unknown. The sample size is 200 respondents, and the size is based on the number of the variables in the model (8 variables x 5 items per variable x 5 observations per item).

3.2.2 DATA COLLECTION AND THE MEASURING INSTRUMENT

Data collection is the process of gathering observations and/or measurements that are going to be investigated and analysed by the investigator (Scribbr, 2020b). The data for this study will be collected from the sample of 200 selected respondents. The collected data will then be analysed and interpreted to solve the stated research problem.

The measuring instrument used in this study will be in the form of a self-administered questionnaire that the respondents will complete. The questionnaire consists of two sections, namely section A and section B. Section A focuses on the perception of the influence of loyalty programs on customer satisfaction and business performance. The respondents will provide their responses to the items in the questionnaire using the five-point Likert scale, namely (1) Strongly Disagree (2) Disagree (3) Neutral (4) Agree (5) Strongly Agree. The items will focus on customer satisfaction, trust, commitment, corporate image, switching costs, communication, customer loyalty and business performance. Customer satisfaction consists of nine items, whereas trust consists of ten. Commitment, corporate image and switching costs consists of seven, six and six items respectively. Communication consists of nine items and customer

loyalty ten. Finally, business performance consists of only seven items. The items of the measuring instrument are adapted from the scales used by Berezan, Krishen, Tanford and Raab (2017), Chinomona (2016), Melewar, Foroudi, Gupta, Kitchen and Foroudi (2017) and Palmeira, Pontes, Thomas and Krishnan (2016) with only a few items self-developed based on literature. Section B of the questionnaire, comprising of nominal scales and open-ended questions, collects the demographic data of the respondents, such as the respondent's age, gender, population group and employment information. The questionnaire will be accompanied by a cover letter that will inform the respondent on the purpose of the study, the objectives and problem that is being investigated. This letter will also outline the rights of the respondents, that is confidentiality, anonymity, voluntary participation and withdrawal from the study. An example of the cover letter and questionnaire are provided as Annexure A.

3.2.3 DATA ANALYSIS

Once the data has been collected using the questionnaires, the data will be captured and cleaned on MS Excel. Thereafter the data will be imported into Statistica where it will be analysed using descriptive statistics (frequencies, means and standard deviations) and inferential statistics (Pearson correlation coefficients and multiple regression). According to ETS (2021), the validity of a research study is ensured through content validity, which ensures that appropriate content is used to test the hypotheses of the study, and through construct validity, which ensures that the correct methods or measurements are used to test the hypotheses. The content and construct validity of the measuring instrument will be ensured by doing a pilot study and an exploratory factor analysis (minimum factor loading of 0.5 required) respectively. A pilot study is used to test the various aspects of the larger study and to identify any flaws that could be prevented in the main study (Lowe, 2019:117). The exploratory factor analysis is used to uncover any patterns in the datasets gathered and to understand how the variables in the study influence each other (Yong & Pearce, 2013:80). Cronbach alpha coefficients (coefficients of 0.7 and above acceptable) will be used to ensure the reliability, which Ross (2006:2) states as the accuracy and consistency of the results gathered in the study, of the measuring instrument. The Pearson correlation coefficient will be used to measure the associations (correlations) of the various variables with each other. Pearson's correlation coefficient contributes to the normality of the variables being investigated. It measures the strength of the correlation between the variables (Hauke & Kossowski, 2011:88). The results of the multiple regression will be used to accept or reject the formulated hypotheses. Multiple regression analysis can be used to predict or forecast results from a linear set of data, and it can

be used to determine the statistical significance of the model being investigated (Mason & Perreault, 1991:268).

3.3 ETHICAL CONSIDERATIONS

The study will be conducted in an ethical manner that is in accordance with the Nelson Mandela University's policies. Ethical Form E will be completed and submitted to ensure that the study complies with university's ethical standards. Measures will be taken to ensure the respondents information remains confidential and anonymous, participation is voluntary and that respondents may opt out of the study at any point in time, and this will be communicated to the respondents in the cover letter of the measuring instrument.

CHAPTER FOUR

EMPIRICAL RESULTS

4.1 RESULTS OF THE DEMOGRAPHIC INFORMATION

Section B of the questionnaire consists of the items used to record the respondents' demographic information, job title, work experience in both their total career and with their current employer, and the loyalty program that their place of employment uses. A summary of the respondent's demographic information is provided in Annexure B, Table B.1.

The majority of the respondents used in this study were female (59.52%) with only 39.52% being male. The population group with the largest representation is the black population group (40.95%). The coloured (32.86%) and white (18.10%) population groups were also well represented. Only 0.95% of the sample is from the Asian population group, while 6.19% of respondents were not willing to disclose their population group. The most represented age group is the 20-29 age group (41.9%), followed by the 30-39 age group (31.90%), the 40-49 age group (18.10%) and the 50-59 age group (7.62%). Only 0.48% of the respondents did not answer the question.

Annexure B Table B.1 also provided for the respondents' total work experience and their work experience at their current employer, their job title and the loyalty program that their employer uses. Most of the respondents are working for less than fifteen years, with 31.43% of respondents having 1 to 5 years of experience, 25.24% having 6 to 10 years of experience and 17.14% having 11 to 15 years. Only a few respondents have a total working experience of more than 15 years and include those working for 16 to 20 years (11.90%), 21 to 25 years (4.76%), 26 to 30 years (4.29%), 31 to 35 years (3.33%) and 36 to 40 years (0.48%). The same trend can be seen with the respondents' work experience at their current place of employment, with 84.86% of the respondents having worked either fifteen years or less at their current employer. When it comes to job title, the respondents were grouped into fourteen different categories. While the respondents were spread across the different employment levels, there were three main employment levels, namely, owners, management and employees. More than half of the number of respondents are classified as employees (50.01%), followed by respondents at management level (46.18%) while only a few are the owners of the business (0.95%). The three major loyalty programs representing 60.47% of the data are the Clicks Clubcard (25.71%), followed by Smart Shopper (17.62%) and Spar Rewards (17.14%). While there are three largely represented loyalty programs, there are a wide variety of loyalty programs that have

been obtained, with a total of 21 being represented in the data ranging from clothing retailers, general retailers, restaurants and coffee shops.

4.2 RESULTS OF THE RESEARCH ON LOYALTY PROGRAMME VARIABLES INFLUENCING BUSINESS PERFORMANCE

The results of the empirical study are presented in the following sections and include the validity and reliability of the measuring instrument, and the descriptive statistics of the independent and dependent variables.

4.2.1 VALIDITY AND RELIABILITY OF THE INDEPENDENT AND DEPENDENT VARIABLES

The validity of the variables was ensured by doing an explanatory factor analysis (EFA). The reliability of the factors is determined by calculating Cronbach's alpha coefficients. The validity and reliability for each variable and individual items are presented in Annexure A, Table B.2 to Table B.9.

Eight of the nine items originally developed to measure *Customer satisfaction* loaded onto factor 1, The factor loadings for *Customer satisfaction* is ranging between -0.539 and -0.747 and therefore there is sufficient evidence of construct validity. Item CS4 is removed from further analysis. A Cronbach's alpha of 0.833 is return and thus there is sufficient evidence of reliability as the Cronbach's alpha is greater than 0.7. Factor 1 explains 43.59% of the variance in the data. Therefore, *Customer satisfaction* is defined as customers being enjoying their loyalty programme as they are satisfied with the information received, and offerings and services provided by the loyalty programme as their preferred loyalty programme.

Nine of the 10 items originally developed for the factor *Trust* loaded on this factor 2 with factor loadings between 0.520 and 0.793. Item T10 is excluded from further analysis as the factor loading is less than 0.5. A Cronbach's alpha of 0.855 was returned, which is greater than 0.7. Thus, it can be said that there is sufficient evidence of validity and reliability, based on the EFA loadings and Cronbach's alpha done for *Trust*. *Trust* is defined as loyalty programmes having high integrity, are trustworthy and reliability while providing consistently quality offers and is managed in an effective manner.

All seven of the items originally developed for the factor *Commitment* loaded on this factor 3 with factor loadings between 0.661 and 0.763. A Cronbach's alpha of 0.849 was returned, which is greater than 0.7. Thus, it can be said that there is sufficient evidence of validity and

reliability, based on the EFA loadings and Cronbach's alpha done for *Commitment*. *Commitment* is defined as customers being dedicated to using their preferred loyalty programme.

All six of the items originally developed for the factor *Corporate image* loaded on this factor 4 with factor loadings between 0.655 and 0.770. A Cronbach's alpha of 0.819 was returned, which is greater than 0.7. Thus, it can be said that there is sufficient evidence of validity and reliability, based on the EFA loadings and Cronbach's alpha done for *Corporate image*. *Corporate image* is defined as loyalty programmes reflecting the reputation of the firm and the customers' perspectives of the respective loyalty programmes.

Five of the six items originally developed for the factor *Switching costs* loaded on this factor 5 with factor loadings between 0.623 and 0.799. Item SC1 is excluded from further analysis as the factor loading is less than 0.5. A Cronbach's alpha of 0.795 was returned, which is greater than 0.7. Thus, it can be said that there is sufficient evidence of validity and reliability, based on the EFA loadings and Cronbach's alpha done for *Switching costs*. *Switching costs* is defined as loyalty programmes having high costs associated with changing to another loyalty programme and encouraging customers to remain with their current loyalty programme.

All eight of the items originally developed for the factor *Communication* loaded on this factor 6 with factor loadings between 0.536 and 0.846. A Cronbach's alpha of 0.879 was returned, which is greater than 0.7. Thus, it can be said that there is sufficient evidence of validity and reliability, based on the EFA loadings and Cronbach's alpha done for *Communication*. *Communication* is defined as loyalty programmes having high levels of relative and informative information shared with the customers about the firm's products and services.

All 10 of the items originally developed for the factor *Customer loyalty* loaded on this factor 7 with factor loadings between 0.533 and 0.797. A Cronbach's alpha of 0.887 was returned, which is greater than 0.7. Thus, it can be said that there is sufficient evidence of validity and reliability, based on the EFA loadings and Cronbach's alpha done for *Customer loyalty*. *Customer loyalty* is defined as loyalty programmes having high levels of engagement with customers, resulting in the customer's repeatedly using the loyalty programme through repeated purchasing of the firm's products and services.

For the dependent variable *Business performance*, six of the seven originally developed items loaded onto the factor. factor loadings ranging between 0.630 and 0.826, proving the factor scale to be valid. Not all seven of the items have been used for further analysis as BP2 did not

produce a sufficient factor loading. The Cronbach's alpha for this factor is 0.836, providing sufficient evidence of reliability. The factor *Business performance* explains 51.46% of the variance in the data. Based on the results, *Business performance* is defined as when the business records an increase in sales and productivity, shows growth in the number of employees while having a low employee turnover rate and can be regarded as profitable and successful.

4.2.2 DESCRIPTIVE STATISTICS OF THE INDEPENDENT AND DEPENDENT VARIABLES

The responses of the respondents to the items measuring the independent and dependent variables are summarised in Annexure B, Table B.10.

In Annexure Table B.10, it can be seen that the vast majority of the respondents agreed with the 84.29% items regarding *Customer satisfaction* (84.29%), *Trust* (89.05%), *Commitment* (78.10%), *Communication* (86.67%), *Customer loyalty* (75.24%) and *Business performance* (83.81%). Most of the respondents had a neutral feeling towards the items measuring *Corporate image* (90.00%). With regard to *Switching costs*, the respondents were fairly equal in opinion with 49.05% being neutral and 47.62% agreeing with the items used to measure the two variables.

4.2.3 EMPIRICAL RESULTS OF THE CORRELATIONS AND RELATIONSHIPS BETWEEN THE INDEPENDENT AND DEPENDENT VARIABLES

In order to determine the correlation (association) between the variables, the Pearson's product moment correlation coefficients have been calculated. The correlations for the variables are summarised in Annexure B Table B.11.

All of the correlations, as presented in Annexure B Table B.11, indicate significant positive associations between the variables. *Customer satisfaction* has a strong positive correlation with *Trust* ($r=0.781$), *Communication* ($r=0.769$), *Corporate image* ($r=0.806$), *Switching costs* ($r=0.562$), *Communication* ($r=0.698$) and *Customer loyalty* ($r=0.705$). *Trust* has as strong positive correlation with *Commitment* ($r=0.744$), *Corporate image* ($r=0.784$), *Switching costs* ($r=0.530$), *Communication* ($r=0.650$) and *Customer loyalty* ($r=0.585$). *Commitment* has a strong positive correlation with *Corporate image* ($r=0.827$), *Switching costs* ($r=0.695$), *Communication* ($r=0.540$), *Customer loyalty* ($r=0.800$) and *Business performance* ($r=0.554$). *Corporate image* has a strong positive association with *Switching costs* ($r=0.659$), *Communication* ($r=0.637$), *Customer loyalty* ($r=0.704$) and *Business performance* ($r=0.507$).

There is also a positive significant association between Switching costs and *Customer loyalty* ($r=0.647$) and between *Customer loyalty* and *Business performance* ($r=0.511$). *Business performance* has a moderate significant positive association with *Customer satisfaction* ($r=0.466$), *Trust* ($r=0.471$), *Switching costs* ($r=0.418$) and *Communication* ($r=0.376$). In addition, *Customer loyalty* has a moderate significant positive association with *Communication* ($r=0.436$) while the association between *Communication* and *Switching costs* ($r=0.425$) is also moderate.

There were no weak positive correlations between the variables being investigated. While still a moderate correlation, the weakest correlation was between communication and business performances with 0.3757. The strongest correlation was between commitment and corporate image with 0.8168.

The results of the multiple regression analysis are presented in Table 4.1.

Table 4.1: Multiple regression analysis

N=209	Regression Summary for Dependent Variable: BP M (Hons Data Retail industry All) R= .57635965 R ² = .33219045 Adjusted R ² = .30893340 F(7,201)=14.283 p					
	b*	Std.Err.of b*	b	Std.Err.of b	t(201)	p-value
Intercept			1.200	0.326	3.687	0.000
Customer satisfaction	-0.081	0.121	-0.095	0.142	-0.668	0.505
Trust	0.081	0.107	0.099	0.130	0.761	0.448
Commitment	0.281	0.132	0.300	0.141	2.132	0.034
Corporate image	0.070	0.125	0.079	0.141	0.562	0.575
Switching costs	0.011	0.084	0.009	0.068	0.130	0.897
Communications	0.091	0.085	0.090	0.083	1.080	0.282
Customer loyalty	0.199	0.103	0.218	0.113	1.929	0.055

Table 4.1 shows that only one significant positive relationship exists. A statistically significant positive relationship exists between *Commitment* and *Business performance* ($b=0.300$; $p<0.05$). No significant relationship was found between business performance and any of the other independent variables investigated. The independent variables explain 33.22% of the variation in business performance.

Based on the empirical results, the alternative hypothesis H_A^3 stating that *Commitment* has a significant influence on *Business performance* is accepted while H_0^3 stating that *Commitment* has no influence on *Business Performance*, is rejected. Therefore, the following null hypotheses can be accepted as there is no evidence to suggest otherwise, while the corresponding alternative hypotheses will be rejected:

H₀¹: Customer satisfaction has no significant influence on business performance.

H₀²: Trust has no significant influence on business performance.

H_A³: Commitment has a significant influence on business performance.

H₀⁴: Corporate image has no significant influence on business performance.

H₀⁵: Switching costs have no significant influence on business performance.

H₀⁶: Communication has no significant influence on business performance.

H₀⁷: Customer loyalty has no significant influence on business performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

Chapter four presented the empirical results of the investigation. In this chapter, a summary of the main results in the literature review and empirical investigation will be presented. Based on these results, conclusions and recommendations are made as well as identifying areas for future research based on the limitations.

5.2 MAIN RESULTS OF THE LITERATURE REVIEW

In chapter two, a detailed literature review was conducted giving an overview of loyalty programs and business performance. The chapter begins with a definition of the key concepts that are dealt with throughout the study, followed by the importance of the retail industry. It was found that it is important for retailers put their customer needs and desires at the forefront of their business objectives as it is important for the success of the firm to satisfy their customer's needs and desires.

It was identified that loyalty programmes have an influence on retailers' business performance, and there are numerous factors of loyalty programmes that can be used to influence business performance. These factors include customer satisfaction, trust, commitment, corporate image, switching costs, communication and customer loyalty. While each factor has a different influence on business performance, it can be said that each factor plays a significant role in assisting retailers in achieving positive business performance. Loyalty programmes play an importance role for retailers as they can be used as tools to measure their customer's purchasing behaviour and their business performance. The use of loyalty programmes has become a 'norm' for retailers today, which can be seen by the large variety of loyalty programmes found in the South African retail industry.

The discussion on business performance in this chapter was thorough as the objective of business performance, the influence of certain factors on business performance and how to measure business performance was discussed. Since the main objective of a firm is to maximise shareholder wealth, importance of business performance and being able to measure it was personified. There are numerous ways to measure business performance, however, it was found that measuring customer satisfaction and customer loyalty levels were the most effective and most realistic measurement tools.

5.3 MAIN RESULTS OF THE EMPIRICAL INVESTIGATION

Chapter four presents the empirical results and the interpretation of the results. The descriptive statistics pertaining to the respondents were first reported. This section comprised of the respondents' demographic information, job title, work experience (past and present) and the loyalty programme that is used at their place of work.

The validity and reliability of the study was investigated through conducting an explanatory factor analysis (validity) and by calculating Cronbach's alpha coefficient (reliability). The Pearson's correlation coefficients and multiple regression analysis were conducted to measure whether associations and relationships exist between the independent and dependent variables of the study.

5.3.1 CONCLUSIONS AND RECOMMENDATIONS FROM THE DEMOGRAPHIC INFORMATION

Based on the data gathered, the majority of the respondents were female (59.52%) and the largest population group represented was the black population group (40.95%). The 20-29 age group (41.90%) had the largest representation, followed closely by the 30-39 age group (31.90%). The majority of the respondents had less than fifteen years of past working experience and the same can be seen in the respondents with their work experience at their current employer. There were three main employment levels that the respondents found themselves in, however, the majority of respondents (50.01%) were classified as employees

It is recommended that researchers use a sample of respondents that are more diverse as the sample used in this study had two population groups that contained the majority of the respondents. Respondents with more working experience is also recommended as they could bring a new perspective to the topic being investigated.

5.3.2 CONCLUSIONS AND RECOMMENDATIONS FROM THE RESULTS OF THE RESEARCH ON LOYALTY PROGRAM VARIABLES INFLUENCING BUSINESS PERFORMANCE

The EFA confirmed the validity of the measuring instrument and required all factor loading be above 0.5. All the items for commitment, corporate image, communication and customer satisfaction are valid and can be used for further analysis. Customer satisfaction, trust and switching costs had to all drop one of their items from further analysis as the factor loading of the item was below 0.5. The Cronbach's alphas were calculated to test the reliability of the

factors. These alphas ranged between 0.795 and 0.887 for the eight variables. Therefore, sufficient proof of validity and reliability of the measuring instrument was provided.

All the variables have significant positive relationships. Therefore, if one of the variables improve, all of the other variables will improve as well. However, the strength of the improvement of each variable will differ as the strength of the correlation between the different variables differ.

Customer satisfaction has a positive correlation with all the other variables. Therefore, it is recommended that retailers aim to satisfy their customers and meet their needs and desires. Retailers should design their product offering around their customers' preferences as this will lead to customer satisfaction. Retailers should continuously communicate with their customers about their products and any unique specials or events that are taking place. Customers will appreciate the communication and feel valued by the retailers, which leads to customer satisfaction. Customers will be satisfied with the retailer if they can trust the retailer. Therefore, it is recommended that the retailer delivers a consistent quality of goods to their customers so that their customers can trust them.

There is only one significant relationship between *Commitment* and *Business Performance*. Therefore, should the customer's commitment to the retailer increase, then the retailer's business performance will increase. Retailers should focus on measures to increase their customer's commitment. One way they could do this is to engage with their customers on products and discounts on products as this will make them feel valued and included. People will be more committed to retailers that value their input.

5.4 LIMITATIONS OF THE STUDY AND FUTURE RESEARCH AREAS

While conducting the study, there were a few limitations that were encountered or identified that had an effect on the effectiveness of the study. The first limitation is the sample size that was used for the study. Only 210 respondents were used in this study. While this is a sufficient size to achieve a result worth interpreting, a larger sample in future would allow the researcher to make more informed assumptions and interpretations on the influence of business performance. The next limitation that was encountered was the collection of the data from the respondents. A few respondents declined to answer certain questions relating to the demographic information, which skewed the reporting on this information. Another limitation that was identified was identified when reporting on the results of the variables influencing business performance. A large portion of the data gather returned a 'neutral' selection for the

various items of the variables. This made it difficult to reach an informed interpretation of the influence that certain variables had on business performance. An improvement on any of the above limitations can be used as areas for any future research.

LIST OF SOURCES

- Act. 2021. *What is Customer Satisfaction?* [Online]. Available at: <https://www.act.com/en-uk/customer-satisfaction-definition><https://www.act.com/en-uk/customer-satisfaction-definition> (Accessed: 31 May 2021).
- Alam, S., Galvan, R.S. & Martinez, A.B. 2016. Financial analysis of retail business firm: A case of Wal-Mart Stores, Inc. *Journal of Research in Economics*, 1: 1-71.
- Argentesi, E., Buccirosi, P., Cervone, R., Duso T. & Marrazzo, A. 2016. *The effect of retail mergers on prices and variety: An ex-post evaluation*, Düsseldorf: Düsseldorf University Press.
- Berezan, O., Krishen, A.S., Tanford, S. & Raab, C. 2017. Style before substance? Building loyalty through marketing communication congruity. *European Journal of Marketing*, 51(7): 1332-1352.
- Berezan, O., Raab, C., Tanford, S. & Kim, Y.S. 2015. Evaluating loyalty constructs among hotel reward program members using eWom. *Journal of Hospitality and Tourism Research*, 39(2): 198-224.
- Berezan, O., Yoo, M. & Christodoulidou, N. 2016. The impact of communication channels on communication style and information quality for hotel loyalty programs. *Journal of Hospitality and Tourism Technology*, 7(1): 100-116.
- Bertrand, M. & Kramarz, F. 2001. *Does entry regulation hinder job creation? Evidence from the French retail industry*, National Bureau of Economic Research, Cambridge.
- Bizcommunity. 2011. *Pick n Pay launches loyalty programme*. [Online]. Available at: <https://www.bizcommunity.com/Article/196/458/57860.html> (Accessed: 17 August 2021).
- Bizcommunity. 2020. *These are SA's favourite loyalty programmes for 2019/20*. [Online]. Available at: <https://www.bizcommunity.com/Article/196/168/201564.html> (Accessed: 17 August 2021).
- Bouchrika, I. 2021. *Primary Research vs Secondary Research: Definitions, Differences, and Examples*. [Online]. Available at: <https://www.guide2research.com/research/primary-research-vs-secondary-research#secondary> (Accessed: 8 June 2021).
- Bowen, J.T. & Chen, S.L. 2001. The relationship between customer loyalty and customer satisfaction. *International Journal of Contemporary Hospitality*, 13(5): 213-217.

- Chinomona, R. 2016. Brand communication, brand image and brand trust as antecedents of brand loyalty in Gauteng Province of South Africa. *African Journal of Economics and Management Studies*, 7(1): 124-139.
- Clicks Group. 2020. *Our Story*. [Online]. Available at: <https://www.clicksgroup.co.za/our-story/> (Accessed: 17 August 2021).
- Cummins, S., Findlay, A., Petticrew, M. & Sparks, L. 2005. Healthy cities: The impact of food retail-led regeneration on food access, choice and retail structure. *Built Environment*, 31(4): 288-301.
- Dlamini, S. & Chinje, N.B. 2019. The influence of loyalty programs on South African youth's repeat purchase behaviour. *Journal of Business and Retail Management Research*, 13(3): 235-247.
- ETS. 2021. *Content and Construct Validity*. [Online]. Available at: <https://www.ets.org/gre/institutions/about/fairness/content-construct-validity/#:~:text=Content%20and%20construct%20validity%20are,the%20test%20measures%20appropriate%20content> (Accessed: 8 June 2021)
- Farida, N. & Ardyan, E. 2018. The driving of customer loyalty: Relational approach, perceived value and corporate image. *International Journal of Business and Society*, 19(1): 15-26.
- Froud, J., Tischer, D. & Williams, K. 2017. It is the business model...Reframing the problems of UK retail banking. *Critical Perspectives on Accounting*, 42: 1-19.
- Gable, M., Fiorito, S. & Topol, M. 2008. An empirical analysis of the components of retailer customer loyalty programs. *International Journal of Retail & Distribution Management*, 36(1): 32-49.
- Gomez, B.G., Arranz, A.G. & Cillan, J.G. 2006. The role of loyalty programs in behavioural and affective loyalty. *Journal of Consumer Marketing*, 24(1): 387-396.
- Groenewald, T. 2004. A phenomenological research design illustrated. *International Journal of Qualitative Methods*, 3(1): 42-55.
- Gunawan, G., Ellis-Chadwick, F. & King, M. 2008. An empirical study of the uptake of performance measurement by internet retailers. *Internet Research*, 18(4): 361-381.

- Hanif, M., Hafeez, S. & Riaz, A. 2010. Factors affecting customer satisfaction. *International Journal of Finance and Economics*, 60: 44-52.
- Hauke, J. & Kossowski, Y. 2011. Comparison of values of Pearson's and Spearman's correlation coefficients on the same sets of data. *Journal of Socio-Economic Geography*, 30(2): 87-93.
- Heale, R. & Twycross, A. 2015. Validity and reliability in quantitative studies. *Evidence-based Nursing*, 1: 1-4.
- Inderst, R. & Shaffer, G. 2007. Retail mergers, buying power and product variety. *The Economic Journal*, 117(516): 45-67.
- Kothari, C.R. 2004. *Research methodology: Methods and techniques*. 2nd edition. New Dehi, India: New Age International Publishers.
- Lee, J., Lee, J. & Feick, L. 2001. The impact of switching costs on the customer satisfaction-loyalty link: Mobile phone services in France. *Journal of Servicing Marketing*, 15(1): 35-48.
- Ligthelm, A.A. 2004. Profile of informal microenterprises in the retail sector of South Africa. *Southern African Business Review*, 8(1): 39-51.
- Lowe, N.K. 2019. What is a pilot study? *Journal of Obstetric, Gynecologic & Neonatal Nursing*, 48(1): 117-118.
- Makhitha, K.M. 2013. *An investigation into buyer behaviour of craft retailers in South Africa*. PhD Thesis, University of Pretoria, Pretoria.
- Mason, C.H. & Perrault, W.D. 1991. Collinearity, power, and interpretation of multiple regression analysis. *Journal of Marketing Research*, 28(3): 268-280.
- Mattila, A.S. 2006. How affective commitment boosts guest loyalty (and promotes frequent-guest programs). *Cornell Hotel and Restaurant Administration*, 47(2): 174-181.
- Melewar, T.C., Foroudi, P., Gupta, S., Kitchen, P.J. & Foroudi, M.M. 2017. Integrating identity, strategy and communications for trust, loyalty and commitment. *European Journal of Marketing*, 51(3): 572-604.

- Meyer-Waarden, L. & Benavent, C. 2009. Grocery retail loyalty program effect: Self-selection or purchase behaviour change? *Journal of Academic Marketing Science*, 37(1): 345-358.
- Minarti, S.N. & Segoro, W. 2014. The influence of customer satisfaction, switching cost and trust in a brand on customer loyalty-the survey on student as IM3 users in Depok, Indonesia. *Procedia-Social and Behavioural Sciences*, 143(1): 1015-1019.
- Morgan, N.A. 2012. Marketing and business performance. *Journal of Academic Marketing Science*, 40(1): 102-119.
- Omar, N.A., Alam, S.S., Aziz, N.A. & Nazri, M.A. 2011. Retail loyalty programs in Malaysia: The relationship of equity, value, satisfaction, trust and loyalty among cardholders. *Journal of Business Economics and Management*, 12(2): 332-352.
- Palmeira, M., Pontes, N., Thomas, D. & Krishnan, S. 2016. Framing as status or benefits? Consumers' reactions to hierarchical loyalty program communication. *European Journal of Marketing*, 50(3): 488-508.
- Rachbini, W., Hatta, I.H. & Evi, T. 2019. Determinants of trust and customer loyalty on C2C E-marketplace in Indonesia. *International Journal of Civil Engineering and Technology*, 10(3): 116-127.
- Radojevic, T., Stanisic, N. & Stanic, N. 2015. Ensuring positive feedback: Factors that influence customer satisfaction in the contemporary hospitality industry. *Tourism Management*, 51: 13-21.
- Rahi, S. 2017. Research design and method: A systematic review of research paradigms, sampling issues and instruments development. *International Journal of Economics & Management Sciences*, 6(2): 1-5.
- Richard, J.E. & Zhang, A. 2012. Corporate image, loyalty, and commitment in the consumer travel image. *Journal of Marketing Management*, 28(5): 568-593.
- Ross, J.A. 2006. The reliability, validity, and utility of self-assessment. *Practical Assessment, Research and Evaluation*, 11(10): 1-13.
- Rust, R.T. & Zahorik, A.J. 1993. Customer satisfaction, customer retention and market share. *Journal of Retailing*, 69(2): 193-215.

- Salyova S., Taborecka-Petrovicova J., Nedelova, G. & Dad' o, J. 2015. Effect of marketing orientation on business performance: a study from Slovak foodstuff industry. *Prodecia Economics and Finance*, 34(1): 622-629.
- Saunders, M., Lewis, P. & Thornhill, A. 2009. *Research Methods for Business Students*. 5th edition. Harlow, Essex: Pearson.
- Scribbr. 2020a. *Population vs sample: what's the difference?* [Online]. Available at: <https://www.scribbr.com/methodology/population-vs-sample/> (Accessed: 21 May 2021).
- Scribbr. 2020b. *A step-by-step guide to data collection*. [Online]. Available at: <https://www.scribbr.com/methodology/data-collection/> (Accessed: 21 May 2021).
- Sharp, B. & Sharp, A. 1997. Loyalty programs and their impact on repeat-purchase loyalty patterns. *International Journal of Research in Marketing*, 14(1): 473-486.
- Tajeddini, K. & Trueman, M. 2008. Effect of customer orientation and innovativeness on business performance: a study of small-sized service retailers. *International Journal of Entrepreneurship and Small Business*, 6(2): 280-295.
- Tehseen, S. 2014. *Malaysian service sector: an overview of wholesale and retail industry*. PhD thesis, University of Kuala Lumpur Business School, Kuala Lumpur.
- Uncles, M.D., Dowling, G.R. & Hammond, K. 2003. Customer loyalty and customer loyalty programs. *Journal of Consumer Marketing*, 20(4): 294-316.
- Vehovar, V., Toepoel, V. & Steinmetz, S. 2016. *The SAGE Handbook of Survey Methodology*. London, England: SAGE.
- Wijaya, S. 2005. The effect of loyalty programs on customer loyalty in the hospitality industry. *Jurnal Manajemen Perhotelan*, 1(1): 24-31.
- Yang, Z. & Peterson, R.T. 2004. Customer perceived value, satisfaction and loyalty: The role of switching costs. *Psychology and Marketing*, 21(10): 799-822.
- Yong, A.G. & Pearce S. 2013. A beginner's guide to factor analysis: Focusing on exploratory factor analysis. *Tutorials in Quantitative Methods for Psychology*, 9(2): 79-94.

Zakaria, I., Rahman, B.A., Othman, A.K., Yunus, N.A.M., Dzulkipli, M.R. & Osman, M. A.F.
2014. The relationship between loyalty program, customer satisfaction and customer
loyalty in retail industry. *Procedia – Social and Behavioural Sciences*, 129: 23-30.

ANNEXURE A: COVER LETTER AND SAMPLE QUESTIONNAIRE



South Campus
Faculty of Business and Economic Sciences
School of Management Sciences
Department of Business Management
+27 (0)41 504 4063/1124
Chantal.rootman@mandela.ac.za
Janine.krueger@mandela.ac.za

12 February 2018

Dear Sir/Madam

The Business Management third-year financial management students at the Nelson Mandela University have been tasked to conduct a research study as part of their financial management module.

Topic: Loyalty programmes and business performance: Employees' perceptions

The aim is to determine whether the use of loyalty programmes will influence business performance; through identifying and investigating the factors influencing loyalty programmes. It is important to understand which factors influence loyalty programme acceptance and whether loyalty programmes influence business performance. In the current competitive business environment, it is important for businesses to retain current customers and to increase their customer base. Therefore, the knowledge obtained through this study may assist businesses to improve their loyalty programmes by increasing the acceptance of loyalty programmes by current and potential customers and possibly improve their business performance.

It would be greatly appreciated if you could respond to the following questions to assist the students in the completion of this study. In order to participate in this study you should be an employee of a business having a loyalty programme. Please note that participation in this study is **voluntary, anonymous** and you will have the **opportunity to opt out** at any time. **All information will be treated in the strictest confidence** and will be used for research purposes only. No individual information and/or responses will be published.

Thank you for your time and effort in completing this questionnaire. If you have any queries, please do not hesitate to contact us.

Yours sincerely,

C Rootman
Prof C Rootman
Researcher

J Krüger
Prof J Krüger
Researcher

B Zeka
Ms B Zeka
Researcher

SECTION A: PERCEPTIONS OF THE INFLUENCE OF LOYALTY PROGRAMMES ON BUSINESS PERFORMANCE

Please indicate your agreement with the following statements regarding your loyalty programme/business by placing a cross (X) in the appropriate box.

Our customers ...		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Customer satisfaction						
CS1	Are satisfied with all the services related to our loyalty programme.	1	2	3	4	5
CS2	Use the loyalty programme to assist them in solving their queries.	1	2	3	4	5
CS3	Regard our loyalty programme as their preferred loyalty programme.	1	2	3	4	5
CS4	Regard our loyalty programme meeting their expectations.	1	2	3	4	5
CS5	Regard our loyalty programme as providing “value for money” offers.	1	2	3	4	5
CS6	Are happy to be members of our loyalty programme.	1	2	3	4	5
CS7	Enjoy being members of our loyalty programme.	1	2	3	4	5
CS8	Regularly receive information about our loyalty programme.	1	2	3	4	5
CS9	Are overall satisfied with our loyalty programme.	1	2	3	4	5
Trust						
T1	Trust our loyalty programme.	1	2	3	4	5
T2	Regard our loyalty programme to have high integrity.	1	2	3	4	5
T3	Regard our loyalty programme as trustworthy.	1	2	3	4	5
T4	Regard our loyalty programme to consistently provide quality offers.	1	2	3	4	5
T5	Know that our loyalty programme delivers on its promises.	1	2	3	4	5
T6	Regard our loyalty programme as being managed effectively.	1	2	3	4	5
T7	Regard our loyalty programme to be always available.	1	2	3	4	5
T8	Regard our loyalty programme to never disappoint customers.	1	2	3	4	5
T9	Can rely on our loyalty programme.	1	2	3	4	5
T10	Know that their personal information will remain confidential.	1	2	3	4	5
Commitment						
C1	Will remain members of our loyalty programme.	1	2	3	4	5

C2	Are confident that our loyalty programme provides the best deals.	1	2	3	4	5
C3	Have a bond with our loyalty programme.	1	2	3	4	5
C4	Recommend our loyalty programme to others.	1	2	3	4	5
C5	Like our loyalty programme more than other loyalty programmes.	1	2	3	4	5
C6	Feel that it is important to belong to our loyalty programme.	1	2	3	4	5
C7	Say positive things about our loyalty programme.	1	2	3	4	5
Corporate image						
CI1	Regard our loyalty programme as having a good reputation.	1	2	3	4	5
CI2	Regard our loyalty programme as having a better reputation than other loyalty programmes.	1	2	3	4	5
CI3	Regard our loyalty programme as having a reputation of providing good offers.	1	2	3	4	5
CI4	Regard our loyalty programme as having a reputation of providing fair rewards.	1	2	3	4	5
CI5	Regard the promotional campaigns of our loyalty programme as having a positive image.	1	2	3	4	5
CI6	Regard our loyalty programme as the best.	1	2	3	4	5
Switching cost						
SC1	Will find it time-consuming to switch to another loyalty programme.	1	2	3	4	5
SC2	Will find it difficult to switch to another loyalty programme.	1	2	3	4	5
SC3	Will miss our loyalty programme offers if they switch to another.	1	2	3	4	5
SC4	Will not receive similar programme benefits if they switch to another loyalty programme.	1	2	3	4	5
SC5	Will find it difficult to find another loyalty programme with similar benefits as ours.	1	2	3	4	5
SC6	Will not receive the same level of service if they switch to another loyalty programme.	1	2	3	4	5
Communication						
Com1	Receive regularly information regarding our loyalty programme's offers and rewards.	1	2	3	4	5
Com2	Receive personalised offers and rewards.	1	2	3	4	5
Com3	Receive transparent communication about our loyalty programme's offers and rewards.	1	2	3	4	5
Com4	Receive accurate communication about our loyalty programme's offers and rewards.	1	2	3	4	5
Com5	Receive timeous communication about our loyalty programme's offers and rewards.	1	2	3	4	5

Com6	Receive clear and understandable communication about our loyalty programme's offers and rewards.	1	2	3	4	5
Com7	Receive up-to-date (current) information about our loyalty programme's offers and rewards.	1	2	3	4	5
Com8	Regard the promotional strategies of our loyalty programme to be good.	1	2	3	4	5
Customer loyalty						
CL1	Recommend us to others.	1	2	3	4	5
CL2	Say positive things about us.	1	2	3	4	5
CL3	Will continue purchasing our products/services.	1	2	3	4	5
CL4	Consider us to be their first choice.	1	2	3	4	5
CL5	Encourage their family and friends to support us.	1	2	3	4	5
CL6	Purchase products/services from our business more often than from competitors.	1	2	3	4	5
CL7	Spend more money at our business than at competitors.	1	2	3	4	5
CL8	Purchase more products/service from our business than from competitors.	1	2	3	4	5
CL9	Will remain customers of our business.	1	2	3	4	5
CL10	Are loyal to our business.	1	2	3	4	5
Over the PAST TWO years, our business...						
BP1	Has increased the yearly sales.	1	2	3	4	5
BP2	Decreased its costs (expenses).	1	2	3	4	5
BP3	Has increased the business' productivity.	1	2	3	4	5
BP4	Has experienced a low employee turnover rate (employees are not leaving).	1	2	3	4	5
BP5	Has experienced growth in the number of employees.	1	2	3	4	5
BP6	Is profitable.	1	2	3	4	5
BP7	Can be regarded as successful.	1	2	3	4	5

SECTION B: BIOGRAPHICAL DATA

Please mark your selection with a cross (X) in the appropriate box. All questions are for statistically purposes only.

1 Gender

Male		1
Female		2

2 Population group

Asian		1
Black		2
Coloured		3
White		4
Other		5
Not willing to say		6

3 Age group

20 – 29 years		1
30 – 39 years		2
40 – 49 years		3
50 – 54 years		4
60+		5

4 Working experience in years (total) _____

5 Working experience at current employer _____

6 Job title _____

7 Loyalty programme name _____

THANK YOU FOR YOUR PARTICIPATION!

ANNEXURE B: TABLES OF EMPIRICAL RESULTS

TABLE B.1: FREQUENCY DISTRIBUTION OF THE RESPONDENTS' DEMOGRAPHIC AND EMPLOYMENT INFORMATION

	FREQUENCY	PERCENTAGE
GENDER		
Male	83	39.52%
Female	125	59.52%
Missing	2	0.95%
<i>Total</i>	<i>210</i>	<i>100%</i>
POPULATION GROUP		
Asian	2	0.95%
Black	86	40.95%
Coloured	69	32.86%
White	38	18.10%
Other	1	0.48%
Not willing to say	13	6.19%
Missing	1	0.48%
<i>Total</i>	<i>210</i>	<i>100%</i>
AGE (Years)		
20 – 29	88	41.90%
30 – 39	67	31.90%
40 – 49	38	18.10%
50 – 59	16	7.62%
Missing	1	0.48%
<i>Total</i>	<i>210</i>	<i>100%</i>
TOTAL WORK EXPERIENCE (Years)		
1 – 5	66	31.43%
6 – 10	53	25.24%
11 – 15	36	17.14%
16 – 20	25	11.90%
21 – 25	10	4.76%
26 – 30	9	4.29%
31 – 35	7	3.33%
36 – 40	1	0.48%
Missing	3	1.43%
<i>Total</i>	<i>210</i>	<i>100%</i>
WORK EXPERIENCE (Current Employment - Years)		
1 – 5	121	57.62%
6 – 10	36	17.14%
11 – 15	21	10.00%
16 – 20	9	4.29%
21 – 25	1	0.48%
26 – 30	1	0.48%
31 – 35	3	1.43%
Missing	18	8.57%
<i>Total</i>	<i>210</i>	<i>100%</i>
JOB TITLE		
Barista	3	1.43%
Beauty Advisor	9	4.29%
Buyer	1	0.48%
Cashier/Till Controller	25	11.90%
Controller	2	0.95%
Customer Liason	5	2.38%
Employee/General Worker/Clerk/Shelf packer	4	1.91%
Healthcare Advisor/Pharmacist (assistant)	4	1.91%

Manager	83	39.51%
Owner	2	0.95%
Regional Manager	2	0.95%
Sales advisor/Agent/Assistant/Associate/Consultant	47	22.38%
Supervisor	12	5.72%
Waiter	5	2.38%
Missing	6	2.86%
Total	210	100%
LOYALTY PROGRAM		
Spar Rewards	36	17.14%
Smart Shopper	37	17.62%
Wrewards	15	7.14%
Clicks Clubcard	54	25.71%
Love your Body	1	0.48%
Thank U	18	8.57%
Arewards	1	0.48%
Mr Price	1	0.48%
PEP Club Card	2	0.95%
The Fix Rewards	1	0.48%
Rewards&More	14	6.66%
Perks	2	0.95%
Dis-Chem Benefits	5	2.38%
Loyalty Card- Free	3	1.43%
Kauai Life	1	0.48%
Barneys VIP Loyalty Box	2	0.95%
Family Card	6	2.86%
Wimpy	2	0.95%
Seattle Coffee Co Loyalty Program	3	1.43%
Vidae Caffè Loyalty Card	1	0.48%
Truloyalty	4	1.90%
Missing	1	0.48%
Total	210	100%

TABLE B.2: VALIDITY AND RELIABILITY FOR CUSTOMER SATISFACTION

Variance: 43.59%		Cronbach alpha: 0.833		
Item nr	Items	Factor loading	Item-total corr.	Alpha if deleted
CS1	Are satisfied with all the services related to our loyalty programme.	-0.665	0.540	0.816
CS2	Use the loyalty programme to assist them in solving their queries.	-0.687	0.576	0.812
CS3	Regard our loyalty programme as their preferred loyalty programme.	-0.709	0.597	0.809
CS4	Regard our loyalty programme meeting their expectations.	-0.445	-	-
CS5	Regard our loyalty programme as providing “value for money” offers.	-0.747	0.633	0.804
CS6	Are happy to be members of our loyalty programme.	-0.742	0.638	0.805
CS7	Enjoy being members of our loyalty programme.	-0.539	0.410	0.834
CS8	Regularly receive information about our loyalty programme.	-0.721	0.609	0.809
CS9	Are overall satisfied with our loyalty programme.	-0.624	0.514	0.820

TABLE B.3: VALIDITY AND RELIABILITY FOR TRUST

Variance: 43.93%		Cronbach alpha: 0.855		
Item nr	Items	Factor loading	Item-total corr.	Alpha if deleted
T1	Trust our loyalty programme.	-0.520	0.437	0.852
T2	Regard our loyalty programme to have high integrity.	-0.656	0.569	0.841
T3	Regard our loyalty programme as trustworthy.	-0.727	0.640	0.834
T4	Regard our loyalty programme to consistently provide quality offers.	-0.548	0.443	0.853
T5	Know that our loyalty programme delivers on its promises.	-0.702	0.608	0.837
T6	Regard our loyalty programme as being managed effectively.	-0.716	0.613	0.837
T7	Regard our loyalty programme to be always available.	-0.647	0.542	0.844
T8	Regard our loyalty programme to never disappoint customers.	-0.771	0.663	0.831
T9	Can rely on our loyalty programme.	-0.793	0.693	0.827
T10	Know that their personal information will remain confidential.	-0.465	-	-

TABLE B.4: VALIDITY AND RELIABILITY FOR COMMITMENT

Variance: 55.23%		Cronbach alpha: 0.849		
Item nr	Items	Factor loading	Item-total corr.	Alpha if deleted
CMT1	Will remain members of our loyalty programme.	-0.661	0.538	0.838
CMT2	Are confident that our loyalty programme provides the best deals.	-0.705	0.588	0.831
CMT3	Have a bond with our loyalty programme.	-0.746	0.630	0.825
CMT4	Recommend our loyalty programme to others.	-0.706	0.588	0.833
CMT5	Like our loyalty programme more than other loyalty programmes.	-0.746	0.629	0.826
CMT6	Feel that it is important to belong to our loyalty programme.	-0.758	0.646	0.823
CMT7	Say positive things about our loyalty programme.	-0.763	0.655	0.821

TABLE B.5: VALIDITY AND RELIABILITY FOR CORPORATE IMAGE

Variance: 53.03%		Cronbach alpha: 0.819		
Item nr	Items	Factor loading	Item-total corr.	Alpha if deleted
CI1	Regard our loyalty programme as having a good reputation.	-0.655	0.538	0.838
CI2	Regard our loyalty programme as having a better reputation than other loyalty programmes.	-0.756	0.588	0.831
CI3	Regard our loyalty programme as having a reputation of providing good offers.	-0.740	0.630	0.825
CI4	Regard our loyalty programme as having a reputation of providing fair rewards.	-0.699	0.588	0.833
CI5	Regard the promotional campaigns of our loyalty programme as having a positive image.	-0.770	0.629	0.826
CI6	Regard our loyalty programme as the best.	-0.743	0.646	0.823

TABLE B.6: VALIDITY AND RELIABILITY FOR SWITCHING COSTS

Variance: 49.23%		Cronbach alpha: 0.795		
Item nr	Items	Factor loading	Item-total corr.	Alpha if deleted
SC1	Will find it time-consuming to switch to another loyalty programme.	-0.493	-	-
SC2	Will find it difficult to switch to another loyalty programme.	-0.702	0.523	0.774
SC3	Will miss our loyalty programme offers if they switch to another.	-0.623	0.470	0.789
SC4	Will not receive similar programme benefits if they switch to another loyalty programme.	-0.796	0.654	0.733
SC5	Will find it difficult to find another loyalty programme with similar benefits as ours.	-0.799	0.651	0.730
SC6	Will not receive the same level of service if they switch to another loyalty programme.	-0.747	0.595	0.751

TABLE B.7: VALIDITY AND RELIABILITY FOR COMMUNICATION

Variance: 55.23%		Cronbach alpha: 0.879		
Item nr	Items	Factor loading	Item-total corr.	Alpha if deleted
COM1	Receive regularly information regarding our loyalty programme's offers and rewards.	-0.624	0.527	0.879
COM2	Receive personalised offers and rewards.	-0.725	0.630	0.865
COM3	Receive transparent communication about our loyalty programme's offers and rewards.	-0.799	0.716	0.856
COM4	Receive accurate communication about our loyalty programme's offers and rewards.	-0.821	0.739	0.855
COM5	Receive timeous communication about our loyalty programme's offers and rewards.	-0.775	0.675	0.861
COM6	Receive clear and understandable communication about our loyalty programme's offers and rewards.	-0.846	0.763	0.851
COM7	Receive up-to-date (current) information about our loyalty programme's offers and rewards.	-0.766	0.671	0.861
COM8	Regard the promotional strategies of our loyalty programme to be good.	-0.536	0.444	0.882

TABLE B.8: VALIDITY AND RELIABILITY FOR CUSTOMER LOYALTY

Variance: 49.80%		Cronbach alpha: 0.887		
Item nr	Items	Factor loading	Item-total corr.	Alpha if deleted
CL1	Recommend us to others.	-0.533	0.449	0.887
CL2	Say positive things about us.	-0.797	0.724	0.868
CL3	Will continue purchasing our products/services.	-0.678	0.594	0.878
CL4	Consider us to be their first choice.	-0.780	0.706	0.870
CL5	Encourage their family and friends to support us.	-0.665	0.580	0.879
CL6	Purchase products/services from our business more often than from competitors.	-0.698	0.610	0.877
CL7	Spend more money at our business than at competitors.	-0.793	0.721	0.868
CL8	Purchase more products/service from our business than from competitors.	-0.696	0.612	0.877
CL9	Will remain customers of our business.	-0.604	0.520	0.883
CL10	Are loyal to our business.	-0.764	0.686	0.871

TABLE B.9: VALIDITY AND RELIABILITY FOR BUSINESS PERFORMANCE

Variance: 51.46%		Cronbach alpha: 0.836		
Item nr	Items	Factor loading	Item-total corr.	Alpha if deleted
BP1	Our business has increased the yearly sales	-0.724	0.587	0.814
BP2	Decreased its costs (expenses).	-0.484	-	-
BP3	Our business has increased its productivity	-0.767	0.648	0.802
BP4	Our business has experienced a low employee turnover rate	-0.630	0.507	0.834
BP5	Our business has experienced growth in the number of employees	-0.748	0.643	0.805
BP6	Our business is profitable	-0.826	0.700	0.796
BP7	Our business can be regarded as successful	-0.786	0.655	0.806

TABLE B.10: DESCRIPTIVE STATISTICS OF THE INDEPENDENT AND DEPENDENT VARIABLES (N=210)

VARIABLES	MEAN	STD DEV	DISAGREE	NEUTRAL	AGREE	MISSING
Customer satisfaction	4.203	0.511	0.00%	15.24%	84.29%	0.48%
Trust	4.28	0.471	0.00%	10.48%	89.05%	0.48%
Commitment	4.09	0.559	0.48%	20.95%	78.10%	0.48%
Corporate image	4.18	0.533	9.52%	90.00%	0.48%	0.48%
Switching costs	3.66	0.734	2.86%	49.05%	47.62%	0.48%
Communication	4.28	0.608	0.95%	11.90%	86.67%	0.48%
Customer loyalty	4.08	0.546	0.00%	24.29%	75.24%	0.48%
Business performance	4.09	0.598	0.48%	15.24%	83.81%	0.48%

TABLE B.11: PEARSON'S CORRELATION COEFFICIENTS

Variable	CS	Trust	CMT	CI	SC	COMM	CL	BP
Customer satisfaction (CS)	1.000							
Trust	0.781	1.000						
Commitment (CMT)	0.769	0.744	1.000					
Corporate image (CI)	0.806	0.784	0.827	1.000				
Switching costs (SC)	0.562	0.530	0.695	0.659	1.000			
Communication (COMM)	0.698	0.650	0.540	0.637	0.425	1.000		
Customer loyalty (CL)	0.705	0.585	0.800	0.704	0.647	0.436	1.000	
Business performance (BP)	0.466	0.465	0.554	0.507	0.418	0.378	0.511	1.000

*all statistically significant at $p < 0.05$

ANNEXURE C: ETHICS CLEARANCE FORM E



FACULTY OF BUSINESS AND ECONOMIC SCIENCES

ETHICS CLEARANCE FOR TREATISES / DISSERTATIONS / THESES

Instructions:

- Should be completed by study leader and student
- Must be signed off by student, study leader and HoD
- Submit completed form to Ms Lindie van Rensburg
- Please ensure that the research methodology section from the proposal is attached to this form
- **Please note that by following this Proforma ethics route, the study will NOT be allocated an ethics clearance number**

FACULTY: Business and Economic Sciences

SCHOOL / DEPARTMENT: School of management Sciences / Department of Business Management

I, Krüger, J the study leader for Anderson, K. (s219481628) a candidate for the degree of Bachelor of Arts Honours (Business Management) with a mii-treatise entitled *The influence of loyalty programs on business performance of retail firms: An employees' perspective* considered the following ethics criteria (please tick the appropriate block):

		YES	NO
1.	Is there any risk of harm, embarrassment or offence, however slight or temporary, to the participant, third parties or to the communities at large?		✓
2.	Is the study based on a research population defined as 'vulnerable' in terms of age, physical characteristics and/or disease status?		✓
2.1	Are subjects/participants/respondents of your study:		
2.1.1	Children under the age of 18?		✓
2.1.2	NMMU staff?		✓
2.1.3	NMMU students?		✓
2.1.4	The elderly/persons over the age of 60?		✓
2.1.5	A sample from an institution (e.g. hospital/school)?		✓
2.1.6	Handicapped (e.g. mentally or physically)?		✓
3.	Does the data that will be collected require consent of an institutional authority for this study? (An institutional authority refers to an organisation that is established by government to protect vulnerable people)		✓
3.1	Are you intending to access participant data from an existing, stored repository (e.g. school, institutional or university records)?		✓
4.	Will the participant's privacy, anonymity or confidentiality be compromised?		✓
4.1	Are you administering a questionnaire/survey that:		
4.1.1	Collects sensitive/identifiable data from participants?		✓
4.1.2	Does not guarantee the anonymity of the participant?		✓
4.1.3	Does not guarantee the confidentiality of the participant and the data?		✓

4.1.4	Will offer an incentive to respondents to participate, i.e. a lucky draw or any other prize?		✓
4.1.5	Will create doubt whether sample control measures are in place?		✓
4.1.5	Will be distributed electronically via email (and requesting an email response)? Note: <ul style="list-style-type: none"> If your questionnaire DOES NOT request respondents' identification, is distributed electronically and you request respondents to return it <i>manually</i> (print out and deliver/mail); AND respondent anonymity can be guaranteed, your answer will be NO. If your questionnaire DOES NOT request respondents' identification, is <i>distributed via an email link and works through a web response system (e.g. the university survey system)</i>; AND respondent anonymity can be guaranteed, your answer will be NO. 		✓
5.	Do you wish to publish an article from this study and submit to an accredited Journal?		✓

Please note that if **ANY** of the questions above have been answered in the affirmative (**YES**) the student will need to complete the full ethics clearance form (REC-H application) and submit it with the relevant documentation to the Faculty RECH (Ethics) representative.

and hereby certify that the student has given his/her research ethical consideration and full ethics approval is not required.



STUDY LEADER(S)

14 May 2021
DATE



HEAD OF DEPARTMENT

14 May 2021
DATE



STUDENT

14 May 2021
DATE

ANNEXURE D: TURNITIN SUMMARY

Anderson, K - 219481628

ORIGINALITY REPORT

9 %	7 %	2 %	3 %
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	Submitted to De La Salle University Student Paper	2 %
2	digiresearch.vut.ac.za Internet Source	1 %
3	repository.nwu.ac.za Internet Source	1 %
4	hdl.handle.net Internet Source	1 %
5	ir.umk.edu.my Internet Source	<1 %
6	tampub.uta.fi Internet Source	<1 %
7	busman.mandela.ac.za Internet Source	<1 %
8	www.aessweb.com Internet Source	<1 %
9	aut.researchgateway.ac.nz Internet Source	<1 %

18	erepository.uonbi.ac.ke Internet Source	<1 %
19	www.researchsquare.com Internet Source	<1 %
20	C. P. Sing, P. E. D. Love, I. W. H. Fung, D. J. Edwards. "Personality and Occupational Accidents: Bar Benders in Guangdong Province, Shenzhen, China", Journal of Construction Engineering and Management, 2014 Publication	<1 %
21	Scholar.ufs.ac.za Internet Source	<1 %
22	Submitted to University of Wales Institute, Cardiff Student Paper	<1 %
23	onlinesciencepublishing.com Internet Source	<1 %
24	repository.out.ac.tz Internet Source	<1 %
25	www.coursehero.com Internet Source	<1 %
26	Submitted to Higher Education Commission Pakistan Student Paper	<1 %

27	Ilaria Baghi, Veronica Gabrielli, Silvia Grappi. "Consumers' awareness of luxury brand counterfeits and their subsequent responses: when a threat becomes an opportunity for the genuine brand", Journal of Product & Brand Management, 2016 Publication	<1 %
28	Parameshwar Ganapathi, Emad Ahmed Abu-Shanab. "Customer Satisfaction with Online Food Ordering Portals in Qatar", International Journal of E-Services and Mobile Applications, 2020 Publication	<1 %
29	edocs.maseno.ac.ke Internet Source	<1 %
30	erepository.uonbi.ac.ke:8080 Internet Source	<1 %
31	ijrdo.org Internet Source	<1 %
32	link.springer.com Internet Source	<1 %
33	publikace.k.utb.cz Internet Source	<1 %
34	repository.up.ac.za Internet Source	<1 %

35

Mohammed Abdulai Mahmoud, Adelaide Naa Amaeley Kastner, Kofi Safo Akyea. "Market orientation as a competitive tool: Empirical evidence from 'quartile one' banks in Ghana", *Journal of Financial Services Marketing*, 2011

Publication

<1%

Exclude quotes Off

Exclude matches Off

Exclude bibliography Off