

# Levels of customer loyalty and perceptions of loyalty programme benefits: A South African retail example

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## ABSTRACT

Organisations use loyalty programmes to stimulate customer loyalty, and consumers presumably join these programmes to obtain a number of benefits or rewards arising from their membership. While consumer loyalty and loyalty programmes have been popular research topics, research which investigates customers' perceptions of loyalty programme benefits relative to their level of loyalty to the organisation have been largely neglected. To address this void, our research assessed the members' loyalty to a South African grocery retailer, clustered them into four groups (true, spurious, latent and low loyalty) based on their level of loyalty and examined their perceptions of the benefits offered by the retailer's loyalty programme. Four latent dimensions of perceived benefits (*Convenience, Recognition, Entertainment, and Savings and exploration*) resulted from the factor analysis. Significant differences were found to exist in the case of all these dimensions relative to the four loyalty levels.

**Keywords:** benefits, consumer loyalty, grocery retailer, loyalty rewards, loyalty programme, perceptions, retailer, store loyalty, South Africa

In the early 1980s, market share, low cost and service quality were considered fundamental to most successful organisations (Reichheld, Markey & Hopton, 2000). However, since the 1990s these aspects no longer guarantee any organisational success and loyalty becomes an effective tool for driving profitability (Du Toit, 2012). Customer loyalty benefits organisations in a number of ways. Firstly, it contributes to lower costs. Owing to high acquisition costs (e.g. advertising, promotion and consumer education), it is more profitable to retain loyal customers than to attract new ones (Cecilia, Landan & Maiju, 2007). Secondly, loyal customers are less deal prone and price

sensitive than non-loyal customers (Szczepańska & Gawron, 2011) and often regard the cost of switching suppliers as not worth the effort (Ahlert, 2007). Thirdly, organisations benefit from customer loyalty and could save costs through higher levels of consumer tolerance. For example, loyal customers are more forgiving in instances of service failure and poor performance (Ramaswani, 2005). They tend to adjust any dissatisfaction dissonance by focusing on their positive experiences and disregarding any negative thoughts (Kaul, 2006). Fourthly, loyal customers further benefit the organisation, since their spending tends to accelerate over

time (Cecilia et al., 2007) as they get more familiar with the organisation's product range. This facilitates the organisation's cross-selling opportunities (Du Toit, 2012). Furthermore, loyal customers often establish long-term relationships with the organisation, develop mutual trust allowing for better communication (Szczepańska & Gawron, 2011), and hence increase customer equity. The feedback received from these customers enhances organisational efforts to serve them better (Ramaswani, 2005) and more closely provide for their individual needs (Szczepańska & Gawron, 2011). It is noteworthy that organisations with high customer loyalty often also display high levels of employee loyalty (Ramaswani, 2005). It is easier for employees to repeatedly deal with the same customer than to frequently deal with new ones (Griffin, 2002). When an organisation is spending less on acquiring new customers, the additional funds can be used to compensate staff better (Griffin, 2002). This might increase staff morale, which can improve productivity and lead to better customer service and higher levels of loyalty.

Customer loyalty can be encouraged by implementing an effective loyalty programme (Shaver, 2000). A loyalty programme is generally viewed as a marketing tool "designed to build customer loyalty by providing incentives to profitable customers" (Yi & Jeon, 2003:230) when they repeatedly and increasingly purchase the organisation's products. These incentives or rewards are aimed at strengthening the customer's relationship with the organisation (Bolton, Kannan & Bramlett, 2000). Loyalty programmes thus aim to impact two types of loyalty - behavioural loyalty (repeated and increased use of the organisation's products) and attitudinal loyalty (relationship with the organisation). Bandyopadhyay and Martell (2007) hold that an understanding of attitudinal loyalty provides insight into behavioural loyalty, in other words, understanding consumers' emotional bonds with the organisation can explain the reasons for their patronage.

Although loyalty programmes have been a popular marketing tool for some time, consumer enthusiasm to embrace these programmes seems to grow, rather than abate

(Ahlström & Wangsell, 2014; Liu & Yang, 2009). In the United States alone the number of retail loyalty programme members increased by 70% in 2011 to reach a total of 193.9 million members in 2013 (Carter, 2013), and in Australia, as many as 88% of consumers belong to loyalty programmes (Pattas, 2013). South Africa is no exception to this trend (Moodley-Isaacs, 2014) as about 50% of all South Africans belong to at least one loyalty programme (Moorad, 2013).

Despite worldwide enthusiasm, researchers such as Wright and Sparks (1999) found that consumers do not always use their cards when they make a purchase and it is therefore questionable whether being a member of a loyalty programme is an indication of loyalty. From another perspective, Gómez, Arranz and Cillán (2012:493) argue that customer "loyalty is necessary although in itself not enough to ensure participation in grocery retail loyalty programs". However, neither of the above studies examined the association between loyalty *levels* and perceived loyalty programme benefits. In fact such research is sparse. Recent research into *consumer loyalty* tends to focus on factors that influence consumer loyalty towards an organisation (Du Toit, 2013), the relationship between satisfaction and loyalty (Pleshko & Heiens, 2014), store loyalty determinants (Ercis, Unal & Yilmaz, 2010; Jansone, 2012) and the impact of loyalty programmes on store loyalty (Ahlström & Wangsell, 2014; Manuele, 2006; Dowling, Uncles & Hammond, 2003). Research into *loyalty programme benefits* focuses on cross-cultural perceptions of loyalty schemes (Steyn, Pitt, Strasheim, Boshoff & Abratt, 2010), perceived benefits of loyalty programmes and customers' impact on and satisfaction with the programme (Mimouni-Chaabane & Volle, 2010), the link between customers' store loyalty and their satisfaction with the rewards provided by retailers (Yi & Jeon, 2003) and the impact of loyalty cards on store loyalty (Demoulin & Zidda, 2008).

The current research explored loyalty programme members' perceptions of loyalty programme benefits relative to their level of loyalty to the organisation. Knowledge of differences or similarities between these groups' perceptions can enhance the

organisation's decisions on the design and targeting of such benefits.

We chose one of the largest loyalty programmes in South Africa as the context for our empirical study. It is one of the few loyalty programmes offered by the country's grocery retailers and is based on the programme of Tesco, a British supermarket chain (Bizcommunity, 2011). The South African retailer introduced its loyalty programme in 2011 with the target of obtaining three million members in the first year. In 2012 it had over six million cardholders, far exceeding all expectations, and by May 2014 this number had grown to 8 million (Magwaza, 2014). The initial impact of the programme was very positive and the retailer's turnover grew from R26 billion in August 2011 to R28 billion in February 2012 as a result of the programme (Pick 'n Pay, 2012).

In the remainder of this article, we first provide a summary of the purpose and objectives of the study, explore customer loyalty, emphasising levels of loyalty, and explain the notion of loyalty programmes, focusing on programme benefits. Next follows an outline of the research strategy and a report on and discussion of the results of the empirical study. Conclusions, recommendations, acknowledgement of the limitations of the study and suggestions for further research, complete the article.

## PURPOSE AND OBJECTIVES OF THE STUDY

This research endeavoured to answer the question: "Do loyalty programme members' perceptions of programme benefits differ based on the level of their loyalty to the organisation?". The following objectives were set to answer this question:

- establish the benefits associated with loyalty programmes and examine respondents' perceptions of the benefits offered by the retailer's loyalty programme;
- investigate customer loyalty and loyalty levels in general, examine respondents' loyalty to the selected retail store and cluster them into levels of loyalty;

- compare respondents' perceptions of the loyalty programme benefits relative to their level of loyalty.

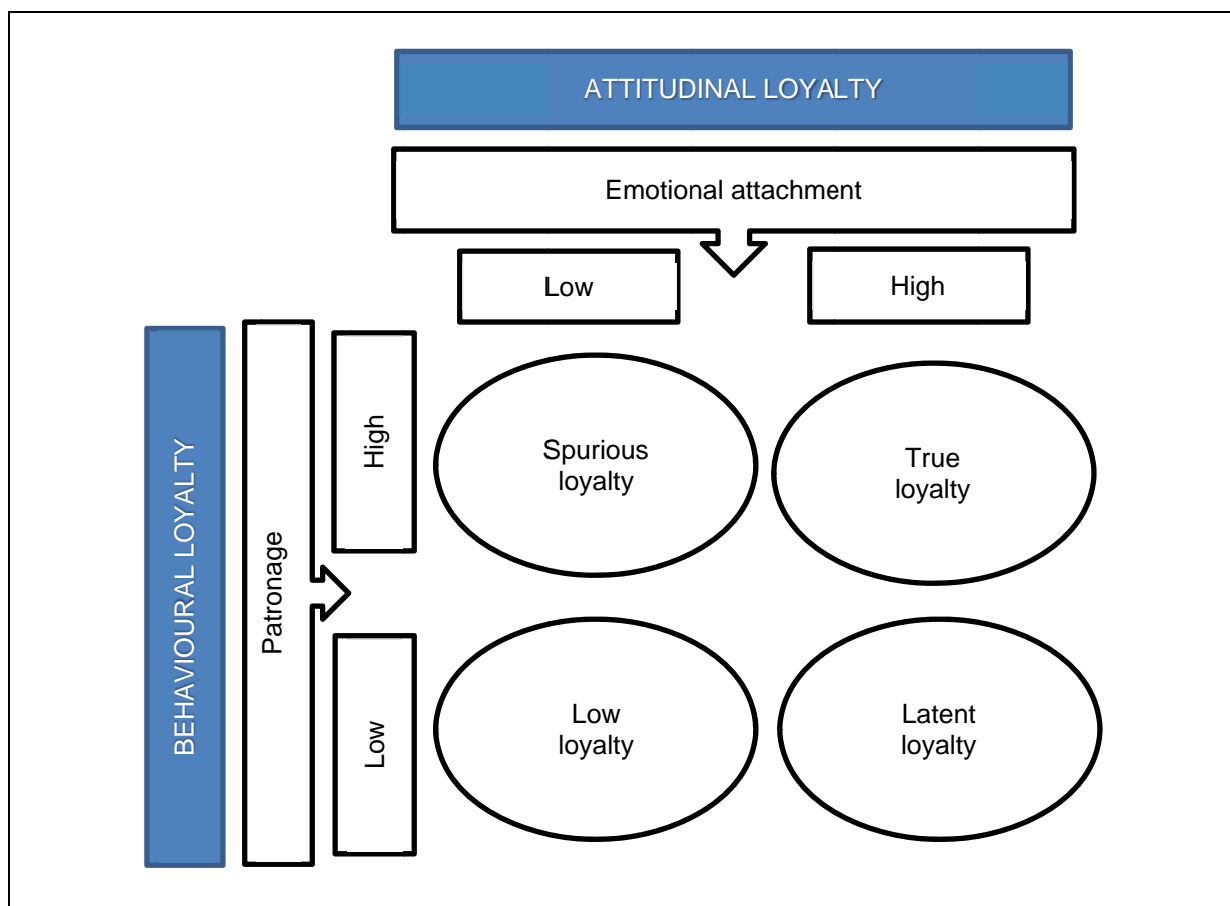
## LITERATURE REVIEW AND CONCEPTUALISATION

### *Consumer loyalty*

Consumer loyalty is defined as "a constant and positive attitude towards an object" (Szczepańska & Gawron, 2011:65) such as a brand or an organisation. It is also "a deeply held commitment to rebuy or re-patronise a preferred product/service consistently in the future" (Oliver, 1999). A loyal customer is someone who has a positive attitude towards the organisation, repeatedly purchases from it and intentionally recommends it to others through positive word-of-mouth (Du Toit, 2012).

Baloglu (2002) points out that marketers should first determine the nature of their customers' loyalty before they can develop real loyalty. As was briefly mentioned before, loyalty can be of a behavioural and attitudinal nature. Behavioural loyalty is associated with the actual conduct or behaviour of consumers (Peppers, 2009), for example, their patronage behaviour (Kaul, 2006) reflected in the frequency of revisits to the organisation and the amount of money and time spent during each visit (Baloglu, 2002). However, Szczepańska and Gawron (2011) emphasise that behavioural loyalty goes beyond patronage behaviour; it also refers to customers' susceptibility to offers from competitors and their willingness to advertise the organisation through word-of-mouth communication. Attitudinal loyalty refers to a customer's emotional attachment to a particular provider or brand, that is, the customer's liking the partnership with the organisation and/or feeling a sense of belonging to the organisation (Financial Times Lexicon, 2012). Attitudinal loyalty is typically influenced by trust and switching costs. Trust comprises aspects such as honesty, reliability, competence, and consumer orientation, while switching costs include the time and effort incurred when moving to a different provider (Baloglu, 2002).

**FIGURE 1**  
Levels of loyalty resulting from the combination of attitudinal loyalty and behavioural loyalty



Source: Adapted from Baloglu (2002)

Four categories of loyalty, as shown in Figure 1, are formed based on the level of attitudinal and behavioural loyalty. These categories are termed latent loyalty, low loyalty, spurious loyalty and true loyalty.

Truly loyal consumers are an organisation's preferred customers. Compared with customers in the other categories of loyalty, truly loyal ones exhibit high levels of attitudinal and behavioural loyalty. These customers have a strong emotional attachment to the organisation, which positively influences the longevity of their loyalty (Cecilia et al., 2007), have high levels of trust in the organisation, spend more time and money during their visits to the store, are not susceptible to competitive offerings, and have high levels of repeat patronage (Baloglu, 2002). They also freely promote the

organisation to others through word-of-mouth communication (Harvey, 2012).

Latently loyal customers have high levels of emotional attachment to the organisation but exhibit low patronage (Harvey, 2012). The latter may be caused by situational influences and insufficient resources (Baloglu, 2002). Despite these uncontrollable factors which make it difficult for marketers to target latently loyal consumers (Harvey, 2012), this group can be developed into truly loyal customers through an effective marketing strategy that focuses on price, accessibility and distribution (Baloglu, 2002).

Spurious loyalty, also known as artificial loyalty, occurs when customers make frequent purchases in the absence of any emotional attachment to the organisation (Baloglu,

2002). Their high patronage behaviour can be explained by situational factors such as convenience, financial incentives, habitual buying and a lack of alternatives (Cecilia et al., 2007). Consumers who display signs of spurious loyalty are more susceptible to offerings from competitors (Baloglu, 2002).

In contrast with the other three categories, consumers with low levels of loyalty often lack any loyalty and exhibit low levels of both emotional attachment to the organisation and repeat patronage (Baloglu, 2002). They display little or no awareness of the organisation and their low emotional attachment towards it influences their buying behaviour (Du Toit, 2012). These customers' purchase decisions are easily influenced by spur-of-the-moment purchasing, convenience and on-the-spot discounts (Harvey, 2012). Furthermore, compared with other loyalty groups, low loyalty consumers spend the least amount of money and time during their visits to the particular store and are very susceptible to offers from competitors (Baloglu, 2002).

### **Loyalty programmes**

One perspective of a loyalty programme is that it serves as a marketing instrument aimed at creating customer loyalty (Dowling & Uncles, 1997; Liu, 2007). Another view is that loyalty programmes aim to gain a larger share of the consumer's spending (Worthington & Fear, 2009) over a period of time (Mauri, 2003). To achieve these aims, loyalty benefits or rewards may be immediate or delayed (Dowling & Uncles, 1997). Immediate rewards often take the form of different discounts, for example, a percentage discount on purchases that are linked to price promotions (Leenheer, Herald, van Heerde, Bijmolt, & Smidts, 2007) available only to loyalty programme members. While immediate rewards are often attractive to consumers, organisations tend to prefer delayed rewards, since the latter build exit barriers (e.g. consumers are afraid of losing their points when they switch to a different provider) and create consumer loyalty longevity through long-term shaping of consumer behaviour (Dowling & Uncles, 1997). Delayed rewards typically comprise points that can be converted into discount coupons, free products or gifts (Dowling et al., 2003). For delayed rewards to be effective,

loyalty programmes must have structures in place to induce consumers to view purchases as a sequence of related decisions (Lewis, 2004).

In addition to being immediate or delayed, rewards can also be direct or indirect (Dowling & Uncles, 1997). A direct reward is one that is linked to a given product and may add value to the product (Dowling & Uncles, 1997). Indirect rewards, in contrast, are often not linked to a product (Dowling & Uncles, 1997). Because consumers tend to focus more on the products they purchase rather than those they do not, direct rewards such as special offers and discounts normally get more attention and create greater value for customers (Yi & Jeon, 2003). Therefore direct rewards are more successful in achieving the loyalty programme objective of creating consumer loyalty and longevity (Cecilia et al., 2007; Dowling & Uncles, 1997).

### ***Perceived loyalty programme benefits***

Perceived loyalty programme rewards are the benefits consumers receive for participating in the loyalty programme (De Wulf, Odekerken-Schröder, de Cannière & van Oppen, 2002). A review of research suggests that these rewards can be of a utilitarian, hedonic or symbolic nature.

Utilitarian rewards are functional, instrumental and cognitive in nature and provide the consumer with a solution to basic needs (Mimouni-Chaabane & Volle, 2010). Examples are monetary savings and convenience. Monetary savings, a primary reason why consumers support loyalty programmes, include tangible rewards such as discount coupons, cash-back offers and discounts on purchases (Jørgensen, 2010). Leenheer et al. (2007) argue that the more economic rewards consumers perceive they receive from loyalty programme membership, the more likely their enrolment in the programme will be. In addition to monetary savings, utilitarian rewards also include convenience, for example, easy and fast payment desks where consumers can use their loyalty cards (Mimouni-Chaabane & Volle, 2010). An indirect convenience benefit derived from patronising an organisation involves consumers' getting to know the organisation and its products and services. This facilitates

their purchase decision-making processes (Mimouni-Chaabane & Volle, 2010), saves time and enhances shopping convenience.

In addition to utilitarian benefits, consumers may also derive hedonic rewards from participating in a loyalty programme. Rewards such as exploration, achievement and entertainment provide the consumer with pleasure and satisfaction. Loyalty programmes offer consumers the opportunity to explore and try new products and promotional offers that they might not have done under normal circumstances (Mimouni-Chaabane & Volle, 2010). Other hedonic rewards include the pleasure, satisfaction and sense of achievement associated with collecting and redeeming loyalty points (Mimouni-Chaabane & Volle, 2010), and participating in lucky draws, special events and competitions open to loyalty programme members.

Symbolic benefits, the third category of rewards, often relate to self-esteem and social approval. Consumers might perceive recognition, prestige, distinction and an elevated standing (Shugan, 2005) resulting from special treatment rewards offered to programme members. Some loyalty programme members seem to experience a sense of belonging and being part of an exclusive group (Mimouni-Chaabane & Volle, 2010) which results in feelings of familiarity and emotional engagement with the organisation (Szczepeńska & Gawron, 2011).

The loyalty programme reported on in the empirical part of the current research provides its members with many of the benefits discussed above. For example, members can instantly earn points with each purchase, receive discounts on hundreds of products that non-members do not receive, and are automatically entered into numerous competitions when they swipe their loyalty card (Smart Shopper, 2013). Collected points can be converted into discount coupons which can be used at a variety of partners, used as flyer miles with a specific airline, or donated to a charity of their choice. Special benefits include allowing customers to place their grocery order by phone, fax or email. Staff members prepare the order and call the consumer with the exact amount of the purchase. The consumer then comes to the

store, pays for the groceries and is assisted to the car.

Another example of special benefits is the retailer's practice of opening its doors an hour earlier on 24 December so that loyalty programme members can be treated to coffee and snacks. They also have the opportunity to liaise with staff and do their Christmas shopping before non-members are allowed in the store (Smart Shopper, 2013).

## RESEARCH STRATEGY

A literature search and an empirical study were undertaken to answer the research question and achieve the research objectives. Primary data were collected following a quantitative approach and using a person-administered survey and structured questionnaire. A qualifying question verified whether the potential respondent was a loyalty programme member and was willing to participate in the survey.

The remainder of the section on research strategy describes the questionnaire, sampling and data collection, and the technicalities and process of data analysis.

### *Questionnaire*

The questionnaire was divided into two sections. The first part of Section A comprised eight items intended to measure behavioural and attitudinal loyalty. These items originated from Manuele (2005). The results of this section were then used to classify respondents into the different levels of loyalty, namely, true loyalty, spurious loyalty, latent loyalty and low loyalty. The second part of Section A comprised 19 semantic scale items with "strongly disagree" and "strongly agree" as anchor points. These items, which were intended to measure perceptions of the loyalty programme benefits, have been adapted from the work by Manuele (2005) and Mimouni-Chaabane and Volle (2010).

Section B contained five questions that captured details of respondents' gender, age, ethnic group, household size, and monthly income.

### **Sampling and data collection**

Questionnaires were completed by respondents who were members of the selected retail loyalty programme and who patronised a specific outlet in the retail chain. While the latter limits the generalisability of the findings, it prevented bias resulting from differences in store location, qualities of staff, levels of service, and the like. Three trained fieldworkers distributed questionnaires over three weeks to shoppers while they were in the store until 350 usable questionnaires were received. Respondents could complete the questionnaire in the store or in their own time and return it to the store.

### **Data analysis**

The data was captured in Microsoft Excel and analysed using Statistica Version 10. The data analysis was done in five stages - calculation of descriptive statistics, factor analysis to identify latent dimensions of customer loyalty and of perceived benefits, categorisation of respondents into the four levels of loyalty, analysis of these groups' perceptions of the loyalty programme benefits and determining the relationship between the levels of loyalty and perceptions of the loyalty programme benefits.

The loyalty programme benefits data were described using frequencies, minimum and maximum values, mathematical averages (mean scores) and standard deviations. Prior to conducting an exploratory factor analysis, we first examined the suitability of the data for factor analysis by determining the Kaiser-Meyer-Olkin's (KMO) measure of sampling adequacy and the Bartlett's test of sphericity (Bartlett, 1954). Since the KMO value of 0.895 was within the 'meritorious' interval of 0.8 to 0.9 (Kaiser, 1974) and the Bartlett's test showed statistical significance ( $p < 0.001$ ), factor analysis was viable. Thereafter we used Kaiser's criterion (Kaiser, 1960) and Cattell's scree test (Cattell, 1966) to determine the number of factors. Four eigenvalues exceeded one and the scree plot showed an elbow after the fourth factor, which confirmed the existence of four factors. The four-factor solution explained 68.24% of the total variance, thus meeting the rule of thumb that a factor solution accounting for 60% or more of

the total variance is satisfactory (Friel, 2008; Hair, Black, Babin & Anderson, 2010). Consequently, the extracted four-factor framework was deemed acceptable. The initial factor solution was rotated to facilitate substantive interpretation of the pattern of factor loadings. In comparison with orthogonal rotation (e.g. VARIMAX), the oblique rotation method where factors are assumed to correlate to each other was used as this approach is better suited to the goal of obtaining several theoretically meaningful factors and is more justifiable and more realistic, particularly in the social sciences (Chi & Qu, 2008; Hair et al., 2010). All 19 items loaded on four interpretable factors. Item loadings exceeded the acceptable level of 0.40 (Tabachnick & Fidell, 2007) as did the inter-item averages of the factors.

A similar process was followed in analysing the data for loyalty. First descriptive statistics were calculated. Thereafter the factorability of the data was confirmed by the KMO value of 0.928 and the Bartlett's test of sphericity showing statistical significance ( $p < 0.001$ ). Only one factor had an eigenvalue exceeding one and a clear elbow appeared after the first factor. The single factor, with a Cronbach alpha of 0.90 and explaining 59.5% of the total variance, was taken to represent store loyalty. All factor loadings exceeded 0.60 and the inter-item correlation equalled 0.54. Following the factor analysis, the scale measuring respondents' loyalty was collapsed into four groups representing the four levels of loyalty as follows: 1.00-1.99 (low loyalty), 2.00-2.99 (spurious loyalty), 3.00-3.99 (latent loyalty) and 4.00-5.00 (true loyalty).

Analysis of variance (ANOVA) was used to examine the factors describing perceived programme benefits relative to the various loyalty groups. Where significant differences between groups were detected, Tukey's HSD test was used to determine where the difference occurs. Further results of the data analysis are discussed in the next section.

## **RESULTS AND DISCUSSION**

### **Profile of the respondents**

Females comprised 72% of the respondents; 15% of the respondents were younger than 25,

34% were between the ages of 26 and 35, 26% between 36 and 45, 17% between 46 and 55 and 8% were older than 55. The seemingly skewed distribution of gender and age groups might be partly explained by the physical location of the store. Three schools of which one has over 2 000 pupils, are located within a 3km radius from the store. Many mothers are reported (personal communication, C. Swiegelaar, Manager of Pick 'n Pay Family Store, 15 February 2015) to do their shopping during the same trip of dropping off or fetching their children from school. Of the respondents, 58% were coloured, 20% black, 20% white and 2% Indian or from other ethnic groups. Only 4% of the respondents lived alone, 14% were part of a 2-person household,

17% were from a 3-person household, 28% were from a 4-person household, and the remainder lived with more than four people. More than half (55%) of the respondents' monthly gross income was between R3000 and R9999, 30% earned less than R2999, 11% earned between R10 000 and R19 999, 3% between R20 000 and R39 999, and 1% earned more than R40 000 per month.

#### *Results of factor analysis and descriptive statistics for perceived loyalty programme benefits*

Table 1 shows the mean scores and standard deviations for all the items grouped into the four factors, the reliability coefficients and the

**TABLE 1**  
**Results of exploratory factor analysis, mean scores, standard deviations and Cronbach's alphas for loyalty programme benefits**

	Factor loading	Mean	Std dev
<b>Factor 1: Recognition</b>			
I feel special	.562	3.83	1.27
I feel that I am treated better than non- cardholders	.911	3.46	1.38
I feel that I am treated with more respect than non-cardholders	.953	3.40	1.38
I feel more important than non-cardholders	.929	3.43	1.43
I feel part of a special group	.604	3.76	1.30
I feel I belong somewhere	.662	3.89	1.20
Cronbach's alpha = 0.93	-	3.63	1.15
% Variance explained = 41.72			
<b>Factor 2: Convenience</b>			
It is easy to become a loyalty programme member	.700	4.69	0.73
The loyalty programme application form required little personal information from me	.477	4.32	1.09
The loyalty programme is easy to use	.749	4.52	0.81
It is very easy to obtain substantial rewards	.538	4.30	0.93
It is easy to redeem rewards	.521	4.40	0.92
Cronbach's alpha = 0.77	-	4.45	0.65
% Variance explained = 14.11			
<b>Factor 3: Savings and exploration</b>			
I receive financial rewards that meet my expectations	.660	3.84	1.08
The programme makes me feel that I spend less	.798	3.83	1.09
I save money with the loyalty programme	.672	3.98	1.10
I discover new products with the loyalty programme	.444	3.64	1.21
I try new products with the loyalty programme	.518	3.74	1.20
Cronbach's alpha = 0.84	-	3.81	.089
% Variance explained = 6.84			
<b>Factor 4: Entertainment</b>			
Earning points is exciting	.717	4.33	0.97
Redeeming my points is fun	.628	4.26	0.96
I feel good about myself when I redeem my points	.592	4.20	1.10
Cronbach's alpha = 0.86	-	4.27	0.89
% Variance explained = 5.57			



percentage variance explained by each of the factors. The factors were named based on the core ideas reflected in the items loading onto each specific factor.

Factor 1, labelled *Recognition*, consists of six items that measured respondents' perceptions of the recognition they experienced as loyalty programme members. Factor 2, *Convenience*, used five items to capture perceptions of the convenience associated with the loyalty programme. Factor 3, comprising 5 items, was termed *Savings and exploration*. *Entertainment*, Factor 4, gathered three items. Individual item mean scores ranged from 3.40 to 4.69 on the 5-point scale. This range indicates that overall, the respondents were fairly positive about the programme benefits. Except for one item "Earning points is exciting, M=4.33) the five highest individual mean scores all related to convenience. *Convenience* also had the highest factor mean score (M=4.45) followed by *Entertainment* (M=4.27). *Savings and exploration* (M=3.81) and *Recognition* (M=3.63) had mean scores below 0.40. The lowest item mean scores (M=3.40 and M=3.43 respectively) was obtained for "I feel that I am treated with more respect than non-cardholders" and "I feel more important than non-cardholders".

#### *Results of the factor analysis and descriptive statistics and results of the factor analysis for store loyalty*

All the items measuring store loyalty loaded on one factor. This implies that no differentiation was made between attitudinal and behavioural loyalty. Table 2 shows the results of the factor analysis and the relevant descriptive statistics for this factor, which was labelled, *Store loyalty*. The individual item mean scores ranged from 3.56 to 4.13, which seems to indicate fairly high levels of loyalty. The highest item mean score (I trust this store) relates to attitudinal loyalty but no pattern was evident in the remainder of the results.

#### *Clustering respondents into levels of loyalty*

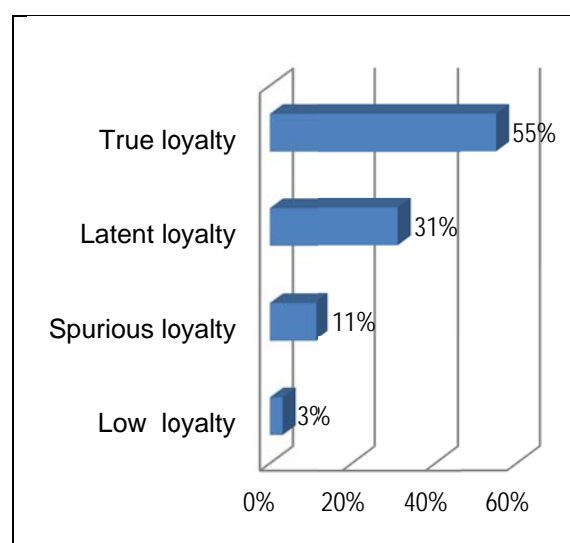
The scale measuring respondents' loyalty to the retailer was collapsed into groups representing the four levels of loyalty described in the earlier sections on "Consumer

loyalty" and "Research strategy". Figure 2 shows the results.

**TABLE 2:**  
**Results of exploratory factor analysis, mean scores and standard deviations for store loyalty**

	Factor Loading	Mean	Std dev
<b>Store loyalty</b>			
I trust this store	0.713	4.13	1.11
I often recommend this store to others	0.748	4.06	1.00
I spend a lot of time on my visits to this store	0.810	3.91	1.18
I frequently buy from this store	0.792	3.94	1.05
I feel very loyal to this store	0.628	3.89	1.12
I buy more from this store from other grocery stores	0.775	3.82	1.21
I exclusively buy my grocery products from this store	0.728	3.81	1.14
I don't consider offers from competing grocery stores	0.656	3.56	1.21
Cronbach's alpha = 0.90			
% Variance explained = 59.5			

**FIGURE 2:**  
**Percentage of respondents clustered into each of the loyalty levels**



**TABLE 3:  
Results of the Analysis of Variance**

Loyalty levels	Low		Spurious		Latent		True		F	P
	M	SD	M	SD	M	SD	M	SD		
Programme rewards										
Convenience	3.00	2.83	3.67	0.83	4.03	0.66	4.66	0.47	41.71	0.0000*
Savings & exploration	2.50	1.56	2.43	0.81	3.25	0.70	4.10	0.77	45.65	0.0000*
Entertainment	3.17	1.18	2.74	1.07	3.67	0.88	4.58	0.65	56.26	0.0000*
Recognition	2.67	2.36	1.98	0.94	3.22	1.12	3.88	1.03	21.14	0.0000*

p < 0.001

It is clear from Figure 2 that the majority of the respondents can be regarded as truly loyal, implying a high level of combined attitudinal and behavioural loyalty.

#### *Comparison of perceived loyalty programme benefits across levels of loyalty*

Table 3 compares the respondents' perceptions of the loyalty programme benefits against the four levels of loyalty. Truly loyal respondents obtained the highest mean score for all the benefit dimensions. *Convenience* benefits attracted the highest mean score (M=4.66), closely followed by *Entertainment* (4.58). *Recognition* had the lowest score (M=3.88). A similar pattern is evident for respondents classified as latently loyal and spuriously loyal, but the individual mean scores were comparatively lower than those for the truly loyal group. The low loyalty group, however, valued *Entertainment* benefits the most (M=3.17), followed by *Convenience* (M=3.00); *Savings and exploration* benefits were valued the least (M=2.50). Given the lack of attitudinal and behavioural loyalty associated with low loyalty consumers, one can expect that this group will easily switch to other loyalty programmes if the latter offer more entertainment and fun.

Table 3 also shows the results of the Analysis of Variance performed to determine whether the perceptions of loyalty programme benefits were significantly different across the levels of loyalty. The results confirmed that this was indeed the case (p<0.05).

A Tukey's alternate procedure was performed to examine where the differences indicated in Table 3 occurred. The results are shown in Table 4.

It follows from Table 4 that perceptions of *Convenience* differed significantly between the truly loyal and low loyalty groups, between truly loyal and spuriously loyal and between truly loyal and latently loyal groups. A similar pattern of significant differences was observed in the case of *Savings and exploration*. In addition, a significant difference also existed between spuriously and latently loyal customers. In the case of both *Entertainment* and *Recognition* significant differences were found between those who were truly loyal and those who were spuriously and latently loyal, and between the spuriously and latently loyal groups.

## **CONCLUDING REMARKS AND RECOMMENDATIONS**

While organisations use loyalty programmes to encourage customer loyalty, it is reasonable to believe that consumers participate in such programmes for the benefits they expect to receive. The aim of our study was to determine whether respondents' perceptions of the specific loyalty programme benefits differ relative to their level of loyalty to the organisation. A major South African retail supermarket loyalty programme and its members served as the research setting.

**TABLE 4**  
**Results of the Tukey test**

<i>Convenience</i>				
Loyalty level	Low	Spurious	Latent	True
Low	-	-	-	-
Spurious	0.4743	-	-	-
Latent	0.0892	0.1839	-	-
True	0.0007*	0.0000*	0.0000*	-

<i>Savings and exploration</i>				
Loyalty level	Low	Spurious	Latent	True
Low	-	-	-	-
Spurious	0.9995	-	-	-
Latent	0.5913	0.0030*	-	-
True	0.0314*	0.0000*	0.0000*	-

<i>Entertainment</i>				
Loyalty level	Low	Spurious	Latent	True
Low	-	-	-	-
Spurious	0.8978	-	-	-
Latent	0.8213	0.0003*	-	-
True	0.0637	0.0000*	0.0000*	-

<i>Recognition</i>				
Loyalty level	Low	Spurious	Latent	True
Low	-	-	-	-
Spurious	0.8621	-	-	-
Latent	0.9107	0.0009*	-	-
True	0.4539	0.0000*	0.0000*	-

In summary, the results of our study showed that perceived loyalty programme benefits can be grouped into four dimensions - *Recognition, Convenience, Savings and exploration, and Entertainment*. These dimensions are fairly similar to those identified in a comparable study into the loyalty programme of a grocery retailer in Italy (Mimouni-Chaabane & Volle, 2010), namely convenience, monetary savings, exploration, entertainment, recognition and social benefits.

Respondents found the retailer's loyalty programme to be primarily convenient and entertaining, but also offering a fair amount of recognition and opportunities for savings and exploration. Perceptions of these benefits differed significantly relative to the programme members' loyalty to the store with regard to all four sets of benefits. Truly loyal consumers thought that the loyalty programme first of all provides *Convenience*, followed by

*Entertainment, Savings and exploration, and Recognition* at the bottom of the list. Latently and spuriously loyal groups also valued *Convenience* most, and both groups found *Recognition* the least appealing. When ranked according to mean scores, *Entertainment* topped the list of benefits in the views of the low loyalty group, with *Convenience* in second place and *Savings and exploration* last.

The results confirmed that perceptions of loyalty programme benefits differ according to level of loyalty to the organisation. Following these results, it is suggested that the retailer's loyalty programme be designed in a way that will maximise members' perceptions of convenience. Baloglu (2002) indicates that latently loyal customers have the potential to become loyal customers. Therefore, apart from the loyalty programme's convenience satisfying the expectations of truly loyal customers, it might also help move the latently

loyal group to becoming truly loyal. Latently loyal consumers typically exhibit low patronage levels, but high emotional attachment to providers (Harvey, 2012).

The loyalty programme is currently not perceived as offering its members much recognition. These perceptions might be improved by strategies to make members feel more distinguished, unique and special compared with non-members. Efforts might include offering complimentary coffee or snacks, providing special payment counters and promotions in-store that are only available to loyalty programme members. Furthermore, members might be provided with loyalty cards in different colours based on their usage with exclusive benefits attached to the different colours.

To move spuriously loyal members to becoming latently loyal or even truly loyal, it will be necessary to find innovative ways to strengthen perceptions of *Savings and exploration* and *Entertainment*. Perceptions of *Entertainment* can be enhanced by not only offering members discount vouchers redeemable at the retail store, but perhaps also items such as rugby tickets, concert tickets and/or holiday accommodation coupons. Low loyalty customers might also benefit from such actions as these customers often lack any loyalty and exhibit low levels of both emotional attachment to the organisation and repeat patronage (Baloglu, 2002). Given these characteristics and the finding that *Entertainment* had the highest mean score, their loyalty might be enhanced by additional entertainment benefits.

#### LIMITATIONS OF THE STUDY AND FUTURE RESEARCH

The limitations of our study create opportunities for further research. First, the survey population was limited to patrons of a single grocery retailer and therefore the generalisability of the findings may be questioned. Further cross-sectional research will help determine whether different samples will yield similar results. These samples could include different sized stores and different

locations in South Africa. Future research could also compare perceptions of loyalty programme benefits across countries where similar loyalty programmes are offered within a specific industry or compare perceptions of similar programmes across different industries.

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