

DEPARTMENT OF BUSINESS MANAGEMENT

A COMPARATIVE STUDY OF SPAR AND PICK N PAY: EMPLOYEE VIEWS ON LOYALTY
PROGRAMMES AND BUSINESS PERFORMANCE

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DECLARATION

I, **Anelisa Mnisi**, declare that this mini-treatise titled “**A COMPARATIVE STUDY OF SPAR AND PICK N PAY: EMPLOYEE VIEWS ON LOYALTY PROGRAMMES AND BUSINESS PERFORMANCE**” is my own work. I further declare that all the sources used or quoted in the study have been indicated and acknowledged in the list of references, and that this mini-treatise was not submitted by myself or anyone else at another university.

Anelisa Mnisi

03 October 2021

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WHAT A ROLLERCOASTER IT HAS BEEN!

The year started on a positive note for me but as the months went by, I talked myself out of giving up so many times. I spent most of the year discouraged and demotivated but I am writing this with pure joy in my heart because I made it this far. In as much as I may think I deserve the credit, none of this would have been possible without the support I received from my supervisor, family, partner, and friend. It is my greatest pleasure to express my gratitude to the following people who played a role in the completion of this study:

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ABSTRACT

The South African food retail industry is very sophisticated and complex. The economic business cycles determine the growth and conditions of firms. Poor economic conditions have proven to weaken the rand and cause constraints on consumer spending which has resulted in lower levels of business performance, however the food retailers have continued to be productive and positive despite these conditions.

As a result of the challenging business environment and high levels of competition, South African food retailers have engaged in loyalty programmes which enables and builds strong relationships between a firm and its customers. Spar and Pick n Pay are the best when it comes to convenience, they always ensure that they offer the best convenience services to their customers because they believe convenience is the key driver of customer retention and expansion.

The primary aim of the study is to identify based on employees' perceptions, the influence of loyalty programmes on business performance in the food retail industry. To ensure that this aim is carried out, the research will perform the following secondary objectives;

- Investigate retail loyalty programmes, as well as business performance and how it can be measured.
- Investigate the variables influencing customer loyalty in the food retail industry.
- Investigate the influence of customer loyalty on business performance in the food retail industry.

The study was carried out using a quantitative research approach. This approach required the perception of employees on whether loyalty programmes influence business performance or not. A survey was conducted through the use of a questionnaire which gathered 73 questionnaires from respondents.

To determine the validity and reliability of items, an exploratory factor analysis and Cronbach's alpha were conducted. Pearson correlation coefficients were further utilised to determine the relationship between variables, of this analysis, 15 strong correlations were determined between the variables. A multiple regression analysis was also carried out to determine which of the redefined hypothetical models were accepted or rejected.

CHAPTER ONE: THE RESEARCH MATRIX

1.1 INTRODUCTION AND BACKGROUND OF THE STUDY

According to Smith (2020: 8), technological advancements and innovation have made it easier for firms to be obsolete in the competitive market. Firms can ensure that they remain competitive or stay abreast of the changing technology by keeping up to date with changes in their industries and understanding of customer needs (Smith, 2020: 9). Customer loyalty programmes built on strong customer relationships could benefit firms by establishing complete database of customers and identifying customers of high value.

Chen (2019: 3) explains loyalty programmes as incentives offered by retailers or firms to their regular or loyal customers. The author further explains that this is done for the purpose of motivating, attracting and retaining shoppers or customers to continue purchasing their groceries from their frequently visited stores instead of competitors. Loyalty programmes have different ways of offering incentives to loyal customers, these incentives include issuing of rewards, discounts, and advanced access to new products (Chen, 2019: 4).

According to Saleh (2020: 7), customer loyalty programmes are important because it can grow and sustain a firm's market share. Singh (2019: 12) alluded retaining existing customers as cost effective, and easier than acquiring new customers. Firms find it more sensible to retain existing customers for market share growth purposes (Singh, 2019: 12).

According to Black (2020) an emphasis should be made about the importance of customer loyalty programmes on the business performance. Customer loyalty programmes could benefit both firms and their customers. The most known benefits that firms could gain from customer loyalty include improvement of customer retention and lifetime value, building of strong customer relationships, setting the firm and its brand apart from its competitors or rivals, increasing customer satisfaction and appreciation, and ultimately increasing a firm's profit margins (Black, 2017). Customers receive benefits from loyalty programmes such as rewards, earning of points from different brand merchants, instant access to rewards, excellent customer services, personalised incentives, trust and respect, and security (D'Angello, 2018).

There are many different customer loyalty programmes in the South African retail industry, the use of these programmes ranges from industry to industry (Research News South Africa, 2020). A few examples of customer loyalty programmes that made it into the top five mostly used loyalty programmes in South Africa between the year 2019 and 2020 were Clicks ClubCard, Pick n Pay Smart Shopper, Dis-Chem Benefit, FNB eBucks, and Woolworths WRewards (Research News South Africa, 2020). Research News South Africa (2020)

discovered that customer loyalty programmes impact customer purchasing behaviour either by influencing customers to buy at certain stores or purchase certain products.

Firms are usually provided free benefits by customers. According to Lim (2018), customer loyalty leads to an increase in the rate of new customer acquisition due to the influence of purchasing decisions inflicted by current customers on potential customers. Though research has been investigated on the influence customer loyalty has on business performance, there has been little to no investigation on the impact that customer loyalty has on business performance in the food retail industry (Lim, 2018 & Miller, 2019).

1.2 PROBLEM STATEMENT

Foster (2017) believes it is easier for firms to attract customers, but it is not so easy for them to retain customers. Firms need to be strategic about customer retention, it is not as simple as winning customers over therefore firms need to strategise well to have customers loyal and committed to them.

New sales are important to a business and can help drive growth, however the management of any firm should never forget their existing customers because they are just as important (Kihlstrom, 2018). Another important purpose of customer loyalty programme is to establish and maintain a good relationship with current/existing customers (Van de Merwe, 2017).

Previous studies investigated customer loyalty from customers' perspectives which argued that the best conceptualisation of loyalty is to allow the relationship between attitude and behaviour to be moderated by contingency variables such as a customers' current circumstances which are budget effects and time pressure, and characteristics which are reflected in the desire for variety, habit, the need to conform and the tolerance for risk (Uncles, Dowling & Hammond, 2014: 5-9).

Firms usually force employees to adapt and support the phrase that says, "a customer is always right", however this has resulted in worse customer services and in customers having an unfair advantage over employees (Stone, Bearman, Butscher, Gilbert, Crick & Moffett, 2003). Despite all of this, employees believe it is in the best interest of the firm to offer customer loyalty programmes for business performance purposes (Stone *et al*, 2003).

Miller (2019) is confident that loyalty programmes make customers feel recognised, appreciated, valued and special thus resulting in higher profits/gains, referrals and more retention. The author further emphasises that offering customer rewards sets the firm apart from competitors and accelerates the loyalty life cycles.

Following the above, the study's research question is: Based on employees' perspectives, do loyalty programmes in the food retail industry influence business performance?

1.3 RESEARCH OBJECTIVES

Following the introduction and problem statement, various research objectives are evident:

1.3.1 Primary objective

The primary objective of this study is to identify, based on employees' perceptions, the influence of loyalty programmes on business performance in the food retail industry.

1.3.2 Secondary objectives

To achieve the primary objective of this study, the following secondary objectives were formulated:

SO1: To investigate retail loyalty programmes, as well as business performance and how it can be measured.

SO2: To investigate the variables influencing customer loyalty in the food retail industry.

SO3: To investigate the influence of customer loyalty on business performance in the food retail industry.

1.3.3 Methodological objectives

To achieve the primary and secondary objectives, the following methodological objectives were formulated.

MO1: To conduct a literature on customer loyalty and business performance as well as the food retail industry in South Africa.

MO2: To design and follow an appropriate research methodology to collect and analyse primary data.

MO3: To collect and analyse primary data, using a structured questionnaire, with food retail employees as respondents; and

MO4: To make appropriate recommendations to the South African food retail industry, based on the study results, regarding customer loyalty programmes to possibly improve their business performance.

1.4 Significance of the study

The subject matter of this research is the perception of employees in the food retail industry on whether customer loyalty has an influence on business performance. The results of this study will highlight the significance of customer satisfaction, trust, commitment, corporate image, switching cost, and communication which will enable the research to investigate the impact of customer loyalty on business performance.

CHAPTER TWO: LITERATURE REVIEW

This section provides a brief literature review on the importance of customer loyalty, importance of customer loyalty programmes for customers and firms as well as the impact of loyalty programmes in South Africa. This section also distinguishes the variables that influence customer loyalty and business performance in the food retail industry. In the research matrix above, loyalty programmes were defined as incentives offered by retailers or firms to their regular or loyal customer (Chen, 2019: 4).

2.1 THE IMPORTANCE OF CUSTOMER LOYALTY

According to Thomas (2020: 2), customer loyalty is defined as a positive ongoing relationship between a firm and its customers. This relationship is the driving force of continuous purchases, and it propels existing customers to become loyal members of the firm rather than those of competitors offering same benefits, products or services. Miller (2019) further defined customer loyalty as the act of repeatedly choosing the products and services of a specific firm over its competitors.

According to Thomas (2020: 3), loyal customers spend more and are usually less sensitive on price when their loyalty lies within a firm, this is referred to as customer satisfaction. The buying decisions of regular customers is not influenced by the price or availability of goods, the quality of the products is the driver of customers' willingness to pay higher prices for more finer and familiar services (Miller, 2019: 23).

It is important for customers to be satisfied with a firm's products and services. This will not only keep customers committed to the firm, but it will bring more traffic to a firm's site and marketing (Pineda, 2016). According to Thomas (2020: 3), happy customers share their buying experiences on social media, and leave positive reviews which will then attract potential customers.

The food retail industry is a hyper-competitive sector, this means there is no guaranteed sustainable competitive advantage for a specific firm (Lavalle, 2020). Saxena (2021) describes sustainable competitive advantage as the backbone of businesses that are thriving today, the author emphasises that a sustainable competitive advantage strategy enables organisations to be market leaders. However, a firm can generate their revenue and sales by either getting people to spend more money on every single visit to their store, or by getting regular customers to buy often and consistently.

2.2 CUSTOMER LOYALTY PROGRAMMES

According to Saleh (2020: 7), customer loyalty programmes are important because these can grow and sustain a firm's market share. Singh (2019) and Thomas (2020: 3) both concurred that the effort of acquiring new customers is more costly than the effort of retaining existing customer.

Firms can offer incentives such as rewards, discounts, and advanced access to new products to customers (Chen, 2019: 4). Issuing these incentives will help firms ensure that customers remain loyal and committed to them.

2.2.1 Importance of loyalty programmes for customers and the firm

Customer loyalty programmes are all about trust, positive experiences, excellent customer services, connection between customers and values, and high product quality (Miller, 2019). Customer loyalty programmes are not only meant to benefit customers, but they are also for the purpose of improving a firm. A number of authors mentioned similar benefits that can be incurred when implementing loyalty programmes.

Loyalty programmes can benefit the firms by increasing and growing sales and revenue; attracting, maintaining and retaining customers; gathering valuable data for the purpose of learning customer preferences; showing appreciation to customers; and improving the overall business practices (Miller, 2019: 23; Pineda, 2016; Saleh, 2020: 7; & Sing, 2019: 2). Lim (2018) further elaborates on the importance of customer loyalty for firms because he believes loyal customers genuinely do more for a brand or firm they are committed to rather than just generating revenue during their purchases. Customer loyalty is almost always used as a marketing channel because loyal customers use their word of mouth to share their positive buying experiences with friends either in person or on social media platforms, and it often happens that loyal customers are most likely to defend their trusted firm against any trolls on social media (Lim, 2018). Due to the level of trust between friends, potential customers will most likely believe their friends' experiences and will therefore become interested in using the products or services of that firm thus resulting in higher rates of acquiring new customers (Gunn, 2018:1).

Loyalty programmes are advantageous for customers in that they make customers feel appreciated and valued by providing excellent services to them and offering personalised incentives, and by ensuring better communication between customers and firms which will ensure that customer preferences will be understood and met. Customers also benefit from loyalty programmes because they are offered rewards, discounts and advanced access to new

products (Miller, 2019: 23; Pineda, 2016; Saleh, 2020: 8; & Sing, 2019: 1). DCR Strategies (2018) suggested that customers be offered instant access to rewards such as cash which they can use virtually anywhere, rather than to offer them discounts or a “buy one, get another less wanted product for free”. This initiative could benefit both parties because customers will be paid to use the loyalty card, thus resulting in sales growth (Davnaud, 2019).

2.2.2 The impact of customer loyalty programmes in South Africa

The Truth and BrandMapp whitepaper series by Cromhout and Netto (2020), looks at loyalty programme usage in South Africa in relation to the factors influencing usage, these factors are inclusive of age, gender and income. According to Cromhout and Netto (2020: 6) loyalty programme usage increased by 12% points between 2015 and 2017, however, there was a significant decline of 7% in the usage of loyalty programmes between 2017 and 2019. The decline in the usage was due to the economic uncertainty and pressure on consumer spend which then influenced the choices made by consumers on the brand they love and use (Cromhout and Netto, 2020: 6).

Based on statistics collected by Cromhout and Netto (2020: 13), about 70% of South African consumers still use loyalty programmes. A proportion of 30% do not use loyalty programmes for reasons such as; they are too hard to understand; some consumers do not like how these programmes spam them; others say it is too hard to redeem points or reward; some consumers do not like how loyalty programmes want too much personal information; and others say they do not like all the cards in their wallet.

Cromhout and Netto (2020: 17) conducted a research on the top 25 mostly used loyalty programmes in South Africa. Clicks ClubCard is the leading loyalty programme with a usage of 71%, and the least programme used is Sorbet Society with 4% usage. Pick n Pay Smart Shopper is the second leading loyalty programme whereas Spar Rewards is number seven in the top 25 with usages of 58% and 25% respectively.

2.3 CUSTOMER LOYALTY PROGRAMMES IN THE FOOD RETAIL INDUSTRY

Lavalle (2020) affirmed that the food retail industry is a hyper-competitive sector which has no guarantee of sustainable advantage for firms. The South African Customer Satisfaction Index disclosed Woolworths as having maintained the best overall customer experience, followed by Pick n Pay, then Spar, Checkers and lastly Shoprite (Research News South Africa, 2019).

According to Research News South Africa (2019), over the years, food retailers experienced difficulties in meeting customer expectations due to increasing economic pressures. However,

Spar has had a constant improvement in all aspects of customer satisfaction since the year 2016.

Loyal customers would rather pay higher prices for good quality of products however, it is the responsibility of the firms to ensure that customers receive the value paid for (Miller, 2019). According to Research News South Africa (2019), Pick n Pay receives a lot of customer complaints mainly for selling expired food and incorrect shelf prices, however a research conducted by Cromhout and Netto (2020) proved that 58% of customers use the Pick n Pay Smart Shopper loyalty card. Despite the negative reviews, loyal customers still favoured Pick n Pay and continued to support the firm.

Research News South Africa (2019) believes Spar has provided exceptional experience for their customers, and the customers have in turn shown immense loyalty towards them because of the firm's socially responsible nature and involvement within communities. Spar has further managed to have yearly improvements on customer retention, loyalty and satisfaction because they always ensure they are able to deliver on being in-stock of every product (Research News South Africa, 2019).

2.4 VARIABLES INFLUENCING CUSTOMER LOYALTY

According to Houlihan and Harvey (2017: 5) there are five factors that affect and influence customer loyalty. These factors are inclusive of convenience, expectations, customer services, rewards, and personal relationships.

Customers mostly choose a specific store for convenience purposes. Spar is mostly known for its convenient nature because they always ensure that they are aware of their customer preference and they can deliver on being in-stock of every product (Houlihan and Harvey, 2017: 5).

According to Houlihan and Harvey (2017: 6), customers expect firms to deliver in order to become loyal to them. Firms are expected to continuously deliver on its brand promise and remain relevant, they should also be reliable and dependent on price, value and availability (Houlihan and Harvey, 2017: 6). Issuing of incentives is another expectation and motivation by and for customers. Showing customers that they are appreciated for their continuous support will encourage them to do business with that particular firm (Veresam, 2016: 2).

According to Houlihan and Harvey (2017: 7), customer service is another factor that influence customer loyalty and it is defined as the assistance and advice provided by a company to those people who buy or use its products and services (Maharaj, 2018). Customer service is an

important determinant of customer loyalty, it increases the amount of money spent by customers in a firm, it generates positive word of mouth about a firm, and it increases the number of customers to buy in a firm (Veresam, 2016: 4).

According to O'Brien and Jones (2015), customer rewards are criticized as cheap promotional devices, short term fads, and giving something for nothing. Contrary to this, Houlihan and Harvey (2017: 7) explain rewards as short term promotional giveaways or specials of the month, these authors believe that rewards create value by motivating new or existing customers.

Personal relationships are formed between firms and individual customers when customers continuously return to the store. According to Smith (2017: 1) the formation of relationships with customers not only helps build the long-term success of the firm, but it also gives customers a sense of appreciation and recognition. All parties involved in a relationship must put in the same effort to ensure that they all benefit from the relationship, if treated well and with respect, customers will become loyal to the firm (Smith, 2017).

For the purpose of this study, the influence of customer satisfaction, trust, commitment, corporate image, switching cost, and communication will be tested on customer loyalty. These variables were chosen because they have been studied and linked to customer loyalty but only from the customer's perspectives (Selah, 2016). The purpose of this study is to link and test these variables against customer loyalty but from the employee's point of view.

According to Indeed Editorial Team (2021) customer satisfaction is defined as a measurement of how happy customers are with the products, services or experience of the firm. This team believes that customer satisfaction is the key driver of business therefore it should be the main focus for firms. Davnaud (2019: 10) suggests that customer satisfaction reveals insights of how customers will influence the firm in the future, the author further alludes that customer satisfaction is strongly linked to high customer retention. This link exists because customer retention drives up sales and helps firms maintain sustainability, however customer satisfaction is the best indicator for any firm's future performance (Davnaud, 2019: 10). Thomas (2020, 3) alludes that higher customer satisfaction results in a lighter load on a firm's support and customer services.

Trust is equally important in customer loyalty programmes. According to Damtew and Pagidimarri (2013: 85), trust is defined as "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party".

Customers believe that a relationship that is based and founded on trust is reliable, honest and fair. Morgan and Hunt (1994: 23-24) put forward that trust is the determining factor of relationship commitment, and it normally leads to brand loyalty.

Customer commitment can have a positive impact on customer loyalty when founded on shared values and identification (Fullerton, 2003: 333). According to Moorman, Zaltman and Deshpande (1992); and Morgan and Hunt (1994: 35) commitment is defined as a desire to maintain a relationship, however Pritchard, Havitz and Howard (2012: 341) further defined commitment as a resistance to change. A commitment-trust theory of relationships by Morgan and Hunt (1994: 36) explained the importance of relational behaviour. This theory recognised commitment as the main part of loyalty relationships between a firm and its customers. Commitment secure collaboration between stakeholders and enhances long term relationships (Fullerton, 2003: 333).

According to Veresam (2016: 5) corporate image, dignity, and community involvement has a huge influence on long-term relationships. A bond of loyalty is built by having a good reputation and participating in communities. Such bonds are hard to break, and this means customers become and remain loyal (Houlihan and Harvey, 2017: 7). A firm's image consists of everything a business is about and the relationships with individuals or customers. A well designed or developed corporate image helps a firm to be appraised for being reliable and customer centric which will then guarantee loyalty from customers (Cummings, 2020: 34).

According to Caruana (2004: 256) switching cost are defined as the costs facing the buyer of switching from one firm or supplier's product to the next. These costs can be groups into three categories namely, transaction, learning and contractual costs. Transactions costs occur at the commencement of a new relationship between a firm offering products or services and customers, and also include the cost of terminating an existing relationship with previous suppliers (Caruana, 2004: 256), whereas contractual costs are imposed by firms to penalise switching from one supplier to the next by customers. Learning costs represent the effort required by the customer to reach the same level of comfort of knowledge acquired of using a product but which may not be transferable to other brands of the same product (Cummings, 2020: 36).

Loyalty programmes make provision for better and direct communication between firms and customers. This is useful because it makes a firm communicate easily with individual customers in cases of an emergency, and it also provide a more direct platform to promote a firm's sales, special events and new products (Miller, 2019).

2.5 BUSINESS PERFORMANCE AND ITS LINK TO CUSTOMER LOYALTY

According to Havertz (2016), business performance is explained as a firm's ability to assess its performance and ensure that it is working towards achieving the goals pre-defined by the management or executive of the firm. The process of ensuring that a firm is working towards reaching its full capacity is known as the business performance management (Reyes, 2019). This process has three major activities that it needs to see through, and they are referred to as goal selection; measurement information consolidation; and intervention by managers to improve future goals (Havertz, 2016).

For the purpose of business performance management and growing a firm's revenue, Lim (2018: 3) believes that firms should focus on increasing the loyalty of existing customers rather than attempting to acquire new customers. Researchers have found that existing or loyal customers spend more than anyone hence any firm's focus should be on retaining the existing customers (Lim, 2018; 3).

Customer loyalty is linked to business performance because customer loyalty is a powerful tool which guarantees the future of a firm's profitability. According to Black (2020), customer loyalty programmes benefit both the firm and customers. Loyalty programmes are important for firms because they enhance the performance of the business. These programmes increase the sales and improve a firm's profit margins, and set the brand apart from its competitors (Black, 2020). Customer loyalty programmes benefits customers by improving customer experience, offering personalized incentives, and showing appreciation and recognition (Sterling, 2020).

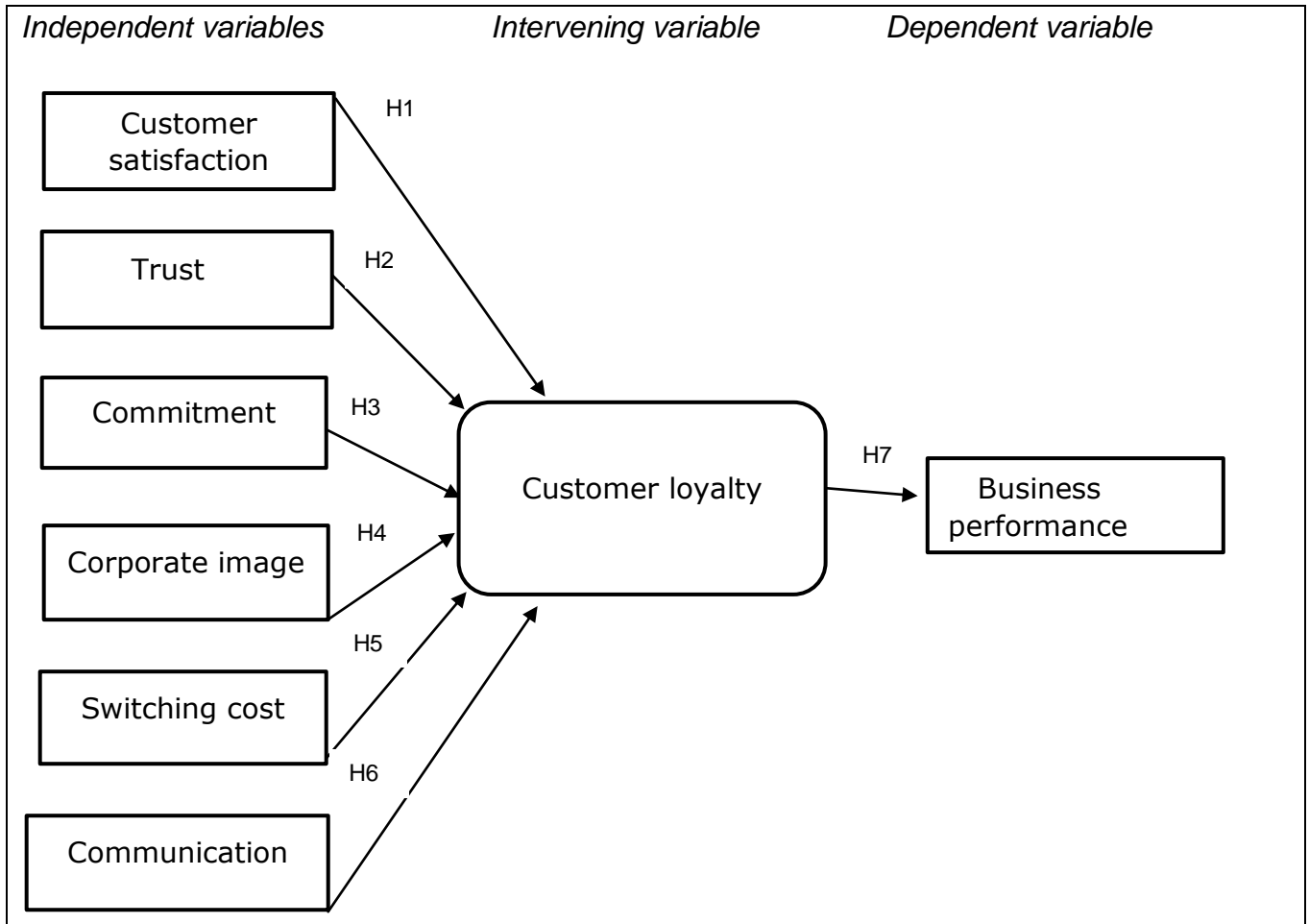
Retaining customers has proved advantageous in terms of increasing profit margins because loyal customers already have trust in a firm's brand and thus their spending is more (Miller, 2019). Implementing customer loyalty programmes also help firms save money, firms view this as a form of investment because they believe acquiring new customers is costly hence, they prefer retaining existing customers (Black, 2020).

According to Miller (2019), firms gather valuable personal data through loyalty programmes because of customer preferences. The collection and gathering of this data enable firms to provide a more personalised experience for customers which will in turn increase bond with customers and implement referral programmes. The provision of personalised shopping experience will further allow firms to give suggestions to customers and thereafter increase the business performance (Black, 2017).

2.6 HYPOTHETICAL MODEL AND HYPOTHESES

Based on the introduction and literature review provided, the hypothetical model of this study is as follows:

Figure 2.1: Hypothetical model



H1: There is a statistically significant relationship between customer satisfaction and customer loyalty in the food retail industry based on Spar and Pick n Pay loyalty programmes.

H2: There is a statistically significant relationship between trust and customer loyalty in the food retail industry based on Spar and Pick n Pay loyalty programmes.

H3: There is a statistically significant relationship between commitment and customer loyalty in the food retail industry based on Spar and Pick n Pay loyalty programmes.

H4: There is a statistically significant relationship between image and customer loyalty in the food retail industry based on Spar and Pick n Pay loyalty programmes.

H5: There is a statistically significant relationship between switching cost and customer loyalty in the food retail industry based on Spar and Pick n Pay loyalty programmes.

H6: There is a statistically significant relationship between communication and customer loyalty in the food retail industry based on Spar and Pick n Pay loyalty programmes.

H7: There is a statistically significant relationship between customer loyalty and business performance in the food retail industry based on Spar and Pick n Pay loyalty programmes.

CHAPTER THREE: RESEARCH DESIGN

3.1 RESEARCH DESIGN AND METHODOLOGY

This sections will look into the research onion, whereby it will elaborate on the different research philosophies, the approaches to theory development, strategies to be used for data collection purposes, methodological choice, and time horizon.

This section will further look into the data collection analysis which consists of secondary data collection and primary data collection. Ethical considerations will be explained as well.

3.2 RESEARCH ONION

Research philosophy is a set of assumptions that are referred to by researchers during a study in a particular area (Rao, 2015: 7). Saunders, Lewis and Thornhill (2019) grouped the research philosophies into five, namely, positivism philosophy, critical realism philosophy, inter-pretivism philosophy, post-modernism philosophy, and lastly pragmatism philosophy. This study will use the positivism philosophy because it adheres to factual knowledge gained through observations (Rao, 2015: 8). In this study, primary data will be collected from employees in the food retail industry, whereas the secondary data will be sources from previous work of authors. The approaches to theory development can be classified as deduction, abduction, and induction (Saunders *et al*, 2019). The approach to development theory used in this study is the deductive approach. This approach enables the use of pre-existing data and the use of questionnaires to create understanding of observations (Rao, 2015: 10). The deductive approach is relevant to this study in that it will use both the pre-existing data for literature review purposes, and questionnaires to understand the perception of employees on loyalty programmes and business performance.

Saunders *et al* (2019) provide a variety of strategies to be used when gathering data. These strategies range from experiments, surveys, archival research, case studies, ethnography, action research, grounded theory right though to narrative inquiry. In this study, a survey will be used as the strategy to gather data because it allows for the collection of data to answer the research question.

According to Saunders *et al* (2019) there are three methods for quantitative methodological choice, namely mono-method, mixed method and multi-method. This study uses the mono method quantitative methodological choice because it gathers one type of data in an organised and objective way (Wilson, Austria & Casucci, 2021: 7).

According to Saunders *et al* (2019), time horizons can either be cross-sectional or longitudinal. For the purpose of this study cross sectional will be used to determine employee's perspectives

on how loyalty programmes influence the business performance that will be measured in a single snapshot (Crossley and Jansen, 2021).

3.3 DATA COLLECTION

This section will discuss secondary and primary data collection. The secondary data collection section will consist of key definitions of terms and thereafter link the definitions to the literature of the study. The primary data collection section will entail definition of primary data and a discussion of target population, sample, sampling techniques, and the research instrument.

3.3.1 Secondary data

Johnston (2014: 619) and Marshall (2016) both defined secondary data as data that is used for new studies but was previously collected by other researchers. It is usually accessed quickly and inexpensively (Amoah, Ferreira and Potgieter, 2020: 84). This type of data can be found in magazines, newspapers, books, journals and many more. Curtis and Allen (2018: 4) viewed secondary data as data previously published for literature in support of primary data.

For the purpose of this study, secondary data will be used to cover the importance of customer loyalty and loyalty programmes for firms and customers. The secondary data will also be used for investigating the impact of loyalty programmes in South Africa, as well as distinguishing the variables influencing customer loyalty and business performance in the food retail industry.

3.3.2 Primary data

Amoah, Ferreira and Potgieter (2020: 86) defined primary data as data that is collected by a researcher from first-hand sources. For the purpose of this study, primary data will be collected to gather the perception of employees on loyalty programmes and business performance.

According to James (2020), there are four best methods of collecting and gathering data. These methods are probability sampling, interviews, surveys and questionnaires, and observations. Probability sampling is explained as randomly selecting a sample and enabling researchers to make a probability statement based on the data collected at random (Spencer, 2019). Interview methods involves presentations and oral-verbal communication through a researcher asks questions with the aim of getting all information required for the study (Spencer, 2019). Reddy (2017) defined observations as a method that employs vision as its main means of collecting and gathering data. Observation is further explained as watching the behaviour of others as it actually happens without controlling it. For the purpose of this study, primary data will be collected using structured questionnaires as the research instrument. The purpose of collecting primary data for this study is to explore and investigate customer loyalty in the food retail industry from the employees' perspective.

The primary data of the study will be collected from a target population. According to Maharaj (2018), target population is defined as a particular group of the population that share common characteristics and within which are classified as the audience intended for gathering data. This study is targeted to all employees across the country working in the food retail industry. The convenience sampling technique will be used to select the sample. Convenience sampling is known as the method adopted by researchers where they collect research data from a conveniently available pool of respondents.

A self-administered questionnaire has been selected as the research instrument for this study and a 1-5 Likert scale was used in the development of Section A of the questionnaire, whereas Section B consisted of items to collect demographics and biographical data of respondents. Section A had 63 randomised questions which required respondents to choose from Strongly agree to Strongly disagree. Of the 63 questions, 56 were developed to measure the influence of the independent variables on customer loyalty whereas 7 questions were developed to measure the influence of loyalty programmes on the dependent variable which is the business performance. The questionnaire had a cover letter which explained the research purpose and process as well as emphasised that the respondents' identity and answers will remain confidential.

3.4 DATA ANALYSIS

According to Calzon (2021), data analysis is defined as the process of collecting and analysing data to draw insights that support decision making. Calzon (2021) says there are several methods and techniques to perform analysis depending on the aim of the analysis or study. This study will capture the primary data on Microsoft Excel and thereafter export it to Statistica version 13.0 for statistical analysis purposes. The researcher of this study will determine measures of validity and reliability using the Exploratory Factor Analysis (EFA) and Cronbach's alpha respectively. The researcher will further extract inferential statistics such Pearson's correlation and multiple regression analysis.

3.4.1 Validity and Reliability

Heale and Twycross (2015) defined validity as the relevance to which a concept is measured accurately in a quantitative study, whereas reliability relates to the consistency of measure. Validity and reliability are important because they increase transparency and decrease opportunities to insert researcher bias in quantitative research by measuring the accuracy, conciseness, and consistency (Haradhan, 2017).

The researcher will measure validity using the EFA. This tool will assist in eliminating unnecessary influences that might affect the dependent variable. The tool Cronbach's alpha will be used to measure the reliability of the study.

3.4.2 Pearson's correlation coefficient and multiple regression analysis

According to Heale and Twycross (2015), Pearson's correlation describes the degree of strength of an association between two variables. If two variables are related, this means that a change in one variable can cause the other variable to change. This tool will enable the researcher to evaluate the relationship between the independent variables and intervening variable, as well as between the intervening variable and dependent variable.

Multiple regression analysis is defined as a statistical method used to predict the value of the dependent variable from the behaviour of independent variables or intervening variable (Heale and Twycross, 2015). For the purpose of this study, this tool will be used to assess the correlation between the independent variable and intervening variable, as well as independent variables.

3.5 ETHICAL CONSIDERATIONS

Ethics refer to justifiable standards of rights and wrongs that stipulate what humans ought to do, usually in terms of rights, obligations, and benefits to society, fairness or specific virtues. Ethics also refer to the study and development of an individual's ethical standards; they could also mean continuous effort of studying a person's own moral beliefs and moral conduct (Velasquez, Andre, Shanks & Meyer, 2021).

This study will not inflict any harm or risk on the participants or third parties, and it will not gather information from a group which might be considered vulnerable. This study will not use any information without the consent of the third party and most importantly will protect participants and keep them confidential. Respondents are welcome to withdraw from the participation at any given stage should they feel the need to do so or find a certain question uncomfortable for them.

The ethics clearance form for this study is attached as Annexure A.

CHAPTER FOUR: EMPIRICAL RESULTS

The previous chapter presented the methodology that was used to conduct this study. A quantitative analysis was carried out in this study based on the positivism philosophy and deductive approach. The survey strategy was used in collection of primary data and the research instrument was a 5. Likert scale questionnaire. The questionnaire was distributed to respondents and 73 questionnaires were successfully completed and returned.

This chapter will present the results obtained from the empirical analysis of the primary data. The data was captured on Microsoft Excel and thereafter analysed using Statistica 13.0.

4.1 SAMPLE DESCRIPTION

Section B of the questionnaire required respondents to complete questions in relation to their biographical information. The summary of the results are tabulated in Table 1.

Table 4.1: Biographical data of respondents

Category		Frequency	Percentage
Gender	1. Male	36	49.32%
	2. Female	37	50.68%
	TOTAL	73	100%
Population group	1. Asian	0	0
	2. Black	27	36.99%
	3. Coloured	25	34.25%
	4. White	18	24.66%
	5. Other	0	0
	6. Not willing to answer	3	4.1%
	TOTAL	73	100%
Age group	1. 20 – 29	24	32.88%
	2. 30 – 39	19	26.03%
	3. 40 – 49	19	26.03%
	4. 50 – 59	11	15.07%
	5. 60 +	0	0
	TOTAL	73	100

Total working experience in years	1. 1 – 9 years	25	34.25%
	2. 10 – 19 years	25	34.25%
	3. 20 – 29 years	14	19.18%
	4. 30 – 39 years	8	10.96%
	TOTAL	72	98.64%
Working experience at current employer	1. 0 – 9 years	42	57.53%
	2. 10 – 19 years	23	31.51%
	3. 20 – 29 years	2	2.74%
	4. 30 – 39 years	3	4.11%
	TOTAL	70	95.89%
Title	1. Owner	1	1.37%
	2. Manager	40	54.79%
	3. Supervisor	9	12.33%
	4. Customer liaison	1	1.37%
	5. Buyer	1	1.37%
	6. Shelfpacker	1	1.37%
	7. Store assistant	1	1.37%
	8. Salesperson	5	6.85%
	9. Till controller	12	16.44%
	10. E-service clerk	1	1.37%
	TOTAL	72	98.64%
Loyalty programme name	1. Spar rewards	36	49.32%
	2. Smart shopper	37	50.68%
	TOTAL	73	100%

For the purpose of this study, a total of 73 questionnaires were collected for analysis and the number remained the same after cleaning the data. There was a difference of 1.36% between the females and males who participated in the study, however, female respondents were at a lead with 50.68% while male respondents were 49.32%. The data collected showed the highest

population group respondents as Blacks (36.99%), followed by Coloured (34.25%), Whites (24.66%), and 4.1% of respondents were not willing to state their population group.

Of the 73 respondents, 72 (98.64%) respondents gave their job titles and total working experience in years which then means 1.36% did not respond to either one of these questions. The same goes for number of years working at the current employer, 4.11% of respondents did not answer this question which means only 95.89% of employees answered this question, and majority of them had experience with their current employer not less than 0 years and not greater than 9 years.

The data in Table 4.1 further showed that 50.68% of respondents used Smart shopper as their loyalty programme, while 49.32% used Spar reward.

4.2 VALIDITY AND RELIABILITY RESULTS

An Exploratory factor analysis (EFA) was used in this study to determine the validity of the research instrument. Five factors were drawn out from the EFA done on the independent variables. The factor cut-off loading used was 0.5, and the five factors loaded gave a variance of 61.26%. Two other EFA were done for the intervening variable and dependent variable. The intervening variable (customer loyalty) and dependent variable gave a variance of 42.71% and 47.43% respectively. For all the five factors, there were no items that cross loaded onto factors.

The reliability of the research instrument was tested using Cronbach Alpha. The general thumb rule revealed that anything below 0.5 is unacceptable, whereas coefficients between 0.5 and 0.6 are questionable, an acceptable coefficient would be at 0.7, and anything with a coefficient of 0.8 and above is considered good (Nunnally and Bernstein, 1994).

Table 4.2 below shows EFA and Cronbach's alpha results for the five independent newly formed factors, for the intervening variable, and dependent variable.

Table 4.2: EFA and Cronbach's alpha results

Factor	Item	Factor loadings from EFA	Item-total correlation	Cronbach's alpha after deletion	CA
Corporate Social Responsibility Communication (CSR Com)	Com6	0.851	0.847	0.911	0.927
	CI5	0.748	0.744	0.918	
	T9	0.748	0.744	0.918	
	Com7	0.693	0.726	0.919	
	T8	0.682	0.763	0.916	
	Com3	0.652	0.782	0.915	
	CI4	0.650	0.700	0.920	
	CS9	0.576	0.668	0.923	
	Com8	0.529	0.640	0.924	
Switching cost and Commitment (SC and CMT)	CI6	0.737	0.656	0.877	0.890
	CMT4	0.737	0.725	0.870	
	SC4	0.717	0.701	0.873	
	SC6	0.714	0.690	0.874	
	CI2	0.713	0.686	0.874	
	CMT7	0.657	0.599	0.881	
	SC2	0.578	0.650	0.878	
	SC5	0.551	0.584	0.885	
	CMT2	0.535	0.569	0.883	
Trust and Satisfaction (T&S)	T3	0.812	0.791	0.886191	0.906
	CS3	0.791	0.727	0.892779	
	CI1	0.759	0.786	0.891119	
	CS2	0.717	0.737	0.891144	
	CS5	0.711	0.702	0.894386	
	CI3	0.634	0.726	0.894953	

	T7	0.628	0.623	0.901649	
	T5	0.568	0.604	0.902350	
Reciprocal honesty (RH)	CS7	0.822	0.713	0.711	0.804
	Com4	0.653	0.614	0.758	
	Com5	0.616	0.663	0.733	
	T4	0.514	0.500	0.813	
Transparency	COM1	0.598	0.299	0.378	0.478
	SC3	0.516	0.274	0.427	
	SC1	0.503	0.327	0.337	
Customer loyalty (CL)	CL2	-0.838	0.756	0.817	0.853
	CL3	-0.513	0.416	0.851	
	CL4	-0.800	0.719	0.821	
	CL5	-0.605	0.514	0.844	
	CL6	-0.635	0.517	0.843	
	CL7	-0.742	0.640	0.830	
	CL8	-0.542	0.437	0.850	
	CL9	-0.635	0.516	0.843	
	CL10	-0.724	0.633	0.831	
	Business performance (BP)	BP1	-0.786	0.629	
BP3		-0.653	0.540	0.781	
BP4		-0.611	0.473	0.802	
BP5		-0.696	0.597	0.770	
BP6		-0.829	0.679	0.753	
BP7		-0.716	0.530	0.785	

For factor 1, nine items loaded together. The items that loaded onto this factor were Com6, CL5, T9, Com7, T8, Com3, CL4, CS9, and Com8. Communication related items appeared the most in this factor, followed by those developed to measure corporate image and trust, and lastly customer satisfaction. The image and trust items that loaded here were about speaking positively about the brand and trusting that the firm will deliver the appropriate services thus

resulting in customers benefiting from the loyalty programme. The customer satisfaction item is concerned about the service and product delivery for customers. It is thus evident that the image, trust and customer satisfaction items also link to being a responsible citizen, which means a firm needs a positive reputation to make customers trust and be satisfied with the firm's products and services. Socially responsible firms always ensure that they build trust amongst them and their customers by regularly communicating, providing excellent products/services, and by maintaining good publicity. This factor was then given the name Corporate Social Responsibility (CSR) Communication. The reliability of the study was tested using Cronbach's alpha, and the coefficient for this factor was 0.927 which meant that the scale measuring this factor was reliable since it was above 0.8.

Factor 2 also had nine items which loaded together. The items that loaded onto factor were CI6, CMT4, SC4, SC6, CI2, CMT7, SC2, SC5, and CMT2. Switching cost and Commitment appeared the most in this factor and as a result, the new factor was renamed Switching cost and commitment. Respondents could have further interpreted CI6 and CI2 as statements pertaining to commitment and switching of costs because being committed to one firm will decrease the chances of being charged extra costs for switching from one supplier to the next, therefore it is understandable why these two variables were interpreted and treated as part of this factor. The Cronbach's alpha coefficient for Switching cost and Commitment was 0.890, suggesting that the measuring scale of this factor is reliable.

The third factor loaded eight items and they were T3, CS3, CI1, CS2, CS5, CI3, T7, and T5. If the service provider does not have a good public image and if there is no trust between the employer/employee and customer relationship, it is impossible to be satisfied with a product or service. The name Trust and satisfaction was given to this factor because most items related to these concepts. The three customer satisfaction items were concerned about customers being provided the best experiences which will therefore drive up the level of trust and satisfaction between the employer/employee and customer relationship. The Cronbach's alpha coefficient for Trust and Satisfaction was 0.690. According to the thumb rule, this would be questionable because the only accepted coefficient should be above 0.7. However, Garson (2006) suggested that a CA with a coefficient of 0.6 and above is acceptable in exploratory studies, therefore it can be concluded that the measuring scale of this factor is acceptable and reliable.

Four items loaded together onto factor 4 and were CS7, Com4, Com5, and T4 respectively. Communication slightly appeared the most here however, respondents could have believed that there could be no satisfaction and trust without communication because communication is the foundation of any relationship. For a relationship to work, all the parties involved should put

in the same effort. The literature provided in the study proved that loyalty programmes benefit both firms and customers, just like communication and trust, it cannot be one sided, it has to be reciprocated by both the employer/employee and customer. The new name for this factor is Reciprocal honesty, and the coefficient for Cronbach's alpha was 0.804 meaning that the measuring scale is reliable.

The fifth and last factor under the independent variables loaded three items (Com1, SC3, and SC1). The new name for this factor is Transparency. Switching cost and communication were the two items that loaded, employees could have interpreted lack of communication as the reason for customers to switch brands/firms hence resulting in them incurring switching costs. Transparency means being open and honest about everything, should a firm transparently communicate all matters pertaining to loyalty programmes, whether good or bad, customers will have clear idea of what they are getting themselves into, and they will be made aware of all penalties and costs regarding loyalty programmes. This factor had its coefficient for the Cronbach alpha at 0.478. According to the thumb rule, anything below 0.5 is unacceptable and unreliable, therefore this factor will be eliminated from further analysis since it was unacceptable.

The intervening variable for this study was Customer loyalty. An EFA for Uni-dimensionality was tested on the intervening variable and the factor rotation was not specified because there was only one factor to be conducted, and the variance for this factor amounted to 42.71%. The measuring scale of this factor proved to be reliable because the coefficient amount to 0.853 which is above the 0.7 suggested.

The dependent variable for this study was Business Performance and the variance for this factor was 47.43%. Onto this factor, 6 items loaded (BP1, BP3, BP4, BP5, BP6, and BP7), and the Cronbach's alpha coefficient showed that the measuring scale for this factor was reliable as it amounted to 0.806.

4.3 REVISED HYPOTHESISED MODEL AND HYPOTHESES

Due to factor analyses, the operationalisation of the independent and dependent variables were reformulated. Table 4.3 presents the new definitions of the variables of the study.

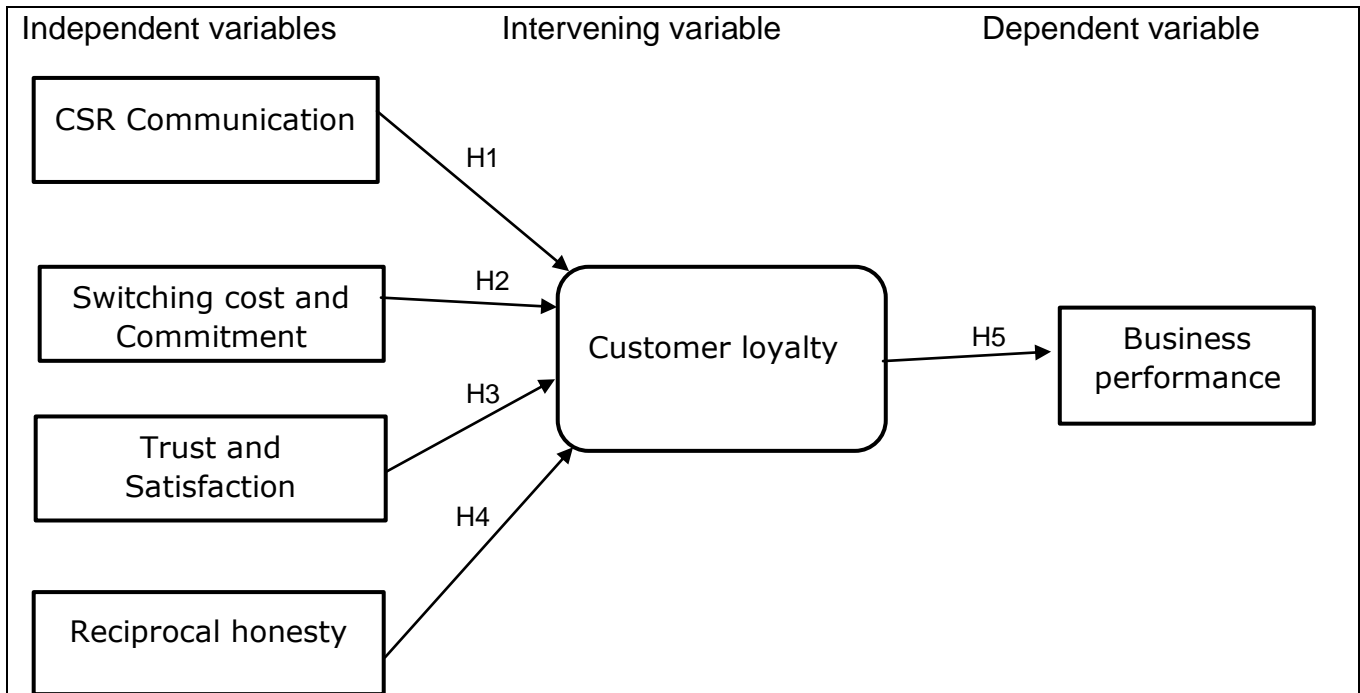
Table 4.3: Revised variable definitions

Variable	Operationalisation
	In short and simple terms, this refers to a firm that is socially responsible. A firm's successful corporate social responsibility will be determined by how a firm carries

Corporate social responsibility communication	itself, be it in the public eye or not. To ensure successful relationships with customers, firms must communicate regularly, maintain positive corporate image, and importantly be a good citizenship.
Switching cost and commitment	Switching costs are costs incurred when switching from one supplier to the next. Majority of firms do not disclose this information, however this is something that happens on a daily basis. Being committed to one firm will lessen the chances of customers paying extra costs without even being aware.
Trust and satisfaction	Trust and satisfaction have a strong link, customers will only be satisfied with something they trust and nothing else.
Reciprocal honesty	Building and maintaining relationships requires cannot be done by one person, this requires all parties involved in that relation in order for it to work.
Customer loyalty	Ongoing relationship between an employer and customer. This is usually driven by how willing a customer is to repeatedly engage with a firm to purchase from them rather competitors.
Business performance	Business performance is explained as a firm's ability to assess its performance and ensure that it is working towards achieving the goals pre-defined by the management or executive of the firm.

The hypothesised model was revised, and the hypotheses was reformulated to suit the objectives of the study accurately.

Figure 4.1: Revised hypothesised model



4.4 DESCRIPTIVE STATISTICS

In this section, a descriptive statistical analysis of the data obtained from the respondents is conducted. The analysis is carried out by determining the mean scores, standard deviations and the frequency distributions. The respondents have been grouped into three categories; disagree, neutral, and agree. Table 4.4 presents the returned data’s mean scores and standard deviations.

Table 4.4: Descriptive stats

Factor	Mean	Standard deviation	Disagree %	Neutral %	Agree %
Corporate Social Responsibility (CSR) Communication	4.017	0.445	0	21.918	78.082
Switching cost and Commitment	3.993	0.450	0	24.658	75.342
Trust and Satisfaction	4.018	0.441	0	21.918	78.082
Reciprocal honesty	4.004	0.461	0	23.288	76.712
Customer loyalty	3.936	0.490	0	31.507	68.493

Business performance	3.851	0.529	0	31.507	68.493
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In this study, the mean was used to determine the average responses for the data for each of the variable. As in Table 4.4, the average mean score for all variables ranged from 3.851 to 4.086 implying that the majority of the respondents agreed with the statements while others were neutral. The factor that returned the highest mean was Trust and Satisfaction (4.018), and this proves that most respondents agreed to the statements of this factor. The highest standard deviation from the data collected was for Business performance with 0.529, and this meant that there were many different interpretations and reviews about this factor. It was thereafter followed by Customer loyalty (0.490), and the lowest of the six factors was Trust and satisfaction (0.441) implying that the respondents interpreted this factor mostly in the same way.

From Table 4.4, though there were no respondents who disagreed with any of the statements from the questionnaire, the percentage of those who neither agreed nor disagreed remained high, thus resulting in a further need for discussion. CSR Communication (78.082%) along with Trust and Satisfaction (78.082%) reported the highest percentages of respondents agreeing to the questionnaire statements however, Switching cost and Commitment as well as Reciprocal honesty, had about a quarter (25%) of their respondents neutral to the statements.

4.5 PEARSON CORRELATION RESULTS

Pearson correlations were calculated in order to determine correlations between factors. According to Heale and Twycross (2015), any two factors that displayed a relationship of 0.5 and above proved that their correlation is strong, however anything between 0.3 and 0.5 showed a moderate correlation, while 0.1 to 0.3 displayed weak correlation. Table 4.5 shows the correlation between the independent variables and intervening variable, as well as the intervening variable and dependent variable.

Table 4.5: Pearson correlation coefficients

Variable	Correlations (Mnisi_2021_Hons_Data_Spar_PnP (composite values))								
	Means	Std.Dev.	CSR Com	SC & CMT	T & S	RH	CL	BP	
CSR Comm	4.017387	0.444684	1.000000	0.990873	0.998471	0.971857	0.826987	0.620669	
SC & CMT	3.993303	0.449885	0.990873	1.000000	0.992479	0.955439	0.857175	0.618939	
T & S	4.018093	0.441120	0.998471	0.992479	1.000000	0.969739	0.834608	0.612460	
RH	4.003995	0.461017	0.971857	0.955439	0.969739	1.000000	0.722388	0.560560	
CL	3.935616	0.490286	0.826987	0.857175	0.834608	0.722388	1.000000	0.550203	
BP	3.851272	0.528892	0.620669	0.618939	0.612460	0.560560	0.550203	1.000000	

All the factors in this study reveal a strong correlation with each other because they have r values that are beyond 0.5 (see Table 4.5 above). There were 15 strong correlations in the study and the average of them all was 0.806. Through close introspection, the highest strong correlation was between CSR Communication and Trust and Satisfaction with a coefficient value of 0.998, whereas the lowest strong correlation was that of Business performance and Customer loyalty (0.550).

4.6 MULTIPLE REGRESSION ANALYSIS

This analysis was conducted in order to assess the influence of independent variables on customer loyalty, and the influence of customer loyalty on business performance. Table 4.6 presents the regression analysis for independent variables on customer loyalty.

Table 4.6: Influence of independent variables on customer loyalty

N=73	Regression Summary for Dependent Variable: CL					
	b*	Std.Err.	b	Std.Err.	t(68)	p-value
Intercept			0,20681	0,216217	0,95652	0,342200
CSR Com	-0,54098	0,886332	-0,59646	0,977225	-0,61036	0,543661
SC and CMT	1,32779	0,396846	1,44703	0,432484	3,34585	0,001339
T and S	1,28872	0,940934	1,43236	1,045807	1,36962	0,175312
RH	-1,27020	0,206448	-1,35084	0,219555	-6,15265	0,000000

Table 4.6 shows that the influence of the independent variables on customer loyalty was positive. Regarding how fit and accepted the redefined model is, the four independent variables explained 84.09% of the variance in customer loyalty. Two of the four factors, SC&CMT and RH had a significant positive impact and influence on customer loyalty.

A positive relationship was reported between SC&CMT and customer loyalty ($b^* 1.32779$; $p < 0.000$), and RH and customer loyalty ($b^* -1.27020$; $p < 0.000$). These two relationships means that the more SC&CMT and RH there is, customer loyalty levels will increase.

There is enough evidence (literature) in this study to support the hypothesised relationship between SC&CMT (H2) and customer loyalty, and RH (H4) and customer loyalty. After careful analysis, the study found no significant positive relationships between corporate social responsibility communication (H1), trust and satisfaction (H3), and customer loyalty.

Upon assessing the relationship/correlation between the independent variables and intervening variable, the correlation between customer loyalty (intervening variable) and business performance (dependent variable) is also assessed. Table 4.7 presents the regression analysis for customer loyalty on business performance.

Table 4.7: Influence of customer loyalty on business performance

N=73	Regression Summary for Dependent Variable: BP (Mnisi_2021_Ho					
	b*	Std.Err.	b	Std.Err.	t(71)	p-value
Intercept			1,515378	0,423938	3,574526	0,000636
CL	0,550203	0,099100	0,593527	0,106903	5,552001	0,000000

Table 4.7 shows the influence of customer loyalty on business performance as positive, and the variance explained by customer loyalty on business performance as 29.29%. This means that CL has a significant positive impact and influence on BP, and as a result, business performance levels will increase as customer loyalty increases. This further means that the revised hypothesised model between customer loyalty and business performance is accepted.

CHAPTER FIVE: SUMMARY, RECOMMENDATIONS AND CONCLUSION

Based on the study, the fourth industrial revolution has made it difficult for firms to stay abreast of the changing technology and remain relevant in their respective competitive industry markets. Firms believe the best way for them to remain competitive is by offering loyalty programmes which will benefit not only them but customers too.

Loyalty programmes are defined as incentives offered by firms to their regular customers in hopes of motivating, attracting and retaining customers which will in turn bring more traffic to the doors of the firm through word of mouth or direct marketing by customers. The literature provided in the study has shown that loyalty programmes benefit firms by increasing and growing sales and revenue, gathering valuable data for learning customer preferences purposes, showing appreciation to customers, and improving the overall business performance. Loyalty programmes are also beneficial and advantageous for customers in that it makes customers feel appreciated and valued by providing them the best services and offering them personalised incentives, ensures better communication between customers and firms which will make certain that customer preferences are understood and met.

Though there are many other variables which can influence or drive customer loyalty, this study tested the influence of the following variables on customer loyalty; customer satisfaction trust, commitment, corporate image, switching cost, and communication. These variables were tested because they have been studied and linked to customer loyalty before however, these were only tested from customers' perspective, and the purpose of this study was to gather the perception of employees in the food retail industry based on these same variables.

This study further aimed on gathering whether customer loyalty has an influence and impact on business performance. The literature provided explained business performance as a firm's ability to assess its performance and ensure that it is working towards achieving the goals pre-defined by the management or executive of the firm. Customer loyalty is linked to business performance because it is a powerful tool which secure the stability and future of a firm's profitability.

This study carried out a quantitative analysis which was based on the positivism philosophy, deductive approach, and survey strategy as a means of primary data collection using a 5. Likert scale questionnaire. The results of the study were based on questionnaires that were distributed to employees working at food retailers in the Nelson Mandela Bay, and the results have provided the researcher clarity and insight on how and why firms should improve their loyalty programmes.

73 questionnaires were successfully completed, returned and used for empirical analysis. The researcher measured validity and reliability using Exploratory Factor Analysis (EFA) and Cronbach's alpha respectively. The researcher further extracted inferential statistics such as Pearson's correlation and multiple regression analysis.

The biographical data obtained from the respondents indicated that the majority of the employees at Spar and Pick n Pay were females with a percentage of 50.68, whereas males were at 49.32%. The results further showed that people between the ages of 20 -29 occupied most of the jobs at these two food retail stores, then people of the age groups (30 – 39) and (40 - 49) had the same percentage they occupied which is 26.03%, then about 15% was occupied by those between the ages (50 – 59), and lastly the results showed that elderly people (60+) do not occupy any of the positions at these stores. According to the results, the most used loyalty programme name is Pick n Pay's Smart shopper (50.68%) and then Spar rewards which is used by 49.32% of the total number of respondents (73).

According to the literature provided in this study, loyalty programmes are the determinants of successful and long-term growth of the business. A number of the respondents agreed that there is a direct and strong link between business performance and customer loyalty. This suggests that firms rely on their customers to grow their business, increase their sales and revenue, attract and retain customers, gather valuable data for the purpose of learning customer preferences, show appreciation to customers, and improve the overall business practices.

The influence of independent variables that were tested against customer loyalty were customer satisfaction, trust, commitment, corporate image, switching cost, and communication. After EFA reports were extracted, there were only five factors instead of six, however one of those five independent factors, Transparency, was eliminated from the study after its unreliability was discovered.

The factors had loadings from various variables which thereafter resulted in renaming, redefining, and revising the factors and hypothetical model. The new factors were labeled as Corporate social responsibility (CSR) communication, Switching cost and Commitment, Trust and Satisfaction, and Reciprocal honesty.

The intervening variable (Customer loyalty) successfully loaded 9 items (CL2 – CL10), CL1 had a factor loading that was below the factor cut-off loading (0.5) hence it was discarded from the rest of the items. This factor was considered reliable and valid for the purpose of the study because it had a coefficient above 0.7.

The dependent variable (Business performance) loaded 6 items instead of 7, however the name did not change since there were no loadings from various items. The CA for this factor amounted to 0.806 which implied that the measuring scale of this factor was good and reliable. The highest mean was returned by Trust and satisfaction, this could have been because respondents agreed with items from this factor more than they did any other. Business performance has the lowest mean and highest standard deviation, this proves that the respondents did not agree with the items for Business performance. They had differing opinions regarding business performance which meant that a further discussion regarding the influence of customer loyalty on business performance was necessary.

Pearson correlations showed 15 strong correlations between all the factors which then proves that all the new independent variables (CSR Communication, Switching cost and Commitment, Trust and Satisfaction, and Reciprocal honesty) were accepted as factors that influence customer loyalty. The correlation between Customer loyalty and Business performance further proved that CL does have an influence and impact on BP. Though business performance had a strong correlation, it remained the lowest as compared to the rest of the factors.

The multiple regression results accepted SC&CMT and RH as the leaders having a significant influence on customer loyalty. Therefore, the factors H2 and H4 were accepted. This simply means that the other two factors, CSR Com and T&S, did not have as much influence as SC&CMT and RH had, therefore hypotheses H1 and H3 were rejected.

The multiple regression analysis accepted customer loyalty as a leader having a significant influence on business performance, this means that hypothesis H5 was accepted as an influencer and driver of business performance.

Switching cost and Commitment have a huge impact on customer loyalty therefore it is recommended that food retailers be upfront with its customers about everything at the commencement of the relationship. This will ensure that customers know what they are getting themselves into and can make their unbiased buying decisions. To avoid losing customers to competitors which will surely result in a decrease in revenue and profits, firms should provide the best services and experience for their customers. Blut, Evanschitzky, Backhaus, Rudd and Marck (2016) have proven that customers would rather incur switching costs than staying loyal and committed to a firm which fails to deliver the best quality services. The best way for food retailers to retain their customers is to provide excellent experience for customers.

Reciprocal honesty is important in any kind of relationship. The MRA showed this factor as having a significant influence on customer loyalty. Lewins (2017) define reciprocity as the practice of exchanging something for mutual benefit. In order for food retailers to keep their customers, improve sales and increase revenue, they should treat customers properly. It has been discovered that both firms and customers benefit from loyalty programmes therefore these two parties should reciprocate the way they would each like to be treated. If a food retailer wants to improve his/her business performance, then the retailer should provide excellent services to its customers and by so doing, the retailer will receive continuous and reciprocal honesty from customers.

The MRA have proven that customer loyalty is an influencer of business performance. Customer loyalty ensures that the overall performance of the business is improved, that sales and revenue are growing, that firms gather valuable data to learn customer preferences. Customer loyalty can only be achieved if the business manages to deliver on its services, therefore food retailers need to ensure that they meet all customer requirements in order to have customers loyal and committed to them which will thus result in improvements in the performance of the business.

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ANNEXURE A: ETHICS FORMS

ANNEXURE 2: ETHICAL CLEARANCE TEMPLATE

NELSON MANDELA
UNIVERSITY

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: DEPARTMENT OF BUSINESS MANAGEMENT

I, (surname and initials of study leader) _____

the study leader for (surname and initials of candidate) MELI A

_____ (student number) 217207847

a candidate for the degree of BUSINESS MANAGEMENT

with a treatise/dissertation/thesis entitled (full title of treatise/dissertation/thesis):

A COMPARATIVE STUDY OF SPAR AND PICK N PAY: EMPLOYEE VIEWS ON LOYALTY PROGRAMMES AND BUSINESS PERFORMANCE

considered the following ethics criteria (please tick the appropriate block):

ANNEXURE 2: ETHICAL CLEARANCE TEMPLATE

		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?		✓

ANNEXURE 2: ETHICAL CLEARANCE TEMPLATE

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)

DATE

HEAD OF DEPARTMENT

DATE



STUDENT

17/05/2021

DATE

STUDENT

DATE

ANNEXURE B: 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
Bomikazi.zeka@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

Dr 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
1	Regard our loyalty programme as trustworthy.	1	2	3	4	5
2	Will miss our loyalty programme offers if they switch to another.	1	2	3	4	5
3	Regard our loyalty programme as their preferred loyalty programme.	1	2	3	4	5
4	Regard our loyalty programme as having a good reputation.	1	2	3	4	5
5	Will find it difficult to find another loyalty programme with similar benefits as ours.	1	2	3	4	5
6	Say positive things about us.	1	2	3	4	5
7	Are overall satisfied with our loyalty programme.	1	2	3	4	5
8	Trust our loyalty programme.	1	2	3	4	5
9	Regard our loyalty programme to never disappoint customers.	1	2	3	4	5
10	Spend more money at our business than at competitors.	1	2	3	4	5
11	Encourage their family and friends to support us.	1	2	3	4	5
12	Consider us to be their first choice.	1	2	3	4	5
13	Will remain members of our loyalty programme.	1	2	3	4	5
14	Will continue purchasing our products/services.	1	2	3	4	5
15	Are satisfied with all the services related to our loyalty programme.	1	2	3	4	5
16	Receive personalised offers and rewards.	1	2	3	4	5
17	Use the loyalty programme to assist them in solving their queries.	1	2	3	4	5
18	Regard our loyalty programme as having a better reputation than other loyalty programmes.	1	2	3	4	5
19	Regard our loyalty programme to consistently provide quality offers.	1	2	3	4	5
20	Have a bond with our loyalty programme.	1	2	3	4	5
21	Regard our loyalty programme meeting their expectations.	1	2	3	4	5
22	Will remain customers of our business.	1	2	3	4	5
23	Are happy to be members of our loyalty programme.	1	2	3	4	5
24	Recommend our loyalty programme to others.	1	2	3	4	5
25	Receive clear and understandable communication about our loyalty programme's offers and rewards.	1	2	3	4	5
26	Purchase products/services from our business more often than from competitors.	1	2	3	4	5

	Our customers ...	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
27	Receive accurate communication about our loyalty programme's offers and rewards.	1	2	3	4	5
28	Like our loyalty programme more than other loyalty programmes.	1	2	3	4	5
29	Will find it time-consuming to switch to another loyalty programme.	1	2	3	4	5
30	Recommend us to others.	1	2	3	4	5
31	Can rely on our loyalty programme.	1	2	3	4	5
32	Regard our loyalty programme as having a reputation of providing good offers.	1	2	3	4	5
33	Receive regularly information regarding our loyalty programme's offers and rewards.	1	2	3	4	5
34	Regularly receive information about our loyalty programme.	1	2	3	4	5
35	Regard the promotional campaigns of our loyalty programme as having a positive image.	1	2	3	4	5
36	Receive timeous communication about our loyalty programme's offers and rewards.	1	2	3	4	5
37	Are loyal to our business.	1	2	3	4	5
38	Enjoy being members of our loyalty programme.	1	2	3	4	5
39	Receive up-to-date (current) information about our loyalty programme's offers and rewards.	1	2	3	4	5
40	Receive transparent communication about our loyalty programme's offers and rewards.	1	2	3	4	5
41	Regard the promotional strategies of our loyalty programme to be good.	1	2	3	4	5
42	Regard our loyalty programme as providing "value for money" offers.	1	2	3	4	5
43	Will find it difficult to switch to another loyalty programme.	1	2	3	4	5
44	Know that our loyalty programme delivers on its promises.	1	2	3	4	5
45	Regard our loyalty programme to be always available.	1	2	3	4	5
46	Will not receive similar programme benefits if they switch to another loyalty programme.	1	2	3	4	5
47	Regard our loyalty programme to have high integrity.	1	2	3	4	5
48	Say positive things about our loyalty programme.	1	2	3	4	5
49	Are confident that our loyalty programme provides the best deals.	1	2	3	4	5
50	Regard our loyalty programme as being managed effectively.	1	2	3	4	5
51	Feel that it is important to belong to our loyalty programme.	1	2	3	4	5

	Our customers ...	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
52	Know that their personal information recorded on the loyalty programme will remain confidential.	1	2	3	4	5
53	Will not receive the same level of service if they switch to another loyalty programme.	1	2	3	4	5
54	Regard our loyalty programme as having a reputation of providing fair rewards.	1	2	3	4	5
55	Regard our loyalty programme as the best.	1	2	3	4	5
56	Purchase more products/service from our business than from competitors.	1	2	3	4	5
Business performance						
Over the PAST TWO years, our business...						
57	Has increased the yearly sales.	1	2	3	4	5
58	Decreased its costs (expenses).	1	2	3	4	5
59	Has increased the business' productivity.	1	2	3	4	5
60	Has experienced a low employee turnover rate (employees are not leaving).	1	2	3	4	5
61	Has experienced growth in the number of employees.	1	2	3	4	5
62	Is profitable.	1	2	3	4	5
63	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
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2 Population group

Asian	1	Black	2	Coloured	3	White	4
Other, please specify:			5	Not willing to answer		6	

3 Age group

20-29	1	30-39	2	40-49	3	50-59	4	60+	5
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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 C: TURNITIN REPORT

2021 MINI TREATISE

ORIGINALITY REPORT

9%

SIMILARITY INDEX

7%

INTERNET SOURCES

2%

PUBLICATIONS

6%

STUDENT PAPERS

PRIMARY SOURCES

1

Submitted to Nelson Mandela Metropolitan University

Student Paper

1%

2

Submitted to Reykjavík University

Student Paper

1%

3

www.ijmra.us

Internet Source

<1%

4

link.springer.com

Internet Source

<1%

5

www.bizcommunity.com

Internet Source

<1%

6

www.us.edu.net

1%