Investigating Customer Perceptions of Loyalty Cards and their Influence on Purchasing Behaviour in Major Retail Stores

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Abstract

Loyalty cards are used in various sectors in South Africa. Media reports indicate that there has been a significant growth in the number of loyalty card programmes in the country. The existence of various loyalty card programmes generated an inquisitive interest for this research study to be conducted in order to determine customer perceptions of loyalty cards in retail stores in Gauteng. Like in other industries, retailers are competing on their loyalty card programmes as they aim to acquire loyal customers. This is not an easy task, particularly in the environment of economic decline and uncertainty which South Africa is currently going through. The debate on whether loyalty cards have an impact on customer purchasing behaviour has been ongoing for several years. There have been different views from previous research studies in both developing and developed countries. However, this topic is relevant as it relates to understanding and fulfilling customer preferences. The purpose of the study was to investigate if customers perceive loyalty cards offered in major retail stores in Gauteng to be beneficial, and to determine if they influence the purchasing behaviour and decisions made by customers. The study also intended to understand the reasons for various loyalty card memberships. The quantitative approach was employed in this study, and structured questionnaires were used to collect data. The results indicated that loyalty cards influence purchasing behaviour as the number of times customers purchased in stores as members increased, however there was uncertainty if the amount of money spent also increased.

Key words: loyalty cards; retail outlets; purchasing power

1. INTRODUCTION

In the current business environment, customers consider a variety of factors when purchasing goods in retail stores. Companies are therefore faced with the double task of first attracting customers to their institutions, then afterwards convincing them to become loyal customers. This is never an easy task in the business environment in which competition, technological changes, globalisation and economic uncertainty constantly changes customer demands. Retailers strive for survival and to achieve a competitive advantage through using marketing and corporate strategies that
can ensure that they remain profitable. The implementation of loyalty cards has become a popular strategy used by retail stores to retain customers and also to enlarge their market share. The global wide-spread use of loyalty cards has generated contradicting views and findings among researchers on their effectiveness and impact on customer purchasing behaviour and loyalty. The same dilemma faces retailers in the Gauteng Province (GP) of South Africa, as companies are anxious for success on their loyalty card programmes. There is a firm realisation that disgruntled customers can easily acquire goods and services from alternative stores. This study will focus on customer perceptions of loyalty cards and their influence on purchasing behaviour in major retail stores in Gauteng, South Africa. Loyalty cards were introduced in the United States of America in 1981 in the airline industry by American Airlines (Magatef and Tomalieh, 2015:80). The success of loyalty card programmes in the United States of America led to their rapid proliferation to other countries such as the United Kingdom, Sweden, Germany as well as to Asian and African developing countries. In South Africa, Clicks implemented the first retail loyalty cards named the Clicks Club Card in 1996 as reported by Magwaza (2014). The use of loyalty cards has gained enormous momentum in South Africa (Chibaya, 2016). This is evidenced by their presence in retail shops, banks, food restaurants and pharmacies. There are at least 101 loyalty card programmes identified in the country across all sectors as stated by Olivier and Burnstone (2014:1). Increasingly, businesses are interested in loyalty card programmes to lure customers to their institutions. On the other hand, customers seem to have become obsessed with the idea of becoming loyalty card members and earning points or rewards associated with using them. Media reports have reported high volumes of loyalty card members at some of the major retailers in South Africa. For instance, Magwaza (2014) indicated that the Pick and Pay Holdings Ltd.’s Smart Shopper loyalty card programme was reported to have more than 8 million members, while Edcon Pty Ltd.’s Thank U card and Woolworths Holdings W Rewards card had over 10 million and 3 million members respectively in 2014. There is clearly competition to acquire loyalty card members among retailers. The retail sector in Gauteng is a key player in the economy of South Africa and its contribution to the national Gross Domestic Product (GDP) is at least 26.5% (Gauteng Province Quarterly Bulletin, 2012:1). Confidence in the retail sector is high as evidenced by the construction of large shopping malls such as the recent prestigiously launched Mall of Africa in April 2016. According to the Gauteng Province Quarterly Bulletin (2012:36), at least 45 percent of South Africa’s shopping centres are located in Gauteng. Despite the booming growth expected, retailers are currently subjected to the reality of South Africa’s declining economy. The shrinking national economy has brought forth a decline in the Gross Domestic Product (GDP) rate by 1.2%, high levels of unemployment at 26.7% and a rising inflation rate at 6.1% as cited in the Gauteng Socio-Economic Review and Outlook Report (2016). These factors add constant pressure for South African retailers to offer unique products and services that can consistently attract regular customers to ensure steady profitability. Bose and Rao (2011:544) outline that the primary motive of loyalty programs is for customers to be rewarded for their repeat purchase behaviour and to enhance or maintain their level of loyalty. This phenomenon generates relevance for this research to be conducted to determine whether loyalty cards are perceived to be valuable by customers in major retail stores of Gauteng, and how they influence customer purchasing behaviour.

1.1 Problem statement

Retailers in Gauteng are operating under serious threat from the national declining economy, depreciation of the currency, and high levels of youth unemployment which reduces customers’ disposable income (Price Waterhouse Coopers, 2012:3). Faced with these socio-economic challenges, cut-throat competition for survival is inevitable, such that the factors that influence customer purchasing behaviour are of core importance. Loyalty card programmes are a source through which retailers can generate profits through customers’ frequent purchases and unwavering loyalty. At the same
time, like all successful products, they are easily replicated by competitors. This research is therefore necessary to reveal customer perceptions of the importance and benefits of loyalty cards and how they influence purchasing behaviour in the major retail stores. Among the major retail stores in Gauteng are Edcon Pty Ltd, Pick and Pay Holdings Ltd, Spar Group Ltd, Woolworths Holdings and Massmart Holdings Ltd (Price Waterhouse Coopers, 2012:5). These stores currently have retail loyalty card programmes and will be considered for this study. Through this research, recommendations will be made to the established retailers and other entrepreneurs to modify their loyalty card programmes so that they are unique, valuable and satisfactory to customers.

1.2 Research questions

The research questions pertaining to the study are outlined below.

- What are the perceived advantages and benefits that customers enjoy when using loyalty cards in major retail stores of Gauteng?
- What are the reasons why customers join several loyalty card programmes from different competing retailers in Gauteng?
- What customer purchasing behaviour and decisions are influenced by using loyalty cards at major retail stores in Gauteng?
- How can established retail stores and other entrepreneurs in Gauteng improve the offerings on their loyalty card programmes so that they are of relevance or value in order to satisfy and retain customers?

1.3 Significance of the study

This study is unique as it uncovers customer perceptions of loyalty cards and their influence on purchasing behaviour in the context of the deteriorating economy which South Africa is currently facing. At this point, little is known about other studies on loyalty card programmes that were conducted in countries experiencing a reduction in economic growth. It will be interesting to discover how loyalty cards offered by large retail stores impact on customer shopping behaviour in the unstable economic environment. Although previous studies on loyalty card programmes was conducted in the retail sector in Durban in South Africa, the researcher is keen to determine how loyalty cards are perceived by customers in the Gauteng Province, as customer perceptions and purchase behaviours may differ across provinces. This study will therefore expand on previous research and contribute immensely to the current marketing knowledge in South Africa. According to Magatef and Tomalieh (2015:78), the average household in the United States of America is a member in over 21 loyalty card programmes, however less than half of these loyalty cards are used frequently. This study is important, as it will reveal how loyalty cards are perceived by Gauteng customers and how actively they are used. Retailers must understand customers’ needs on loyalty cards, so that they can offer services and rewards that are satisfactory to them. Feedback received from customers participating on various loyalty card programmes in retail shops will assist established retailers to identify any weaknesses of their current loyalty programmes. The study will bring forth similarities that have been replicated by other competitors in the retail industry. The study is beneficial for retailers and other entrepreneurs so that they can use strategies that are sustainable in achieving customer value as stated by Heizer and Render (2011:67), which results in gaining competitive advantage. Recommendations will be made after the study for retailers and other entrepreneurs to upgrade and differentiate the rewards on their loyalty card programmes so that they are relevant and of value to fulfil customers’ expectations.
2. LITERATURE REVIEW

In the 21st century, customers are exposed to a wide range of purchase choices and information such that research indicates that there are few customers that are 100% loyal to any brand (Maharaj, 2008:25). There is always a threat that customers will switch to competitors (Lalla, Cowden and Karodia, 2015:233). Despite this reality, the success of any retailer depends on customer loyalty (Magatef and Tomalieh, 2015:78). Firms prioritize building customer loyalty because of the significant benefits that can be achieved (Rai and Srivastava, 2012:49). A strong base of loyal customers has a remarkable impact on revenues and business growth (Chinomona and Dubihlela, 2014). The reason for business growth is that loyal customers are estimated to spend at least four times more in their first choice stores than those that are not loyal (Boshoff and Du Plessis, 2010:315). What then is customer loyalty? Customer loyalty is the “customers` attitude and behaviour to prefer one brand over all competitor ones” (Magatef and Tomalieh, 2015:79). This means that it is a conscious and personal choice made by the consumer to prioritize purchasing items from an organization despite being exposed to other alternatives. Loyalty as defined by Kotler and Keller (2012) means a deeply held commitment made by a customer to rebuy a product or service in future despite the marketing efforts made by competing businesses which may result in switching behaviour. According to Bose and Rao (2011:545) loyalty in business refers to the commitment made by customers to select an organization from which they consistently acquire goods and services. In all the definitions, the aspect of loyalty revolves around customer decisions and actions. Loyalty is described as a situation in which customers develop a positive attitude and contentment towards the services, products and also the employees of a company (Jokinen, 2014:25). This situation shows that customers evaluate the entire shopping experience before they decide to become loyal to a selected firm or brand. The company which secures loyal customers positions itself favourably in the mind of the customer and clearly gains an advantage over competitors. A firm is given priority and loyalty over other firms, because the customer feels the services and products are of “better” value (Bose and Rao, 2011:545). It is therefore imperative for companies to deliver value on products and services because “the key to generating high customer loyalty is to deliver high customer value” (Gupta, Jain and Dhar, 2007:63). The outcomes of customer loyalty manifest in three dimensions or forms, which are 1. Behavioural Loyalty, 2. Attitudinal Loyalty and 3. Cognitive Loyalty (Rai and Srivastava, 2012:63).

Behavioural loyalty is when customers purchase regularly from the same company and have few occasions when they switch to other competing firms. There is a tendency for shopping to be done exclusively from the same company for most products (Rai and Srivastava, 2012:63).

Attitudinal loyalty is reflected in the customers’ strong attitude, beliefs or preference to the products or services of the firm (Buttle, 2009). The results of attitudinal loyalty are customers’ positive recommendations of the firm to other customers through word-of-mouth marketing (Rai and Srivastava, 2012:66). Lalla et al. (2015:235) concur that the behaviour and attitude of satisfied and loyal customers reflects when they spread positive feedback about the company, its products and services to others.

Cognitive loyalty causes customers to be willing to pay more for goods and services regardless of the price being higher than at other service providers (Rai and Srivastava, 2012:64). The products or services are identified as the only preferred option for loyal customers, such that the outcome of cognitive loyalty is low price sensitivity (Magatef and Tomalieh, 2015:81).
Out of the three forms, behavioural loyalty is the most advantageous and attractive for business survival because repeated purchases drive business sales than attitudes (Jokinen, 2014:31). Attitudes and feelings towards products and services are important for businesses to understand customer preferences and expectations. Kotler and Keller (2012) state that customer loyalty is connected to brand loyalty. The brand loyalty status groups outlined below are useful to understand and categorize levels of customer loyalty (Kotler and Keller, 2012:228).

**Hard-core loyals** are customers who always purchase only one brand from a single firm at all times. These are the ideal customers that all firms desire to have (Woolf, 2015).

**Split loyals** refers to customers who consistently purchase two or three brands from different retailers. More often, customers become loyal to a number of brands because they find no obligation or reason to show behavioural and attitudinal loyalty to a single brand (Maharaj, 2008:25).

**Shifting loyals** are customers who sometimes change or alternate one brand with another from different companies (Kotler and Keller, 2012:228).

**Switchers** are customers who have no loyalty to any brand products, they switch brands from different shops very often (Kotler and Keller, 2012:228).

Customer loyalty has been measured in different ways across disciplines. Most notably is the concept of ‘share of wallet’ (SOW), which is in many cases applied in measuring customer loyalty (Velinder and Jina, 2006:12). The term means that loyalty reflects in the amount spent by customers and frequency of purchases made in a company. The company at which most of a customer’s purchase transactions take place or where most money is spent has the highest share of wallet (Woolf, 2015). At the same time, customers that have lower share of wallet in a business often have higher tendencies to switch to other competing stores (Woolf, 2015). Despite the presence of shifting loyalty and customer switching behaviour, the advantages of customer loyalty are massive. Research indicates that a small number of loyal customers can potentially generate 55%-70% of business sales (Magatef and Tomalieh, 2015:81). In addition, customers that have an attachment or emotional bond to certain brands that are hard core loyalty customers are less likely to be price sensitive (Chibaya, 2016). Therefore, revenue growth, customer retention, positive referrals, increase in market share and dominance (Buttle, 2009) are all benefits of customer loyalty.

### 2.1 Defining loyalty card programmes

The explanation for a loyalty card programme or loyalty program means rewarding a customer who regularly returns to purchase a product or service (Bose and Rao, 2011:544). According to Liu (2007:20) a loyalty program is “a program which allows customers to accumulate rewards after repeated purchases at a firm”. Meyer-Waarden (2008:89) states that a loyalty card programme is a system of marketing actions which intends to make customers more loyal through personalized relationships. A loyalty program consists of structured marketing interventions that aim to reward customer behaviour such as purchase frequency (Olivier and Burnstone, 2014:3). The main idea behind a loyalty card programme is to accumulate a larger share of loyal customers through rewarding individuals who shop regularly at the store (Worthington and Fear, 2009). In the definitions outlined, there is consensus among scholars that a loyalty card programme revolves around marketing efforts to reward customers for their loyalty or regular spending at a company.

The main problem on defining loyalty programs is on determining when customer loyalty begins. The question often asked is does customer loyalty start after a customer joins the loyalty program or before joining? Jokinen (2014:36) states that “the goal of the loyalty program is to get loyal customers”. Acatrinei and Puiu (2012:153) argue that customers...
perceive themselves to have pre-existing loyalty before signing up for loyalty card membership. This entails that before a customer joins a loyalty card programme they are already loyal or purchasing frequently from the institution. Olenski (2014) states that the intention of a business is to “increase the customer’s urge to stay loyal to the company” through loyalty card programmes. This explanation implies that before joining a loyalty program, a customer already has behavioural loyalty which reflects through their frequent purchases at the store. Businesses aim to increase each customer’s share of wallet and in return reward them for their loyalty. Kotler and Keller (2012:142) state that loyalty programs are “designed to reward customers that repeatedly purchase in substantial amounts”. From the definition, it is evident that the rewards associated with using the loyalty card are not intended to be beneficial to customers after only one single purchase (Liu, 2007:20). Loyalty card programmes aim to reward customers for a certain number of repeated purchase transactions (Magatef and Tomalieh, 2015:79). “The more money that a customer spends, the greater the rewards” as explained by Worthington and Fear (2009).

2.2 Loyalty card programmes as a marketing strategy

Loyalty card programmes exist in marketing as a concept of building customer loyalty (Grewal and Levy, 2010:14). Loyalty card programmes form part of Customer Relationship Management where organizations seek to identify their customers and to provide incentives to retain them. According to Kotler and Keller (2012:135) Customer Relationship Management (CRM) means carefully managing customers’ individual information in order to offer excellent customer service on each encounter with the customer. Each encounter with the customer is known as a “touch point” where the business has an opportunity to offer exceptional customer services so that with time customers can have loyalty to the firm (Kotler and Kotler, 2012).

2.3 Implementation of loyalty card programmes

Ultimately “the art of marketing is of attracting and keeping profitable customers” (Kotler and Keller, 2012:132). From the retailer or service provider’s perspective, the objective of implementing a loyalty card programme must be to attract enough “profitable” customers in order for them to offset costs involved on the implementation of the programmes (Price Water House Coopers, 2013). According to Acatrinei and Puiu (2012:153), retail companies incur various costs on technology, human resources and promotion when they implement loyalty card programmes. Worthington and Fear (2009) state that running a loyalty card programme comes with substantial costs especially if the programme has millions of members, and with time these costs must be recovered by retailers by either raising prices or pushing sales volumes. For example, Pick n Pay Holdings Limited a major retailer in Gauteng is reported to have invested R140 million in 2014 as part of its initiative and strategy to increase its customer base and sales through the loyalty program (Magwaza, 2014). Due to high operational costs involved on loyalty card programmes, some retailers are reluctant to introduce them. For instance, Thomas (2013) mentions that Shoprite, one of the retailers in South Africa has shunned implementation of a loyalty card programme as it may not be worth the high costs involved since the retailer already operates on a low-cost strategy with a particular target market in mind. This low-cost strategy enables the retailer to lower its prices in a way which is not easy for other retailers or business rivals to imitate, such that the retailer is able to attract price sensitive customers without a loyalty card programme (Thompson, Peteraf, Gamble and Strickland, 2012). Price Waterhouse Coopers (2013) points out that over the years as loyalty card programmes have proliferated and matured, various accounting, actuarial and regulatory acts have been put in place to govern their operations and measure the benefits and costs of the programmes. The test for determining the effectiveness of a loyalty card programme after its launch, depends on whether it increases loyal customers as compared to its competitors (Stuivenberg, 2015). An effective program is
expected to boost profits better than in other firms. Chibaya (2016) however states that loyalty programs alone are not adequate to acquire customer loyalty. Customers that join loyalty card programmes are issued with loyalty cards which are mostly in a bank credit card style which contain bar codes that can identify each member when transacting (Worthington and Fear, 2009). In most cases, customers are not required to pay any fee to join loyalty card programmes, the loyalty card is meant to monitor and keep a record of purchase transactions and for customers to redeem rewards that accumulate in relation to spending patterns (Worthington and Fear, 2009). Retail loyalty card programmes are structured with specific terms and conditions on how rewards must be redeemed. There are various types of loyalty card programmes which operate in the main forms discussed below:

**Points system** - In general, the most popular system of accessing benefits or rewards on loyalty cards in retail stores is through the points system (Magatef and Tomalieh, 2015:80). On this system, members accrue points through swiping their loyalty cards while purchasing goods and services. Customers later redeem the points earned on other items. Price Waterhouse Coopers (2013) outlines that customers who redeem points frequently often increase their spending and become engaged to the company’s brands for a longer duration.

**Rebate programs / cash back** - In rebate programs after a certain number of purchase transactions, the customer is given an opportunity to receive financial benefits or rewards for example a certain percentage cash back on the annual purchases in the store (Price Waterhouse Coopers, 2013).

**Tier system** - The Tier system grades the rewards on the loyalty card programme (Magatef and Tomalieh, 2015:80), whose value is meant to be of long-term benefit. Smaller awards or rewards are initially offered at the base of the loyalty ladder, and these increase as one increases their level and purchase amounts at the company.

**Discount programs** - Discount programs are set up such that participants receive their discounts or benefits instantly on each purchase transaction (Price Waterhouse Coopers, 2013) for example the Spar Rewards program.

The success and effectiveness of loyalty card programmes after implementation depends on how the rewards or benefits are structured, and how they are perceived by customers who redeem them.

### 2.4 Customer perceptions of loyalty card programmes

Customer perception refers to “beliefs, norms, customs and value judgements that influence consumer buying patterns” (Satish, 2008:323). Consumers are often “complex and irrational” as noted by Grewal and Levy (2010:150). Some consumer actions or behaviour are motivated or based on perceptions. Rani (2014:58) states that perceptions influence how individuals react, organize and interpret information around them in a way that it becomes meaningful to them. Grewal and Levy (2010:546) postulate that customer perceptions of the value and benefits derived from a particular product or service plays an essential role in purchasing decisions. Customer perceived value (CPV) means “the difference between the customer’s evaluation of all the benefits and all the costs of an offering and the perceived alternatives” (Kotler and Kotler, 2012:125). The concept of customer perceived value (CPV) is based on the customer’s self-assessment of benefits gained in comparison to the costs incurred to purchase goods or services. The difference between benefits and costs when compared to other service providers is what is perceived as value. Loyalty card programmes that are perceived to be valuable by customers are often successful (Diaz, 2015). Krithika and Ganesh (2013:109) explain that the success of a loyalty card program depends on whether customers “feel that they are economically and psychologically gaining something” from being part of the program. It is therefore critically important for businesses to determine if their services are perceived valuable by customers.
2.5 Providers of loyalty card programmes in South Africa

The giant retailers in Gauteng are Edcon Pty Ltd, Pick n Pay Holdings, Spar Group Ltd, Woolworths Holdings Ltd, Massmart Holdings Ltd and Shoprite Holdings Ltd (Gauteng Province Quarterly Bulletin, 2012:5). From the major retailers, Shoprite is the only retailer that has not launched its own internal loyalty card programme on which participants use the company’s loyalty cards when transacting (Thomas, 2013). In South Africa, there were only 9 loyalty card programmes in 1986 (Chibaya, 2016). Fast forward in 2016, there has been a significant increase in loyalty programmes, because virtually every retailer or restaurant chain has some type of a loyalty card programme (Diaz, 2015). The South African Loyalty and Rewards Survey of 2014 identified at least 101 loyalty card programmes operating in the country (Chibaya, 2016). The survey confirmed that on average South African adult consumers are registered on 3 loyalty programs each, such that in each household there are at least 10 loyalty cards from various sectors (Olivier and Burnstone, 2014:6). On the other hand, in comparison, households in the United States are reported to be signed up for more than 21 memberships (Magatof and Tomalieh, 2015:78). The retail sector had 47 loyalty card programmes in 2013 and membership of at least 64 million which is by far the highest as compared to other sectors. The popularity of retail loyalty card programmes in South Africa presents both opportunities and challenges for retailers (Olivier and Burnstone, 2014:12). Marketers have an opportunity to serve customers better, at the same time they have a challenge to develop their loyalty cards before their competitors strike first (Maharaj, 2008:45). In South Africa, convenience on loyalty card programmes has been created with the introduction of partnership loyalty programs across various sectors. Retailers in Gauteng have formed partnerships with banks and insurance companies for customers to claim their loyalty reward benefits. City Press (2015) reports that South African banks such as FNB Bank and Standard Bank, insurance companies such as Momentum and Discovery have involved retailers, fuel service stations such as Engen and online company partners such as Netflorist to become their reward partners through which customers can earn and redeem their loyalty card reward benefits. On the partnership arrangements, points that accrue on FNB`s e-Bucks and Standard Bank`s uCount or Discovery Vitality can be redeemed through the reward partners which include retailers such as Checkers, Shoprite, Makro, Pick n Pay, Woolworths, Food Lovers and Spar Ltd (City Press, 2015). This arrangement allows customers to have flexibility and to have various options of redeeming and earning rewards. Multi-partner coalitions are a feature in developed countries where loyalty card programmes have reached advanced levels (Krithika and Ganesh, 2013:107).

2.6 Edcon Pty Ltd – Thank U Card

Edcon Pty Ltd is recognised as the largest retailer for clothing, footwear and textiles in South Africa (Gauteng Province Quarterly Bulletin, 2012:5). Edcon owns a various group of companies such as Edgars, CNA, Red Square, Jet, Legit and Boardmans, and has at least 1,228 stores in operating nationally and regionally in countries such as Botswana, Namibia, and Swaziland (Gauteng Province Quarterly Bulletin, 2012:5). The Edcon Pty Ltd’s loyalty card known as the Thank U Card was launched in 2012. One loyalty card is used in all its group companies or store brands. Magwaza (2014) reports that in 2014 there were over 10 million Thank U Cardholders in South Africa.

2.7 Pick n Pay Holdings Limited – Smart Shopper Card

Pick n Pay Holdings Limited comprises of at least 794 outlets in South Africa which are in the form of hypermarkets and supermarkets (Gauteng Province Quarterly Bulletin, 2012:6). The Smart shopper loyalty programme offered by Pick n Pay was established in March 2011. Over the years, the loyalty programme has emerged to be largest supermarket reward
programme in South Africa (Chibaya, 2016). The Smart shopper loyalty programme was reported to have over 8 million members in 2014, with at least 10% of South African adults having signed up for a smart shopper card (Diaz, 2015). Pick n Pay uses the points system approach on their loyalty programme. The Corporate Image on behalf of Pick n Pay (2014) reported that over 10 card swipes were recorded every second of their operating hours as customers transacted using their loyalty card in 2014. The Smart Shopper programme is reported to have resulted in 65% of the store’s business sales in 2014, and since its inception it has rewarded customers with over R1.5 billion worth in points (Magwaza, 2014). Pick n Pay Holdings won accolades for South Africa’s best loyalty programme in both 2013 and 2014 for its loyalty card programme.

2.8 Spar Group Ltd – My Spar Rewards

Spar Group Ltd operates at least 850 stores in South Africa and is the third largest mass grocery retailer holding a market share of 26% (Gauteng Province Quarterly Bulletin, 2012:6). The stores’ company brands consist of Tops, Kwikspar and Superspar. Spar Group Ltd’s loyalty card programme, My Spar Rewards does not use the common points system, instead they offer instant discounts or rewards when a customer purchases (Gauteng Province Quarterly Bulletin, 2012:6). Information on the estimate number of members on Spar Rewards loyalty programme was not provided in media reports that were that were accessed by the researcher.

2.9 Woolworths Holdings – W Rewards Card

In 2012, Woolworths Holdings was reported to be the fourth largest mass grocery retailer with a market share of 11% in South Africa (Gauteng Province Quarterly Bulletin, 2012:6). The W Rewards loyalty card programme was implemented in 2011. The retailer has at least 295 national operating stores. Reports confirm that Woolworths’ W Rewards programme had at least 3 million members in 2014 (Magwaza, 2014). Woolworths was a top performer in South Africa with a turnover growth of 14% in the 2013 / 2014 financial year end (Diaz, 2015). The boost in sales and revenues was reported to have been driven by the retailer’s loyalty card programme members (Diaz, 2015). Woolworths uses the tiered system approach on the W Rewards program, where the more a customer shops the higher the status becomes and also the higher the benefits to be claimed. The Tier groups on the loyalty program are the Valued, Loyal and VIP status which are classified by the different amounts spent by customers.

2.10 Massmart Holdings Limited – Makro Card

Massmart Holdings Limited consists of companies such as Game, Dion, Makro, Builders Warehouse, Builders Express, Jumbo Cash and Cambridge Food and it has operations in at least 13 countries (Gauteng Province Quarterly Bulletin, 2012:6). In 2011, 51% of Massmart Holdings Ltd was purchased by Wal-Mart a well-known American retailer. Ntingi (2016) reports that Walmart announced plans to sell all its stake in Massmart in 2016 due to unimpressive group financial performance. Makro, one of the subsidiaries in the Massmart Group has 14 wholesale stores in South Africa. Unlike the other retailers, using the Makro Card on each purchase transaction is a requirement for all customers. In this study, the use of the Makro card is considered as a loyalty card benefit because each purchase transaction enables the company to keep records of customer purchasing preferences and shopping habits so that they can send promotional material and structure discount specials which suits customer needs (Magatef and Tomalieh, 2015:80). There are at least 1.5 million active members on the Makro Card Loyalty Card programme as reported on the company website.
2.11 Defining customer purchasing behaviour and decision process

Rani (2014:52) defines customer purchasing behaviour as the “buying behaviour of the ultimate consumer.” Customer purchasing behaviour entails all the thoughts, feelings and actions taken by individuals before, during and after they buy products or services (Khaniwale, 2015:280). Operational managers strive to understand and interpret customer purchasing behaviour so that they can attempt to fulfil customer demands. The firms’ understanding of customer purchase behaviour is important in formulating marketing strategies (Furaiji, Latuszynska and Wawrzyniak, 2012:76). Customers play an undeniably crucial role in generating revenue for an organization when they purchase goods and services, and when they influence other potential customers to also buy or not buy from the company (Khaniwale, 2015:278). Companies adopt strategies that aim to meet customer needs “both in the future and present” (Khaniwale, 2015:278). Therefore, strategies on customer purchasing behaviour “begin and end with the customer” (Furaiji et al., 2012:76). The concept of understanding buyer behaviour answers on “what, why, how and where individuals make purchases” (Khaniwale, 2015:278).

2.12 Factors influencing customer purchasing behaviour

Literature on consumer purchasing behaviour revolves around the marketing mix that is the 4 P’s: Product, Price, Place and Promotion (Grewal and Levy, 2010:6). Depending on particular goods or services, there are also social, economic, cultural, personal and also psychological factors that have an impact on customer choices (Kotler and Keller, 2012:173). In order to boost sales and revenue, organizations seriously consider these factors because they influence how customers select product or brand preferences. Retailers and other firms are not able to fully control customers’ purchase actions, but through understanding the determining factors of purchasing behaviour they can devise mechanisms that can influence demand and preferences of their goods and services (Rani, 2014:53).

2.13 Motivation for improving loyalty programmes

The ongoing debate on loyalty card programmes relates to if they really work in attaining sustainable customer loyalty, if they have an impact on customer purchasing behaviour and if they reduce the likelihood of customers to move to other competing businesses (Arunmuhill and Arumugam, 2013:73). There is wide consensus among researchers that a loyalty card programme is considered effective and successful if it increases customer loyalty (Stuivenberg, 2015:16). However, customer loyalty can only be achieved if the benefits on the programme are perceived valuable by customers (Chibaya, 2016). For instance, surveys in the United Kingdom indicated that earning “points” on loyalty card programmes in retail stores has become “meaningless” to some customers because of the growth in Internet shopping (Ruddick, 2014). Retailers must respond and provide rewards which customers’ value at present, not what was valued historically (Ruddick, 2014). This brings forth the necessity for retailers to regularly relook at the rewards on their loyalty card programmes to suit what customers’ value at that time. Thomas (2013) explains that in each industry the first company to implement a loyalty card programme normally starts off with an advantage over competitors. If the rewards are perceived to be beneficial, customers choose to defect from their stores and purchase more at the company because of the loyalty card programme benefits. With time competing stores start to imitate the programme such that the advantages that the original company has will fall away (Thomas, 2013.) For loyalty card programmes like other products and services, the pioneer or first-mover advantages which the first company to implement them benefits from at the beginning is quickly eroded when competitors follow suit and imitate the service (Kotler and Kotler, 2012).
2.14 Research findings in Durban, South Africa

Research in Durban (South Africa) concluded that loyalty programs were perceived to be beneficial or worthwhile, and customers mainly joined loyalty card programmes to receive rewards and perks (Maharaj, 2008:100). The most valued rewards by Durban customers were the cashback or cash vouchers as these were perceived to be flexible and customers could use them as they please (Maharaj, 2008:101). In the same research study in Durban, the findings revealed that in the majority of participants (54%), loyalty card programmes did not influence shopping behaviour and was irrelevant in increasing customer loyalty (Maharaj, 2008:102). Other factors that were more important and valuable to customers’ purchasing behaviour were good location, low prices and quality of products. Against the previous research studies, it is of importance to uncover and analyse how customers in Gauteng perceive loyalty cards of the major retail stores.

2.15 Reasons for contradicting results on loyalty cards

Similarity of loyalty card programmes: The aspect of similarity on most loyalty card programmes distorts whether they can be considered as effective and successful in influencing purchasing behaviour and loyalty (Chibaya, 2016). Loyalty card programmes seem to have changed their original intended purpose of increasing customer loyalty as they are now considered as a “me too strategy” as retailers and other firms pursue to offer the same services as their competitors (Maharaj, 2008). There is evidence of loyalty card programme saturation in South Africa where there are at least 47 loyalty card programmes in the retail sector and at least 101 across all sectors (Olivier and Burnstone, 2014:6). The similarity of loyalty card programmes makes it difficult to measure them across each other and to conclude if there is an increase in customer loyalty unless if there is a “dramatic” increase in profits derived from the programme (Krithika and Ganesh, 2013:108).

How customer loyalty is measured is misleading: Research studies suggest that the contradicting results on loyalty cards emanates from how the concept of customer loyalty is measured. Chibaya (2016) argues that the measuring customer loyalty strictly using only the outcomes of behavioural loyalty and attitudinal loyalty is misleading. This is so because behavioural loyalty which results in repeat purchase behaviour may take place without attitudinal loyalty (Chibaya, 2016). For instance, a customer who is dissatisfied with a store and has negative feelings and attitudes towards its offerings can continue purchasing at the store repeatedly if it is conveniently located to the customer (Chibaya, 2016). In this example the outcomes expected from attitudinal and behavioural loyalty are contradictory to the actual actions which take place in reality.

Switching behaviour of customers distorts results: It is a reality that few customers can give “full loyalty” or hard core loyalty to one company or brand in purchase transactions (Woolf, 2015). The switching behaviour of customers creates problems when assessing if a loyalty card programme is effective in increasing customer loyalty and its impact on purchase behaviour. For instance, Greene (2015) argues on the extent of the effectiveness and success of the Tesco’s loyalty card programme since customers regularly default for discounts at competing retailers such as Aldi. There are indications that support the view that customers are always looking out for information and discounts because there “are value-maximizes” (Kotler and Kotler, 2012). On purchase decisions customers aim to get the best value for the cost of the products and services (Grewal and Levy, 2010) which as a result distorts whether loyalty cards are effective. Mixed reactions on the effectiveness of loyalty cards are also based on the fact that for most loyalty card programmes, the focus is on customer loyalty and not on branding (Chibaya, 2016). Therefore, with time customers that make repeated purchases without any emotional attachment to the store’s brand will most likely be “lured” by other business rivals or
competitors (Chibaya, 2016). Magatef and Tomalieh (2015:79) agree that without an emotional bond to the store and its products and services, customer loyalty is impossible to achieve.

**Loyalty cards programmes alone are inadequate to measure loyalty:** The contradicting results also originate from using loyalty card programmes as the only measure for assessing customer loyalty and retention on surveys. Although in some countries loyalty card programmes have a favourable impact on customer loyalty and purchasing behaviour, a loyalty card programme on its own is not an adequate tool to determine customer loyalty (Krithika and Ganesh, 2013:113). The loyalty card programme’s effectiveness must be assessed together with the other strategies that a company uses to increase customer loyalty (Krithika and Ganesh, 2013:113). Customers do not only consider loyalty card membership in isolation to other factors that influence their purchase decisions. Normally purchase decisions are based on a variety of other factors which are connected (Marketing mix, Social, Cultural, Personal and Psychological factors) as well as the entire shopping experience. Therefore, the contradicting findings can be minimized if the loyalty card programmes are measured with the other factors which influence purchasing behaviour and customer loyalty such as price and store location.

### 3. RESEARCH METHODOLOGY

The research methodology is defined as a specific plan of systematically collecting and analysing data in order to solve the research problem (Leedy and Ormrod, 2010). Research problems originate from various sources such as from information gaps or differences in research results in literature (Creswell, 2014). The research design is the plan on how the research questions will be answered (Saunders Lewis and Thornhill, 2009:136). The research design can be compared to an “architectural blueprint” which has details on the plan on how a construction project will be done (Wagner et al., 2012:21). In research, the research design contains the plan or information on how the research will be conducted. Research design approaches can be classified under three types which are exploratory, descriptive and explanatory (Bryman and Bell, 2011). An exploratory research is undertaken when the purpose of the research study is to gain a new perspective or understanding on a problem on which there is little or scarce information (Saunders et al., 2009:139). An explanatory research study seeks to “establish causal relationships between variables” to be measured on the study (Saunders et al., 2009:140). For this study, the descriptive research design was employed. A descriptive research study aims to provide an accurate presentation of persons, events, situations and variables which relate to the research questions (Saunders et al., 2009:140). Burns and Burns (2008) explain that the purpose of descriptive studies is to document the exact events or situations that are taking place. The descriptive research design was considered suitable to provide an accurate representation of perceptions, attitudes and opinions towards loyalty cards and purchase behaviour based on customer experiences. The descriptive research design approach was also considered relevant to identify factors which resulted in several retail loyalty memberships in Gauteng.

#### 3.1 Research philosophy

The research philosophy or paradigm plays an important role in formulating the purpose and expectations of a study (Mackenzie and Knipe, 2006:193). A paradigm makes assumptions based on how the world is viewed (Saunders et al., 2009:108). Research approaches are based on two major paradigms or world views which are positivism and constructivism or interpretivism. The positivism paradigm is when the world is viewed in an objective manner which conforms to standard or universal laws and causes (Burns and Burns, 2008:14). Positivism considers that “science is the only way to establish true knowledge and objective reality” (Wagner et al., 2012:53). Positivism therefore applies a
scientific method which intends to test theories and to describe experiences through measurement (Mackenzie and Knipe, 2006:193). In the positivism paradigm, there is only one reality or nature of truth that governs the universe, and the purpose of research is to predict behaviours and relationships between variables using existing concepts or theories (Wagner et al., 2012:55). In this study, the positivism paradigm was employed because it is commonly aligned with quantitative research (Mackenzie and Knipe, 2006), and it allows for specific or objective measures to be used on large quantities of data.

3.2 Research approach: Quantitative versus Qualitative

Lee (2011) identifies two approaches for conducting research which are the quantitative and qualitative approach. The quantitative approach involves collecting information from a large number of selected individuals of interest that can represent the population (Leedy and Ormrod, 2010:94). The qualitative approach focuses on data collection and analysis that “generates non-numerical data” (Saunders et al., 2009:151). According to Creswell (2014) the qualitative method involves exploring the meanings of how individuals interpret their social or human challenges. On the other hand, quantitative research examines “objective theories” through analysing the relationship of variables under study (Creswell, 2014). The variables are examined through instruments such as surveys which enable data to be numbered and analysed using statistical methods (Creswell, 2014). The quantitative approach was adopted on this study because it is suitable for interpreting numerical data collected from a large number of individuals (Saunders et al., 2009:151). The quantitative approach was also deemed appropriate for this study in order to identify if there were similarities or relationships with theories and conclusions from previous research on loyalty cards and customer purchasing behaviour (Lee, 2011:9). The importance of any similarities would assist in validating generalizations and confirming explanations in existing theory (Leedy and Ormrod, 2010:95). This research collected data from people that are loyalty card members in major retail stores in Gauteng namely Edcon Pty Ltd, Pick n Pay Holdings Ltd, Spar Group Ltd, Woolworths Holdings and Massmart Holdings Ltd. Individuals that participated on the study were in the age group of between 18 to over 60 years old.

3.3 Research strategies

The research strategy is the way in which primary data for the study is gathered. The most common research strategies that are employed include experiments, surveys, case studies, action research, grounded theory, ethnography and archival research (Saunders et al., 2009:141). A survey strategy was adopted in this study. The survey approach was the most appropriate strategy for this quantitative research to enable large amounts of data to be collected within a short period of time and to analyse it using statistics (Bryman and Bell, 2011). Creswell (2014) states that a survey is suitable for a quantitative research because it “provides a numeric description of attitudes and opinions” of the sample of the population. From the sample results, generalizations can be made and inferences drawn of the views and perceptions of the entire population (Creswell, 2014).

3.4 Target population

Bryman and Bell (2011) explain that the target population contains the entire group or “universe of units”. The target population selected in this study consisted of loyalty card members in major retail stores in Gauteng. Magwaza (2014) reported that in 2014, Pick n Pay Holdings Ltd had over 8 million loyalty card members, Edcon Pty Ltd over 10 million members while Woolworths Holdings Ltd had about 3 million members on their programmes. The numbers mentioned are total national figures for South Africa, however they provide an indication of the high volumes of loyalty card members in the Gauteng province. The economic performance and activity in Gauteng resembles that of the country
(Gauteng Socio-Economic Review and Outlook Report, 2016). The databases of loyalty card members in Gauteng are not available in media or online sources and they are not accessible directly from retailers due to confidentiality and security concerns which do not permit disclosing customer personal information to external parties. From the total population of 87,387 for Midrand in Johannesburg (Gauteng) in 2011 (Stats SA, 2011), the adult population of approximately 65,890 was used as the target population size.

3.5 Sampling strategy / method

A sample is chosen from the target population because it is normally impossible to investigate the entire group (Leedy and Ormrod, 2010). Sampling design strategies are contained in two categories of probability sampling and non-probability sampling. In probability sampling, each element of the population is represented and stands an equal chance of selection on a survey (Leedy and Ormrod, 2010:205). The sampling frame is used because it contains the “full list of the target population” (Burns and Burns, 2008:196). Probability sampling techniques include simple random, systematic, stratified and cluster sampling. There was no access to the customer databases of loyalty card members from major retailers in Gauteng, therefore probability sampling methods were difficult to implement in this research. Therefore, without access to the sampling frame, the non-probability sampling approach was adopted. Convenience sampling was used in this study, which involved selecting persons that are “easiest to obtain” until the required number of the sample was reached (Saunders et al., 2009:241). The researcher approached individuals from different gender and race groups in shopping areas located in Johannesburg and Ekurhuleni. In addition, colleagues and acquaintances of the researcher from different race groups participated and assisted in the distribution of questionnaires. The reason for selecting respondents based on gender and race groups was that in South Africa there is unequal distribution of population caused by the country’s historical background and vast diversity of cultures (Wagner et al., 2012:95 For this study, a sample size of 150 loyalty card members in the major retail stores was required.

3.6 Data collection

A structured questionnaire was used to collect primary data from respondents which took at most 10 minutes to complete. The use of questionnaires was an advantage to the researcher because information was collected faster from respondents. Participants were approached in shopping areas in Johannesburg and Ekurhuleni. After confirming that the selected individuals met the criteria of the sample required, they were asked if they were willing to participate in the research (Sreejesh, Mohaptra and Anusree, 2014:65). By allowing questionnaires to be completed in person, respondents were given an opportunity to enquire further if required (Bryman and Bell, 2011). This mall intercept approach was adopted because of its cost effective advantages and its ability to draw a larger response within short intervals (Saunders et al., 2009:144). The shopping centre or mall environment is considered most appropriate for studying purchasing behaviour as customers’ “shopping experience will still be fresh” after their transactions in the stores (Sreejesh et al., 2014:66). However, the challenge encountered was that some individuals were not willing to participate on the study because they were rushing to attend to other engagements, or they were not keen to share their opinions on loyalty cards.

3.7 Pilot study

A preliminary pilot study was performed before the actual survey. The purpose of the pilot study was to validate that the questionnaire was properly constructed in a way that allows participants to respond with understanding and without any bias (Saunders et al., 2009:394). Incorporating the pilot test assisted in ensuring that less challenges would be
encountered in analysing the data (Saunders et al., 2009:394). A sample of 20 respondents (n=20) was used for the pilot study. The Cronbach’s alpha which is a coefficient which measures reliability or consistency and how closely related items are to each other (Hajjar, 2014:885) was used to interpret the pilot study results.

3.8 Data analysis

Statistical analysis is the stage where the data collected is used to answer the research questions (Wagner et al., 2012:176). There are two main types of statistical techniques namely descriptive and inferential statistics. According to Burns and Burns (2008:7) descriptive statistics refers to presenting and summarizing data in a way that can be quickly “meaningfully understood” such as using values from numbers counted, percentages and averages. Descriptive statistics involves measures of central tendency, correlational analysis and reliability and variability analysis (Wagner et al., 2012:177). On the other hand, inferential statistics enables researchers to draw or predict inferences on the data collected so that a reasonable conclusion can be achieved (Burns and Burns, 2008:8).

3.9 Reliability and validity

Reliability and validity are different concepts that are closely related in ensuring that the research process and the final report are of high quality (Wagner et al., 2012:80). Reliability measures the consistency of the research instrument in gathering data in the same way from respondents, while validity determines if the research instrument measures what the research intends to accomplish (Wagner et al., 2012:80). In order to ensure reliability in this study, the questionnaire or research instrument was developed using the framework from previous research studies which investigated similar objectives related to this research study. The questionnaire was evaluated by both the research promoter and academic reviewer and comments thereof were incorporated. Furthermore, a pilot study was conducted on which data collected from 20 respondents was used to verify if the questionnaire was well constructed.

3.10 Limitations of the study

The major limitation in the study was that the database of loyalty card members could not be accessed from retailers in Gauteng due to confidentiality and protection of customers’ sensitive personal details in line with regulation on the Consumer Protection Act, No. 68 of 2008, and to ensure privacy against competitors. There was therefore no readily available sampling frame to select respondents in the study, such that convenience sampling was used to identify loyalty card members from different organisations/retailers. The target population consisted of loyalty card members in major retail shops in Gauteng province. Due to time limitations and financial constraints respondents were approached mainly from shopping centres in two metropolitan municipalities in Johannesburg and Ekurhuleni, while other questionnaires were distributed through acquaintances and colleagues residing in Gauteng. Therefore, other areas in South Africa were excluded. The investigation focused on perceptions towards loyalty cards and their influence on purchasing behaviour based on customers’ personal experiences and opinions. The study did not focus on views on loyalty card programmes from the organizational or retailers’ perspective, as such there were no representatives or employees of major retail stores in Gauteng that completed questionnaires in this research study.

3.11 Ethical considerations

Ethical considerations were observed at “all stages of the research process” and during the write up of the report (Wagner et al., 2012:71). Ethical considerations were considered important to protect respondents of the study.
Ensuring participants have given informed consent: All participants were first informed of the reason for conducting the research through the cover letter attached to the questionnaires, and they were asked if they were willing to participate. It was explained to participants that completing the questionnaire was voluntary, and that they could withdraw from participating on the survey at any stage (Wagner et al., 2012:68). Assurance was also provided to participants that their opinions and views would be used for the purpose of this research only.

Ensuring no harm comes to participants: Participants taking part in the research were not be subjected to physical harm such as the risk of “losing their life or limb”, or to psychological harm such as embarrassment (Leedy and Ormrod, 2010:101). In this study, respondents were treated fairly and without any form of discrimination.

Ensuring confidentiality and anonymity: In this research study, there was strict observation of privacy and confidentiality. Privacy is associated with ensuring anonymity (Saunders et al., 2009:194), therefore the full names of participants were not requested in this study to ensure that participants remained anonymous. Numbers were allocated to completed questionnaires for tracking purposes.

Ensuring that permission is obtained: Participants willingly took part on the research in their personal capacity and their views and opinions were expressed independently. Approval of the research proposal and topic was received before conducting the study.

4. RESULTS

In total 150 questionnaires were distributed as per the sample size required. The researcher obtained 128 completed questionnaires, of which 7 were rejected because they were not completed in full. Therefore 121 completed questionnaires were found to be in order, indicating 81 percent response rate. The findings from the 121 respondents are discussed in this chapter using frequency tables, charts as well as descriptive statistics and correlational analysis.

4.1 Demographic data of respondents

In section A of the questionnaire respondents were requested to indicate their demographical information such as gender, age, race, educational status and occupation. From the total of 121 respondents, 42.98% (n=52) were male while 57.02% (n=69) were female. The high percentages of both male and female participants on the study proves the popularity of retail loyalty card programmes in Gauteng as reported in media sources (Chibaya, 2016). The findings show that there were more female respondents by 14.04% which reflects that in general women have a tendency to be in shopping areas than men such that they were more available and willing to participate on the survey.

Age groups of respondents: The majority of respondents n=42 (34.71%) were in the age group of 29 to 39 years, while the lowest of only 2.48% (n=3) were in the 61 years and over age group. The findings on Table 4.3 proves that in Gauteng the majority of the people that have access to income or funding fall within the age groups of 18 to 50 years which contained the highest percentages of participants (Statistics SA, 2011).

Race groups of respondents: The main survey captured the perceptions, opinions and experiences of loyalty card holders from the four race groups in South Africa. Out of the 121 sampled respondents, 44.63% (n=54) were from the Black-African race, followed by 26.45% (n=32) from the Asian/Indian race and 15.7% (n=19) from the White race. The lowest was 13.22% (n=16) from the Coloured or mixed race. Although the majority of the respondents were Black-African, there was at least a 13% participation by respondents in each race group mainly because of the researcher’s
colleagues and acquaintances who participated and assisted in distributing questionnaires to other respondents in their different race groups.

**Educational Status of respondents:** In terms of educational background, 38.84% (n=47) of the respondents had secondary education level, 31.4% (n=38) had tertiary qualifications notably bachelor’s degrees, 24.79% (n=30) had post graduate degrees while a small percentage of 4.96% (n=6) had other academic qualifications. On observations made by the researcher, respondents easily completed the questionnaires and they rarely requested for assistance. Based on the findings above, customers understand how loyalty card programs function possibly because they use them in many other sectors such as in banking, travel and hospitality (Olivier and Burnstone, 2014).

**Occupation Status of respondents:** More than half of the respondents (n=66) representing 54.55% were full time employees, 19.01% (n=23) were part-time employees, 14.05% (n=17) were students, 9.09% (n=11) were unemployed while 3.31% (n=4) were retired. It is evident that in Gauteng, retail loyalty cards have attracted the attention of customers in different occupation groups, however they are not yet specifically designed or personalised for each category of members. Literature sources outline that retailers offer similar loyalty programmes for members in all occupation status groups (Magwaza, 2014).

4.2 Results and analysis of the loyalty card membership

The question on loyalty membership was included on the questionnaire in order to identify loyalty card members from Edcon Pty Ltd, Pick n Pay, Spar Group Ltd, Woolworths Holdings and Massmart Holdings because there was no readily available customer database to select participants from. This question can also be referred to as the screening question and its role was critical in helping the researcher to identify and know which organisation was attracting more loyalty card customers.

**4.2.1 Loyalty card membership of respondents**

The majority of the respondents n=83 that is 69% were loyalty card members of Pick n Pay Holdings’ Smart Shopper program, followed by 54% (n=65) of Woolworths Holdings’ W Rewards program. The third largest number of respondents of 40% (n=49) were members of Edcon Pty Ltd’s Thank U Card program, while 28% (n=34) had Massmart Holdings’ Makro Card. The lowest number of respondents of 19% (n=23) were members of Spar Group Ltd My Spar Rewards program. It is evident based on the findings that many customers from the sampled respondents prefer Pick n Pay smart Shopper compared to the other four organisations’ programs, thereby confirming media reports that the Pick n Pay smart shopper has the highest number of members on the programme (Chibaya, 2016).

**4.2.2 Number of loyalty cards of respondents**

Out of the 121 sampled respondents, n=25 respondents (20.66%) had only one loyalty card from their preferred retail store, n=57 respondents (47.11%) had two loyalty cards from different stores, n=32 respondents (26.45%) had three loyalty cards while n=7 respondents representing 5.79% had four loyalty cards from different retailers. None of the sampled respondents had more than four loyalty cards. The majority of respondents had two loyalty cards. Based on the findings of the screening question it is evident and confirms media sources that Pick n Pay’s Smart shopper is the largest retail loyalty programme which contains a customer base of at least 10% of South Africa’s population (Chibaya, 2016). Having won South Africa’s best loyalty programme in 2013 and 2014 one can conclude that customers’ perception...
towards the Smart Shopper program is positive which is consistent with literature (Corporate Image on behalf of Pick n Pay, 2014).

4.3 Customer perceptions of loyalty cards

The nine questions in Section B were included to determine respondents’ perceptions of retail loyalty cards based on their experiences, views and opinions. The answers were intended to achieve the first objective of the study.

An overwhelming majority of 76.03% (n=92) of the respondents answered “Yes” to the question indicating that in their opinion their loyalty cards offers them advantages and benefits. On the other hand, 23.97% (n=29) indicated “No” confirming that in their view the retail loyalty cards do not offer any advantages and benefits.

Rewards or benefits that are most valued on loyalty cards: More than half of the respondents which is 56.20% (n=68) indicated that their most valued reward on retail loyalty cards was earning points which could be redeemed later. The second most valued reward for 16.53% (n=20) of the participants was receiving discount on goods and products, while 14.05% valued cash back or cash vouchers the most. 11.57% (n=14) did not value any of the rewards offered on the loyalty cards which reflects their negative perceptions and discontentment towards them. The findings for question B8 reflect that the majority of respondents are in Pick n Pay’s Smart Shopper program which rewards members using points which are redeemed at a later stage. There are strong indications that respondents are more familiar and satisfied with earning points than with the other types of rewards listed.

Understanding Respondents’ Concerns or Dislikes on Loyalty Cards: From the sampled respondents, 39.67% (n=48) of the respondents which is the majority indicated that they disliked loyalty cards if the points, rewards and perks were not enough or worth their effort. The second highest portion of 29.75% (n=36) indicated that they find loyalty cards irritating if the customer service in the shop is poor. A portion of 23.14% (n=28) of the respondents indicated that their concern was that of too many loyalty cards in their wallet or purse which possibly means that they have various memberships in retail and in other industries that have loyalty programs. A small percentage of respondents 4.96% (n=6) indicated that they believed loyalty cards were a marketing scam to trick them into spending, while 2.48% (n=3) pointed out that they were nervous about their personal details. Therefore, less than 10% of the respondents expressed security concerns about personal information at the store and fears of theft or being scammed, which implies that the majority of respondents may not be aware or do not take cognizance of the risk of misuse of personal information that may occur on loyalty card programmes.

4.4 Loyalty card membership at various retail stores

The second objective of the study was to find out and understand the reasons why participants were members in several loyalty card programmes. The purpose of question C1 was to identify respondents that were loyalty card members at various retail stores. Out of the 121 respondents, more than three quarters of the participants n=96 (79.34%) were loyalty card members at several different retail stores, while only 20.66% (n=25) of the respondents were members at only one retail store. The implications of the findings are in accordance with literature in that the majority of loyalty card members are either split loyals that are loyal to two or three products/ brands or they are shifting loyals that “shift loyalty from one brand or product to the other” (Kotler and Keller, 2012:228). The hard-core loyals are represented by the minority group of 20.66% that are members at only one retail store (Kotler and Keller, 2012).
5. CONCLUSIONS AND RECOMMENDATIONS

In this study, loyalty cards from the major retail stores in Gauteng were perceived to be beneficial and to offer advantages to the majority of customers. The most valued reward on loyalty cards was accumulated points which could be redeemed later. Respondents agreed that the main reason why they joined different loyalty card programmes was for them to purchase products at the lowest available prices at the retail stores where they have loyalty cards. Furthermore, loyalty cards were perceived to have an influence on purchasing behaviour because most customers increased their frequency of visits to purchase at the retail stores since becoming members. Participants were uncertain if the amount of money spent at the stores had also increased. In the study, loyalty cards were considered beneficial to customers who used their rewards to buy basic essentials during the tough economic environment. In this study, the majority (69%) were members in Pick n Pay’s Smart Shopper loyalty program, which agrees with media sources that the Smart Shopper has the highest number of members or customer base of at least 10% of the entire population of South Africa (Chibaya, 2016). It was revealed in this study that loyalty cards resulted in an increase in the frequency of visits to purchase at the retail stores since participants became members which confirms literature sources that loyalty cards play a role in “building and maintaining customer retention” (Magatef and Tomalieh, 2015:78). In the study the majority of participants were uncertain if their share of wallet or the amount of money spent had increased since becoming members. This finding is consistent with literature sources which state that having more than one loyalty card membership makes it difficult to confirm the share of wallet at each store (Woolf, 2015). The uncertainty on if share of wallet increases for loyalty card members further results in problems and debate on whether loyalty card programs are effective in measuring customer loyalty (Krithika and Ganesh, 2013:113). The majority of participants on this study indicated that they were satisfied with the rewards gained on their loyalty cards after purchasing regularly at the retail stores, thereby indicating awareness of the purpose of loyalty cards of rewarding continuous purchasing behaviour and not once off transactions (Liu, 2007:20). This study concluded that loyalty cards are perceived to be beneficial by the majority of customers in Gauteng and they have an impact on purchasing behaviour. Customers are satisfied with loyalty card rewards such as points and savings when they purchase products. The accumulated points are important in the tough economic times because they are used for basic necessities. Customers joined several loyalty card programs because of their search for the lowest available prices and at the same time to acquire loyalty card rewards from all the stores purchased. The study revealed that loyalty cards influence purchasing behaviour because customers purchased more frequently from the retail stores after becoming members. It is evident that loyalty cards have an impact on psychological behaviour because customers were motivated to continue purchasing from the same retailers after becoming members in order for them to maximise on their loyalty card benefits.

5.1 Recommendations

- It is clear from the study that loyalty cards have attracted customers from various educational backgrounds, occupation and race. Retailers must therefore design loyalty card rewards that target different customer preferences (Magatef and Tomalieh, 2015:78). For example, the rewards that focus on students must be differentiated from those that appeal to the retired.

- Retailers must strive to provide exceptional customer service as compared to other competitors. Loyalty card rewards alone are not enough if customer service and pricing strategy is poor. “Good customer service will help generate customer loyalty and repeat business” (Lalla, 2015:233).
Retailers must use loyalty card programs to study customer preferences and to monitor the amount of money spent (share of wallet) after customers become members. This information will assist in designing loyalty card offerings which reward customers that spend more money at the retail store.

Woolf (2015) states that achieving 100% share of wallet from all customers is impossible. Therefore, the recommendation to retailers is to continuously find innovative ways to keep customers interested in their products and services. Some customers will enrol or sign up on new loyalty card programs that enter the market which are innovative and are perceived to offer high value (Olivier and Burnstone, 2014) in addition to the memberships they have joined already.

Retailers must continue with partnerships with other service providers in other industries such as banking, airline and insurance and also to engage other entities such as pharmacies in the health sector in order to widen the options available through which customers can easily redeem loyalty card rewards.

Retailers can assign unique account numbers or codes to customers and remove the use of physical loyalty cards (Arunmuhill and Arumugam, 2013). These special codes can be used to identify each customer and to redeem benefits similar to unique pin codes in ATM banking transactions.

5.2 Recommendations for future studies

One of the limitations in this study was the absence of the customer databases of loyalty card members from retailers. It is therefore recommended in future studies for retailers to conduct online surveys with similar objectives on a larger number of respondents using the actual customer database. The responses thereof will assist retailers to find innovative ways to improve their loyalty card programmes. Future studies on loyalty cards can be conducted through online surveys using the actual customer database in order to reach out to more customers. In this study customers were uncertain if the amount of money they spent increased after they became loyalty card members, therefore given more resources future studies can focus on determining the extent which the amount spent changes after customers join loyalty card programs.
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