

How South African Rewards Programs Impact On Customer Loyalty

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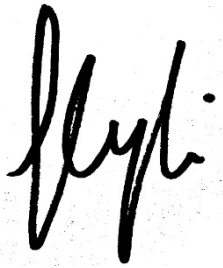
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DECLARATION

I hereby declare that the Research submitted for the Bachelor of Arts Honours in Strategic Brand Communication degree to The Independent Institute of Education is my own work and has not previously been submitted to another University or Higher Education Institution for degree purposes.

A handwritten signature in black ink, appearing to read 'Kyli', is positioned above a horizontal line.

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ABSTRACT

This research is addressed to all organisations interested in offering their loyal consumers a rewards program that provides valuable incentives in return for an on-going mutually beneficial relationship. There is uncertainty as to whether rewards programs are effective in positively influencing customer purchasing decisions and ensuring loyalty to a brand. This is a problem for companies injecting large amounts of capital into these initiatives. This research therefore discusses how South African rewards programs impact on customer loyalty.

This small-scale study explores the link between rewards programs and how customers perceive them in order to determine whether South African rewards programs and their incentives increase customer purchases, reinforce client retention and support loyalty to a brand. From this research companies will be able to decide how they can better their loyalty services. Additionally, customers will benefit as they will receive improved incentives tailored to their needs.

This study is qualitative, utilising in-depth interviews in order to gain information from respondents. This method of data collection and thematic analysis enabled the research to learn more about consumer views, opinions and beliefs, providing a subjective experience from the consumers point of view.

Findings of this study show that customers value meaningful rewards. Companies ought to be injecting the necessary resources into running loyalty programs and offering their customers unique and valuable incentives. These programs have the ability to generate more than just a monetary return if they are well executed and offer mutual benefits to the brand and customer. If properly utilised, rewards program can aid in building meaningful relationships.

LIST OF TABLES

Table 3.1: Sample Criteria.....	21
Table 4.1: Profile of respondents from the survey.....	31

LIST OF FIGURES

Figure 2.1: SERVQUAL Model, 1988 (Tools Hero, 2020).....	5
Figure 2.2: Aaker's Brand Equity Model, 1991 (Research Gate, 2020).....	9
Figure 2.3: Why rewards programs are important to the brand and the consumer (Saleh, 2020).....	13
Figure 3.1: Example of thematic analysis in practice (Dineen, 2013).....	26
Figure 4.1: Different brands respondents shop at along with the benefits these stores offer their loyal consumers.....	32
Figure 4.2: Rewards and rewards programs that are of value to respondents.....	33
Figure 4.3: Extent to which respondents will go out of their way to purchase at the store offering a loyalty program they are interested in.....	34
Figure 4.4: Responses of interviewee's in relation to their spending inclinations.....	35

TABLE OF CONTENTS

DECLARATION	ii
ABSTRACT	iii
LIST OF TABLES	iv
LIST OF FIGURES	iv
CHAPTER ONE – ORIENTATION OF STUDY	1
1.1 Introduction	1
1.2 Title	1
1.3 Background	1
1.4 Rationale and Relevance	1
1.5 Problem Statement	2
1.6 Purpose Statement	2
1.7 Research Question	2
1.8 Research Objectives	3
1.9 Chapter Summary	3
CHAPTER TWO – LITERATURE REVIEW	4
2.1 Introduction	4
2.2 Paradigm	4
2.3 The SERVQUAL Model	5
2.4 Gaps Addressed by The RATER Model	7
2.5 The Brand Equity Model	9
2.6 Conceptualisation of Key Terms	10
2.7 Review of Relevant Literature	12
2.8 Conclusion	16
2.9 Chapter Summary	16
CHAPTER THREE: RESEARCH METHODOLOGY	17
3.1 Introduction	17
3.2 Research Design	17
3.2.1 Paradigm	17
3.2.2 Theoretical Framework	17
3.2.3 Conceptual Approach	18
3.2.4 Research Design	18
3.3 Research Plan	19
3.3.1 Population	19
3.3.2 Sampling	20

3.3.3 Recruitment Methods	21
3.3.4 Data Collection Method	21
3.3.5 Application of Data Collection Method	23
3.3.6 Data Analysis Method	24
3.3.7 Application of Data Analysis Method.....	26
3.4 Ethical Considerations	28
3.5 Trustworthiness, Credibility, Transferability, Dependability and Confirmability	29
3.6 Chapter Summary	30
CHAPTER FOUR: PRESENTATION AND DISCUSSION OF FINDINGS	31
4.1 Introduction	31
4.2 Presentation and Interpretation of findings	31
4.3 Responses that aid in answering the research objectives	31
4.3.1 Objective 1: To determine if customers choose to purchase at a specific store in order to receive the benefits/ perks of their loyalty program.	31
4.3.2 Objective 2: To determine how important the incentive/ loyalty program is to the customer.....	32
4.3.3 Objective 3: To determine if the customer will go out of their way to purchase at the relevant store offering the loyalty program.	33
4.3.4 Objective 4: To determine if loyalty programs cause an increase in customer spending in order to receive the incentive.....	34
4.4 Findings In Context.....	35
4.4.1 The SERVQUAL Model (1988).....	35
4.4.2 Aaker's Brand Equity Model (1991).....	36
4.5 Chapter Summary:	36
CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS.....	37
5.1 Introduction	37
5.2 Objective 1 – To determine if customers choose to purchase at a specific store in order to receive the benefits/ perks of their loyalty program.....	37
5.2.1 Findings from the Literature	37
5.2.2 Findings from the Questionnaire	37
5.2.3 Conclusion	37
5.2.4 Recommendations.....	38
5.3 Objective 2 - To determine how important the incentive/ loyalty program is to the customer.....	38
5.3.1 Findings from the Literature	38
5.3.2 Findings from the Questionnaire	38
5.3.3 Conclusion	38

5.3.4 Recommendations.....	39
5.4 Objective 3 - To determine if the customer will go out of their way to purchase at the relevant store offering the loyalty program.....	39
5.4.1 Findings from the Literature.....	39
5.4.2 Findings from the Questionnaire	39
5.4.3 Conclusion	39
5.4.4 Recommendations.....	39
5.5 Objective 4 - To determine if loyalty programs cause an increase in customer spending in order to receive the perk/ incentive.....	40
5.5.1 Findings from the Literature.....	40
5.5.2 Findings from the Questionnaire	40
5.5.3 Conclusion	40
5.5.4 Recommendations.....	40
5.6 Research Question and Problem	41
5.7 Anticipated Contribution	41
5.8 Suggestions for Further Research	42
5.9 Limitations	42
5.10 Concluding Remarks	42
REFERENCE LIST	44
APPENDICES.....	49
APPENDIX A: CONSENT FORM FOR PARTICIPANTS	49
APPENDIX B: SCOPE OF INTERVIEW QUESTIONS.....	50
APPENDIX C: ETHICAL CLEARANCE LETTER	52
APPENDIX D: FINAL RESEARCH SUMMARY DOCUMENT TABLE.....	54

CHAPTER ONE – ORIENTATION OF STUDY

1.1 Introduction

Chapter 1 of the research contains the research title/ topic of choice, as well as background information to give the reader insight into the study. The purpose statement and problem statement further motivate why the research was undertaken. The research question and objectives stated have aided in carrying out the research topic being studied.

1.2 Title

How South African rewards programs impact on customer loyalty

1.3 Background

Customer loyalty pinpoints the extent to which customers are invested in a company's products or services and how strong their tendency is to choose one brand over a competing brand (My Accounting Course, 2019). Customers who make regular purchases are encouraged to return to a store through rewards programs. A few benefits offered by rewards programs may be: early access to certain goods, discounts and complementary gifts. In order to sign up for these programs, customers exchange their personal information providing the company offering the program with valuable information regarding their shopping habits. In return they are given some form of identification used at checkout such as a membership card, which will then be presented upon purchase to collect loyalty points (Investopedia, 2019).

Customer loyalty is a phenomenon centred around the attitudes of customers; which many believe can be influenced vastly by initiatives such as rewards programs (Emeraldinsight.com, 2019). Through the execution of this research, information was gathered from various customers of stores offering rewards programs. The respondents commented on whether they value rewards programs and consider them an important factor in making their final purchasing decision. This helped determine whether rewards programs are of significant value to customers.

1.4 Rationale and Relevance

This research will be of value to companies offering loyalty programs, such as: Woolworths, Clicks, Pick n Pay and Checkers. The research will ultimately benefit customers of these stores. It will help companies determine if their incentives and benefits offered are strong enough to retain customers and their loyalty, resulting in on-going purchases (DeMatas, 2019). Satisfied customers will return for repeat business (DeMatas, 2019). From this

research, companies will be able to decide how they can better their loyalty services to ensure they aren't losing sales to competing brands offering similar products. Customers will benefit as they will receive improved incentives tailored to their needs.

This research relates to marketing/branding as a core discipline because a customer loyalty program is a relationship between a brand and customer. A company offers exclusive products, promotions, or pricing; in return the customer agrees to remain loyal to the business through repeat purchases or brand engagement (DeMatas, 2019).

1.5 Problem Statement

Many companies invest large amounts of money introducing and offering customers loyalty programs such as: "smart shopper" cards or the "Woolworths rewards" system, however there is uncertainty as to whether these programs are effective in positively influencing customer purchasing decisions and ensuring loyalty to a brand (Harvard Business Review, 2019). This is a problem for companies injecting large amounts of capital into these initiatives thinking they are gaining customer retention, when in some instances, rewards programs may not be effective in building client loyalty. This research discusses whether these rewards programs positively benefit companies and are worthwhile implementing.

1.6 Purpose Statement

This research sought to determine if rewards programs and their incentives increase customer purchases, reinforce client retention and support loyalty to a brand. This research discusses the extent to which these programs and their incentives attract and persuade a customer to remain loyal to a brand in order to receive the benefits, rather than purchasing the same products somewhere else. This research is of importance to companies offering rewards programs, it will show them whether their rewards system is strong enough to retain customer purchases and loyalty. It will also aid in showing these businesses how they can better their rewards programs to ensure they are not losing sales to a competitor (Harvard Business Review, 2019).

1.7 Research Question

Do South African rewards programs and their incentives increase customer purchases, reinforce client retention and support loyalty to a brand?

1.8 Research Objectives

1. To determine if customers choose to purchase at a specific store in order to receive the benefits/ perks of their loyalty program.
2. To determine how important the incentive/ loyalty program is to the customer.
3. To determine if the customer will go out of their way to purchase at the relevant store offering the loyalty program.
4. To determine if loyalty programs cause an increase in customer spending in order to receive the perk/ incentive.

1.9 Chapter Summary

This chapter has covered the research title/ topic of choice, as well as the background information giving the reader insight into the study. The purpose statement and problem statement further motivate why the research is being undertaken. The research question and objectives stated will aid in carrying out the research topic. Chapter two presents a literature review along with theories relevant to the study. Chapter three contains research methodology and chapter four presents and discusses findings. The last chapter concludes the study making recommendations.

CHAPTER TWO – LITERATURE REVIEW

2.1 Introduction

According to Du Plooy-Cilliers, Davis and Bezuidenhout, (2014), a literature review entails searching for available literature that is relevant to the topic and objectives of the research and reading, evaluating and summarising as much of the literature possible. This literature can relate directly or indirectly to the research topic and needs to present suitable models or theories against which the research is considered. The sources used in a literature review are credible sources that include published information such as textbooks, journal articles, or information available online (Du Plooy-Cilliers, Davis and Bezuidenhout, 2014). The purpose of this literature review is to put the study into perspective through identifying main theories that are relevant. This review unpacks information that is currently available, informing the research being undertaken. In addition, it creates a structure and framework for the study.

Customer loyalty is a continuous positive relationship between a customer and a business. Loyalty drives repeat purchases and encourages existing customers to choose a particular brand/company over a competitor offering similar benefits (Qualtrics, 2020).

Many companies invest large amounts of money offering customer loyalty programs such as: “smart shopper” cards or the “Woolworths rewards” system, however there is uncertainty as to whether these programs are effective in positively influencing customer purchasing decisions and ensuring loyalty to a brand (Harvard Business Review, 2019). This is a problem for companies who think they are gaining customers and their loyalty, when in some instances, rewards programs may not be effective in building client loyalty. This research aims to discover whether these rewards programs positively benefit companies and are worthwhile implementing.

2.2 Paradigm

Interpretivism is the appropriate paradigm of choice for this research study. This paradigm believes that people differ from objects, and that humans cannot be studied in the same way objects are studied. Interpretivism involves social sciences, and this form of research seeks to understand human behaviour (Du Plooy-Cilliers, Davis and Bezuidenhout, 2014). Interpretivists want to see the situation they are studying, through the eyes of their respondents in order to gain an in-depth understanding (Du Plooy-Cilliers, Davis and Bezuidenhout, 2014). This paradigm is relevant to the research topic because; the aim of

this research is to gain an understanding from the customers perspective as to whether rewards programs influence their final decision to purchase at a particular store.

2.3 The SERVQUAL Model

The SERVQUAL model was developed by Parasuraman, Zeithaml and Berry (1988). This model can be used as a method to capture and measure the perceptions of service quality as experienced by customers. Companies that offer rewards programs as a service can apply the SERVQUAL model to create a competitive edge. This model is a qualitative analysis based on satisfaction surveys and can help identify shortcomings in a company's service offering and address them (Tools Hero, 2020).

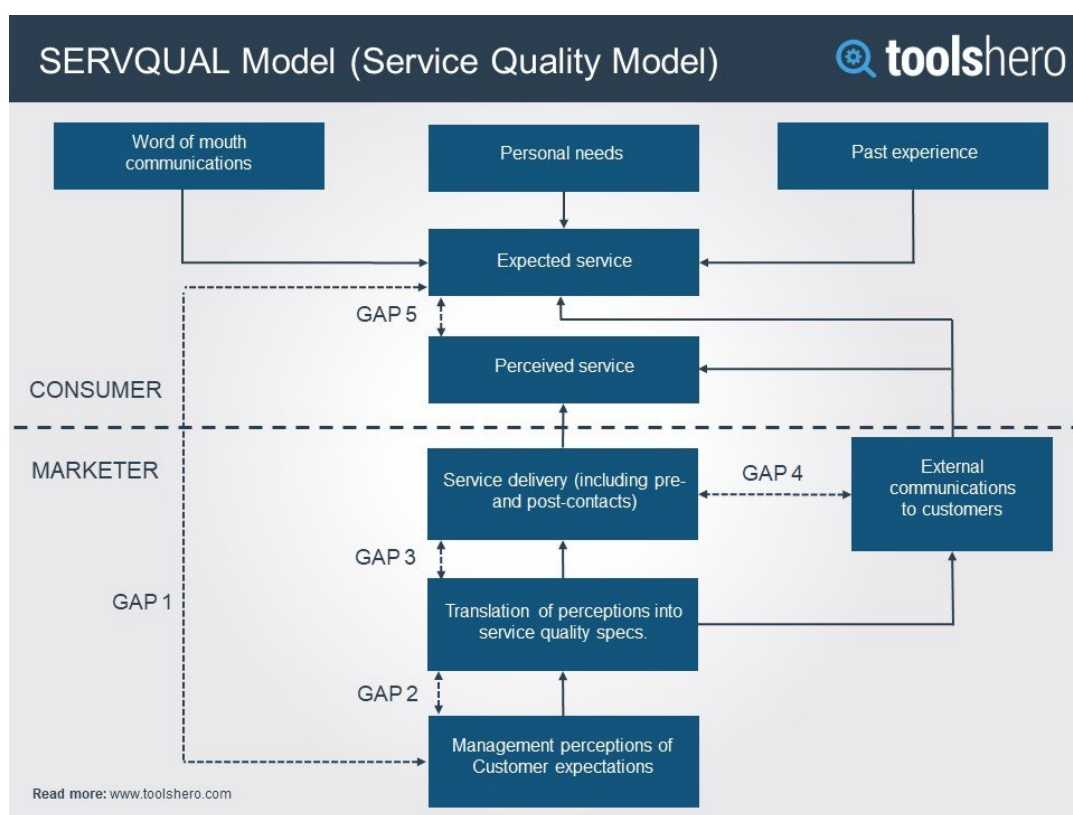


FIGURE 2.1: SERVQUAL Model (Service Quality Model)

Source: Tools Hero, (2020).

For purpose of this research study, there will be a focus on Gap 5 (expected service vs. perceived service). The SERVQUAL Model is used to measure customer perceptions of rewards programs that are offered by companies as a service. This enables stores offering these rewards programs to better their 'expected' service offering to customers to ensure more consumers find it worthwhile participating in these rewards programs. This will benefit both the company and the customer.

This framework is centred around the expectancy pattern of service quality, highlighting the difference between expectations and perception. If there is a difference between the quality of service that is expected and the actual quality of service experienced, this is made clear through a gap. The SERVQUAL Model allows businesses to learn which factors contribute to how the customer's expectancy pattern is formed. The company can then make improvements by taking this pattern into account (Tools Hero, 2020).

The following ten dimensions play an important role in the SERVQUAL Model (Tools Hero, 2020):

- Reliability: to what extent the service is accurate and honest.
- Responsiveness: responding to customer questions/ complaints promptly and adequately.
- Competence: the expertise of the organisation.
- Access: whether the customer can quickly and efficiently contact the correct department.
- Courtesy: being polite to customers.
- Communication: providing clear, prompt and accurate information to clients.
- Credibility: is the organisation's message believable and reliable?
- Security: adds trust to the service.
- Knowing the customer: includes a personal approach, understanding the customer's needs and wants, and responding.
- Tangibles: includes variables such as the visibility of staff (their uniforms), the interior decoration, and cleanliness of the facilities.

The SERVQUAL Model has evolved over time and is comprised of five elements known as the RATER factors. The SERVQUAL Model works with the 10 dimensions mentioned above to measure the quality of service. The RATER model works with 5 dimensions: Reliability, Assurance, Tangibles, Empathy and Responsiveness. The RATER Model additionally focusses on 5 gaps businesses experience when delivering a service (Tools Hero, 2020). For purpose of this study, the different gaps will be assessed in order to determine where businesses deviate from offering the consumer what they want or expect.

2.4 Gaps Addressed by The RATER Model

Knowledge Gap

- When a company lacks knowledge of customer expectations, resulting in approaching the consumer in the wrong manner.

Rewards programs are defined as programs that offer frequently returning customers benefits, in order to encourage them to remain loyal to the business through continuous purchasing (Study, 2020). Some of these benefits may include discounts, rebates, free products, or other promotions (Study, 2020). When a company offering a loyalty program does not put the effort into getting to know the customer, they may run the risk of offering benefits or incentives that do not appeal to their target audience. Therefore, they are unclear of customer expectations, approaching the customer in the wrong manner. This is better known as the knowledge gap.

Standards Gap

- If a company has a distorted idea of what the customer expects from their service, in relation to what customers actually expect, they are at risk of implementing this wrongly into their quality policy or corresponding rules.

According to Harvard Business Review, (2020), an organisation must share value with its customers in proportion to the value the customers' loyalty creates for the business. Therefore, the standard of service expected by a devoted and loyal customer is high. If the customer is investing large amounts of money spending at a particular store, this store should offer the customer rewards of the same value in return. The rewards offered to these loyal and special customers should therefore be meaningful rather than unappealing, showing them the appreciation they deserve.

Delivery Gap

- This gap takes place when a company offers a service that differs to consumer expectations. It can include incorrect implementation.

According to Burkard, (2018), there are various issues consumers experience when making use of loyalty programs, some of these include: lengthy sign-up processes, unappealing rewards, bad user experience or confusing program structures. When offering a rewards program, customers expect the sign-up process to be simple, they should not have to beg for the rewards they deserve to receive. Companies often make the errors mentioned above

which hinder customers from wanting to partake in the rewards programs. The implementation of the loyalty program should be smooth and free flowing, making it easy for the customer to get involved, rather than tedious. Companies need to ensure transparency and be clear on benefits and offerings of their rewards programs, this prevents any confusion or disappointment regarding perceived rewards.

Communications Gap

- When a company sends out marketing messages that create the wrong expectations among customers, such as making promises that the company may not be able to deliver.

When a customer chooses to sign up for a rewards program they exchange a small share of personal information, giving a company permission to contact them with various promotional offerings. According to The Loyalty Box, (2020), when done right, relevant promotions are effective, however certain promotional messaging can do a brand harm. If a brand communicates special offerings, or promises customers extra points on certain items purchased without stating any hidden fine print, the customer may come to the store and be highly disappointed to find that the offer was only valid for “the first 50 shoppers”. This can cause a brand serious harm by not living up to consumer expectations (The Loyalty Box).

Satisfaction Gap

- A customer can experience dissatisfaction from a vast difference in service they expect to receive, versus the service they actually receive. This can lead to the biggest gap in experienced quality.

Rewards programs can create customer satisfaction through various benefits they are able to offer the customer: instant access to rewards, personalized rewards, providing rewards that are valued, a simple and seamless process, rewards cards that can be used at multiple merchants (DCR Strategies, 2020). Consumers expect these benefits to naturally stem from loyalty programs; dissatisfaction can occur if these benefits turn to faults, such as: tedious and lengthy sign-up processes, bad user experience, issues accessing rewards etc (DCR Strategies, 2020).

Therefore, companies offering loyalty programs can make use of the RATER model. Through application of this framework, service offering companies can determine where their loyalty offerings may stray from customer needs and wants, and in turn they can better

their service through identifying the gaps. This will lead to overall enhanced customer loyalty; customers will feel they are valued through the company offering a great quality service (DCR Strategies, 2020).

2.5 The Brand Equity Model

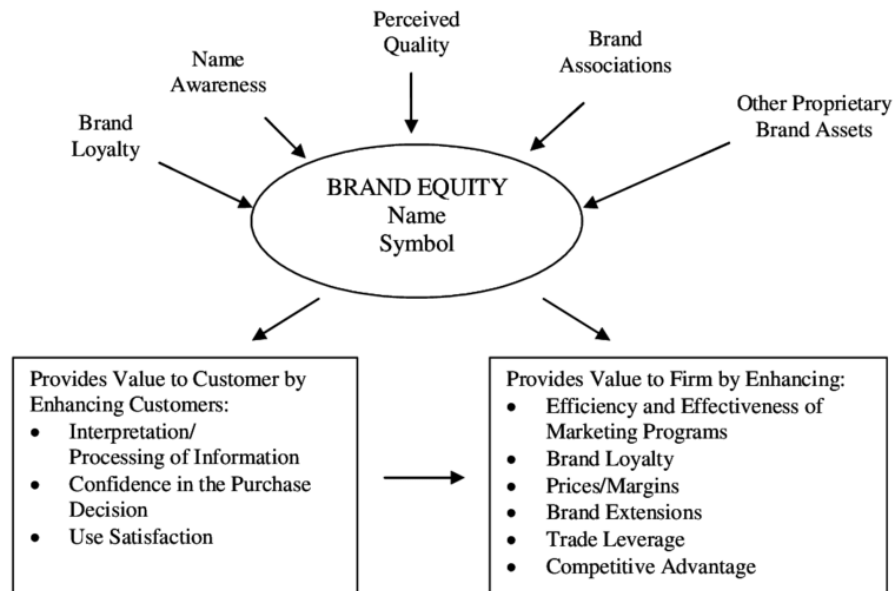


FIGURE 2.2: Aaker's Brand Equity Model (1991)

Source: Research Gate, (2020).

The next model that will be examined with relevance to the research study is Aaker's brand equity model (1991). Aaker's model identifies 5 brand equity components/ brand assets: brand loyalty, brand awareness, perceived quality, brand associations, and other proprietary assets (Simply Notes, 2020). Brand equity as defined by Aaker is: the set of brand assets and liabilities linked to the brand – factors that add to, or subtract from the value of a product or service (Simply Notes, 2020).

This model is relevant to retailers offering loyalty programs because these businesses can determine the equity of their brand, which is made up by the 5 components that determine a brand's value (Bhasin, 2020):

1. Brand Loyalty – to what extent are customers devoted to the brand?
2. Brand Awareness – is the brand well known among the public?
3. Perceived Quality – is the brand known to provide good quality products?
4. Brand Associations – associations triggered by a brand.

5. Other Proprietary – assets such as patents, intellectual property rights, and relations with trade partners. The more proprietary rights a brand has, the more competitive edge they will have in those fields.

Brand value provides benefits for both the customer and the firm (Bhasin, 2020):

- Brand value can aid a customer in processing and researching a large amount of information about a store's products and brands offered.
- Brand value influences consumer trust when purchasing, they are more inclined to trust a brand with higher quality or one that is familiar.
- Customer perceptions of quality and brand associations add value by improving satisfaction.
- Brand value drives promotional programs, making them more viable.
- Awareness, perceived quality and brand associations will strengthen customer loyalty by providing motivational reasons to purchase a product.
- Brand equity creates a competitive edge and allows for premium pricing.
- Brand value can aid in brand extensions.
- A strong well-established brand acts as a barrier for consumers to switch to competing brands.

The brand equity model, as well as the benefits derived from brand equity are significant to retailers offering rewards programs to their customers. If a brand has significant value; customers are aware of the brand, loyal to the brand, they perceive the brand to be of high quality, and therefore customers associate a brand with positive attributes (Simply Notes, 2020). Therefore, if a brand, and thus a rewards program is equitable, it is valued by customers. Customers are then likely to remain loyal to the brand; given the brand's trusted quality and service offering. It then becomes clear that customers will trust a brand if it is equitable and will want to take part in the brand's loyalty program in order to gain the added benefit of incentives for their continuous loyalty. In saying this, it is also noted that existing loyal customers will have an impact on a brand's equity, customers are seen as assets to a business and therefore can raise a brand's equity with their loyalty (Ijstr, 2020).

2.6 Conceptualisation of Key Terms

- Competitor: Companies who are attempting to sell similar goods or services to the same people/ market (Collins Dictionary, 2019).

- Customer loyalty: The Likelihood of previous customers to continue to buy products or services from a specific organization (Business Dictionary, 2019).
- Customer retention: Customer retention is the actions companies take to get their customers to continue using their services (Johnson, 2019).
- Demographics: Defined as statistical data about the characteristics of a population, such as the age, gender and income of the people within the population (Your Dictionary, 2019).
- Incentives: Something that encourages a person to do something (Cambridge Dictionary, 2019).
- Rewards programs: A program run by a company that offers benefits to frequent customers. Those benefits may be in the form of discounts, rebates, free products, or other promotions. An effective customer loyalty program will reward customers who buy from a business on a regular basis, encouraging the customer to return frequently (Study, 2019).
- Segmenting: To divide something into different parts (Cambridge Dictionary, 2019).
- Paradigm: a framework made up of basic assumptions, ways of thinking, and methodology that are accepted by members of a particular scientific community (Dictionary, 2020).
- Customer service: The act of addressing the customer's requirements by providing professional, helpful, high quality service and assistance before, during, and after the customer's needs are met (Study, 2020).

These key concepts have been defined in order to gain a greater understanding of the literature review that is to follow.

2.7 Review of Relevant Literature

Various themes have been identified that pertain to the research topic, problem and objectives. These themes will be considered when consulting existing literature available by other authors. These themes have been expanded on as follows:

- The advantages and disadvantages of loyalty programs (Annex Cloud, 2020):

For businesses wishing to understand the value a rewards program can bring, there needs to be an analysis of the pros and cons that come with it. From a business perspective, a rewards program yields major benefits, some include:

Relevant consumer data and purchasing trends – from the time a customer signs up for a loyalty program, the company can track and record consumer data. This data can be used for segmentation purposes and help profile a company's best customers. Offerings can then be tailored to specific groups of customers. These rewards programs give a company insight into a customer's buying habits and preferences. By attaining this information retailers can control their inventory management, determine their pricing, and plan promotions.

Increased customer spending – through data obtained from the loyalty program, a company can increase sales by promoting suggested accessories that go well with a purchased item and provide discounts on these related items. The loyalty program can also bring a business relief by encouraging purchases during slow seasons.

Better customer communication – rewards programs are a direct link to the customer, making communication easier. This provides companies with the opportunity to announce new products/ services, push sales and aids the recall of previous purchases. This enables the business to better deal with the customers affected product, due to the purchase date and barcode of recorded purchases linked to the rewards card.

According to Annex Cloud, (2020), there are also some cons that arise from loyalty programs. There are three main disadvantages that will be focussed on are:

Difficulty in determining where loyal behaviour actually comes from – often the frequent buyer is seen as the loyal one, but this may not necessarily be the case. This consumer could be purchasing at a particular store based on the benefits received from the loyalty program, or even just because the store is convenient to them.

Loyalty data has limitations – this data does not consider consumer purchases from other brand or stores, therefore a limited picture of the customers buying behaviour is provided.

Market Saturation – consumers are bombarded with products, just as much as they are with loyalty programs that all provide similar provisions, benefits and buying requirements. Rewards programs are becoming a necessity in order to compete with other brands. Most consumers are participating in numerous rewards programs, meaning businesses are having to work harder to design an offering that can lead to sustainable competitive advantage that cannot be replicated.

- Why loyalty programs are important:

Saleh, (2020), provides an infographic of insightful statistics as to why rewards programs are deemed important to both a brand and a customer:

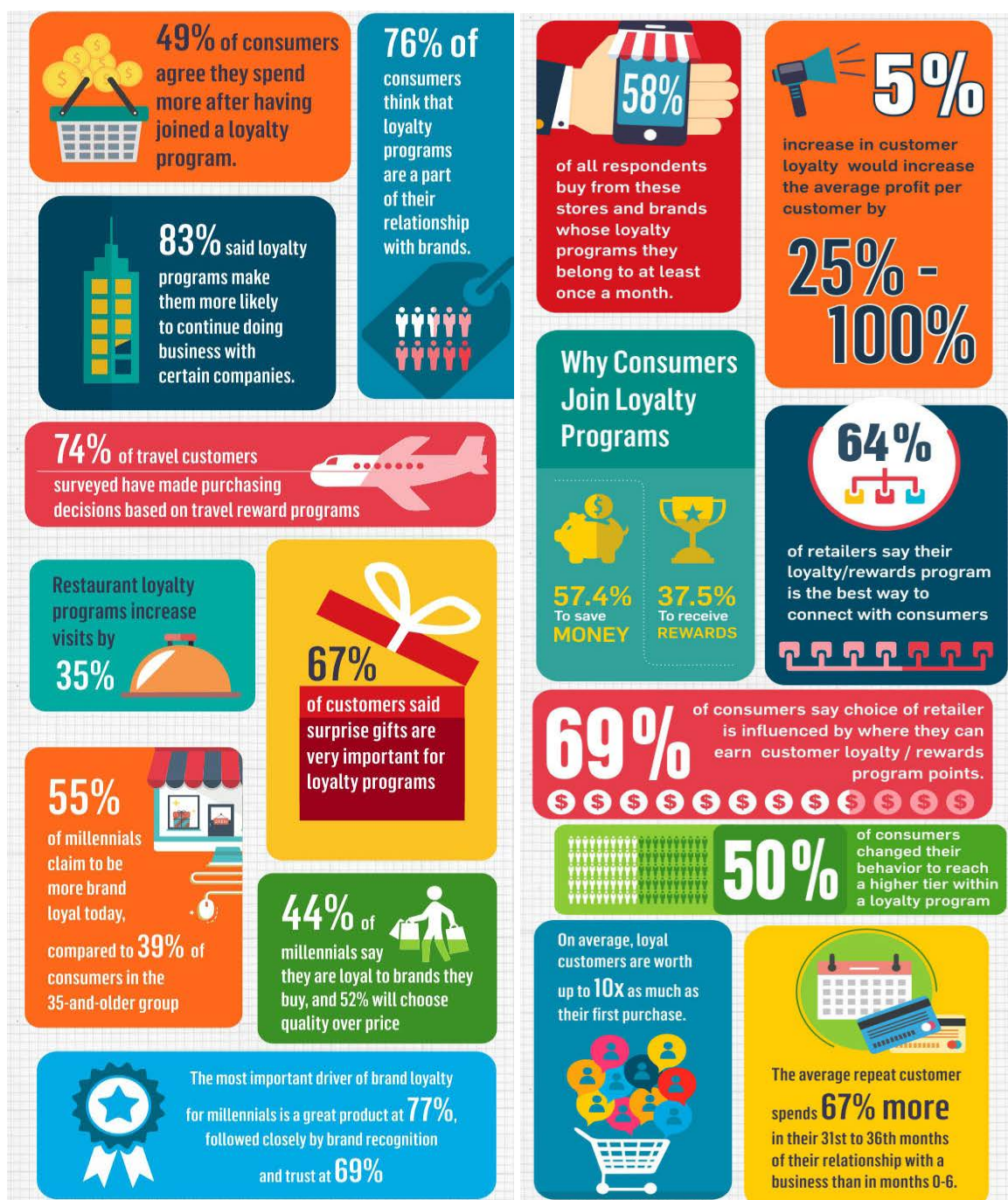


Figure 2.3: Why rewards programs are important to both the brand and consumer

Source: Saleh, (2020).

From the information depicted in Figure 2.3, research shows that:

- Consumers say their choice of retailer depends on where they can earn rewards program points.
- Consumers state that loyalty programs make them more likely to continue doing business with a certain brand.
- Consumers have confessed to an increase in their spending after joining a loyalty program.

Issues experienced with rewards programs, and solutions to these:

As stated by Retail Customer Experience, (2020), a brand should:

Make it easy: consumers are highly likely to abandon a loyalty program if it involves lengthy sign-up processes. A business should make the process easy in order to encourage the consumer to want to take part. Easy should involve the process of attaining the rewards, as well as doing business with the brand.

Make the rewards beneficial: customers resonate with loyalty programs when they offer incentives that are truly rewarding. Research shows that consumers appreciate rewards that involve cash back and discounts on purchases. The customer is likely to be put off by programs that make them feel as if they have to spend a lot to receive very little in return. The process of earning the reward should also not take too long, otherwise the customer will lose interest. By removing these obstacles, the brand can enhance customer experience and in turn enhance their purchasing behaviour.

Make it relevant: in order for a brand to offer a worthwhile experience, they should correctly target and personalize their incentives. Research shows that customers value incentives that offer flexibility, they appreciate the option of choice. By adding various redemption options, the process of attaining points is also encouraged.

- The benefits rewards programs yield in terms of customer retention:

Retaining customers is the main benefit a rewards program provides a brand or store (Candy Bar, 2020). As customers are provided with incentives, encouraging them to continue to purchase at a particular store, the store is provided with a steady flow of cash. The rate at which customers return to a store is known as the retention rate. Through a business shifting

their focus and concentrating on growing their retention rate, less time and money is wasted on trying to acquire new customers (Candy Bar, 2020). This is relevant to retailers because loyal customers are of greater value to a brand than new customers. Not only are loyal customers more likely to make a purchase than new customers, they are also likely to spend more per transaction (Candy Bar, 2020). It is therefore evident that retailers will need a loyalty program to increase customer retention and prevent consumers from easily swapping and switching between brands.

- Whether rewards programs are worthwhile implementing:

As Black, (2020) mentions, implementing a rewards program is costly. This investment can be as much as 5% of a company's sales. In order for the rewards program to be worth the money, it needs to focus on reaching the correct customers and should be built with a strong financial model and discipline.

This can be directly linked to the research problem of this study. Many companies invest large amounts of money in the implementation of these rewards programs, however if they are not executed and run correctly, they may cost the company more than their generated return. Many companies are also uncertain as to whether these programs have a valuable impact on customer loyalty and retention. As discussed in the above themes, customer retention has proved to be a major benefit derived from rewards programs, and there are various statistics that deem these programs to be of major importance to both the customer and the business.

According to Harvard Business Review, (2020), when determining if rewards programs are worthwhile implementing, a business needs to consider:

The value created must exceed the cost of value delivered – brands must also consider the needs of the business when implementing the program, the link between the value customers gain and the value created for the business should be well thought through. The rewards program should not give something for nothing (Harvard Business Review, 2020). In order for the business to benefit from the implementation of rewards programs, the offering needs to be mutually beneficial to the customer and the business.

Customer behaviour should be the driver of value sharing – through the offering of rewards, a brand reinforces desirable behaviour. Companies that offer huge initial benefits when signing up for a loyalty program may actually experience a lack of customer retention. Customers initially sign up to receive the reward, then they leave. This behaviour does not benefit the company long term (Harvard Business Review, 2020).

Having a long-term vision is crucial – once off promotions will cost a business large amounts of money and do not generate sustainable loyalty. In order to reap the benefits a rewards program can provide; a business must develop a system where customers are continually informed about the rewards of loyalty, and motivated to earn them. In order to achieve sustainable retention, a strategic sustainable approach is needed (Harvard Business Review, 2020).

2.8 Conclusion

It is clear that South African rewards programs have a significant impact on customer loyalty and retention. There are many advantages and disadvantages rewards programs yield that need to be considered by businesses before implementing them. The pros are significantly greater than the cons and loyalty programs have proved to be of great importance to customers; they are demanded by all firms who wish to compete in modern society. Through the application of the SERVQUAL model and the Brand Equity model, brands/ businesses can better their service (rewards programs) by offering customers rewards that are of value and are meaningful to them. Rewards programs are therefore worth the costly investment by brands/ businesses in order to remain relevant and competitive in today's society.

2.9 Chapter Summary

This chapter has covered the literature review, unpacking information to give body to and enhance the research at hand. This literature review has created a structure and framework for the study by looking at how South African rewards programs impact on customer loyalty. Chapter three presents research methodology.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter includes the justification for why and how the particular population and sample were chosen, as well as the methods chosen to collect and analyse the data. These methods are described in detail for the reader to gain greater understanding of the study and to recognise that it was conducted through careful consideration to ensure accurate data results.

3.2 Research Design

3.2.1 Paradigm

Interpretivism is the appropriate paradigm of choice for this research study. This paradigm believes that people differ from objects, and that humans cannot be studied in the same way objects are studied. Interpretivism involves social sciences, and this form of research seeks to understand human behaviour (Du Plooy-Cilliers, Davis and Bezuidenhout, 2014). Interpretivists want to see the situation they are studying, through the eyes of their respondents in order to gain an in-depth understanding (Du Plooy-Cilliers, Davis and Bezuidenhout, 2014). This paradigm is relevant to the research topic because; the aim of this research is to gain an understanding from the customers perspective as to whether rewards programs influence their final decision to purchase at a particular store.

3.2.2 Theoretical Framework

The Brand Equity Model developed by Aaker (1991), and the SERVQUAL Model developed by Parasuraman, Zeithaml and Berry (1985) was used as a theoretical framework for this study. The SERVQUAL Model is used as a method to capture and measure the service quality experienced by customers (Tools Hero, 2020). It can be directly related to rewards programs that are offered as a service to customers, and how customers receive these programs and experience them. The Brand Equity Model outlines the components that make up a particular brand's value. Brand equity is therefore important to retailers offering rewards programs to their customers. If a brand has significant value; customers are aware of the brand, loyal to the brand, they perceive the brand to be of high quality, and therefore customers associate a brand with positive attributes (Simply Notes, 2020). Therefore, if a brand, and thus a rewards program is equitable, it is valued by customers. Both of these models help businesses offering these programs to better their service offering to ensure

more consumers find it worthwhile participating in these rewards programs. This will benefit both the company and the customer.

3.2.3 Conceptual Approach

Qualitative research has been used for purpose of this research study. This approach deals with subjective experiences, making it difficult to measure and quantify these experiences and meanings. By making use of qualitative data collection, the researcher is able to obtain a richness and depth of data gathered in a specific social context (Du Plooy-Cilliers, Davis and Bezuidenhout, 2014). This approach aims to capture all of the details in a social setting, providing a detailed description and conveying an intimate understanding for the specific setting and people in it. Through a qualitative approach, the researcher is able to gain understanding of subjective experiences allowing them to see through the eyes of their participant's (Du Plooy-Cilliers, Davis and Bezuidenhout, 2014).

3.2.4 Research Design

Theory: Inductive reasoning was used in this research study; this comprises of gathering specific data in order to formulate a general claim (Du Plooy-Cilliers, Davis and Bezuidenhout, 2014). Data is consulted in order to draw conclusions and develop a theory (LiveScience, 2020).

Type of research: Exploratory; this involves the study of an unknown area. As stated by Du Plooy-Cilliers, Davis and Bezuidenhout, (2014), exploratory research can be used for various reasons, some of which include:

- To obtain new insights;
- To identify consequences of research problems;
- To confirm assumptions;
- To become familiar with unknown situations, conditions, or behaviours.

This study made use of field research, including in-depth interviews or qualitative questionnaires.

This study is Phenomenological; describing an activity or phenomenon (Measuringu, 2020). A phenomenological study uses combined methods such as conducted interviews, analysing documents, watching videos, or visiting places/ events in order to understand the meaning participants place on the topic being examined (Measuringu, 2020). The researcher therefore relies on the participants' own perspectives in order to provide insight

into their own motivations (Measuringu, 2020). The researcher attempts to look for emerging themes in order to validate their findings (Measuringu, 2020).

Cross sectional design: This is used in an observational study, such as this, whereby the researcher does not interfere with the subjects' study environment while acquiring information from them (iwh.on.ca, 2020). Cross sectional design allows the researcher to compare different variables against one another at a particular point in time. It can be thought of as a snapshot in the moment. A benefit of this particular study is the fact that the researcher is able to compare many variables at the same time (iwh.on.ca, 2020).

3.3 Research Plan

3.3.1 Population

It is clear to see the answer to the research question will lie within the responses of individual shoppers (people) who actively make use of rewards programs.

People who actively participate in these programs will be able to give better insight into the study than those who do not make use of these programs. For the purpose of this study, the general public has been approached and asked to partake in an in-depth interview. These interviews would have taken place in person, however due to COVID-19 this was not possible, resulting in the interviews taking place via E-mail.

Therefore, it is noted that there is a general, target and accessible population, being:

General population: All customers situated within South African borders.

Target population: All customers within South Africa, Durban.

Accessible population: All customers visiting a particular center/ mall, in Durban North.

E.g.: Conducting in-depth interviews with various customers at a particular Mall or Centre who are involved in loyalty programs. These customers being accessible to partake in the research study, as well as being willing.

Population Characteristics:

- Consumers over the age of 18
- Consumers situated in Durban North, South Africa
- Physical consumers visiting a particular Mall
- Consumers who are involved in rewards programs
- Consumers who are concerned about securing a reward

3.3.2 Sampling

Non-probability sampling has been used to draw a suitable sample. This form of sampling is used by researchers conducting qualitative research. It involves subjective judgement rather than random selection. Non-probability sampling is a method whereby not all members of a population have an equal chance to participate in the study (Questionpro, 2020).

One of the non-probability sampling methods includes convenience sampling. This method of sampling has been made use of; it is a technique whereby samples are selected from the population because they are conveniently available to the researcher. These samples are simple to recruit and the researcher does not place much consideration on selecting the sample to represent the entire population. Convenience sampling is used when a population is too large to examine, making this method the more time and cost-effective option, providing ease of availability (Questionpro, 2020).

Due to the limited resources available, convenience sampling was used as an easier method. Convenience sampling is simple to carry out with very few rules controlling how the sample is collected. The time and cost of implementing convenience sampling is small in comparison to probability sampling. It enables a student to gain access to a sample in a quick and inexpensive way (Dissertation.laerd, 2020).

Unit of analysis: People; Individuals.

Sampling frame: All customers visiting a mall in Durban.

Sample size: 15-20 random participants of the general public (Shetty, 2020).

Sample size justification: the primary goal of a qualitative study is to have a large enough sample size to unpack a vast number of opinions, while also limiting the sample size at the point of saturation. Saturation occurs when more participants are added but this does not aid in obtaining additional perspectives or information (Shetty, 2020). This means there is a point of diminishing return when sample sizes are too large, leading to more data rather than new information. Saturated data therefore serves no purpose to the researcher (Shetty, 2020). Therefore, the sample size mentioned above is deemed most appropriate to ensure there aren't too many respondents resulting in saturated data.

Table 3.1: Sample Criteria:

Inclusion criteria:	Exclusion criteria:
Customers involved in rewards programs	Customers uninterested in rewards programs
Physical customers visiting a mall	Consumers who shop online
Customers concerned with saving	Customers who aren't concerned about saving
Customers willing to exchange personal details in return for perks / a loyalty card	Customers unwilling to share personal details and interact with businesses
Consumers older than 18	Consumers younger than 18

(The information provided in this table has been sourced from the population characteristics aforementioned.)

3.3.3 Recruitment Methods

This includes how respondents were sourced to partake in the in-depth interviews. Due to the sampling method being convenience sampling, respondents were easily accessed and sourced from the public. These respondents had to fit the inclusion criteria stipulated above in order to partake in the interview. Potential respondents were informed of the fact that interviews had to take place over email or skype due to recent affairs surrounding COVID-19. If consumers fitted the inclusion criteria and were willing and able to partake in the interview, they were selected as part of the sample.

3.3.4 Data Collection Method

Field research is a form of qualitative data collection and assumes that the behaviour of individuals observed has purpose and is an expression of deeper feelings and beliefs (Du Plooy-Cilliers, Davis and Bezuidenhout, 2014). The researcher therefore conducts research in the field or setting of human experience by observing and participating in certain events or circumstances (Du Plooy-Cilliers, Davis and Bezuidenhout, 2014). Field research was used for purpose of this study.

In-depth interviews were used in order to gain information from respondents. Due to COVID-19, interviews had to take place over Email or audio-visual communications technology

rather than in person (due to the need for social distancing). Suitable respondents had to answer a series of in-depth questions in order for the researcher to gain a subjective understanding from their point of view surrounding the research topic. The interview questions have been attached as **APPENDIX B**.

In-depth interviews are a qualitative data collection method that allows the researcher to present questions to respondents with the purpose of learning more about their views, opinions and beliefs surrounding a specific phenomenon (Du Plooy-Cilliers, Davis and Bezuidenhout, 2014). One of the advantages experienced when conducting the in-depth interviews is the fact that they afforded participants to clarify their views/ opinions regarding a specific question. This has consequently provided the researcher with more clarity/detail (Du Plooy-Cilliers, Davis and Bezuidenhout, 2014).

Du Plooy-Cilliers, Davis and Bezuidenhout, (2014), distinguish between three types of interviews:

- *Informal, conversational interviews:*
The researcher does not ask specific pre-determined questions. The interview is open and adaptable to the interviewee's responses.
- *General interview approach:*
The interview follows a conversational approach. Certain themes are covered by pre-determined questions however there is a great deal of freedom given to the interviewee.
- *Standardised, open-ended interviews:*
The same set of open-ended questions are asked to all participants. This allows for information obtained to be more easily analysed and compared in an organised manner.

This research used the standardised, open-ended interview approach in order to provide the researcher with convenience and ease when analysing the data obtained. The data collection method chosen is deemed appropriate for this study due to the fact that it is used for qualitative research, it additionally aids in solving the research question, fulfilling the research objectives, as well as providing insight into the purpose of the study. Through the use of set open-ended interviews, the researcher is able to gain insight into the topic through pre-determined questions that have been thoroughly thought through in order to obtain meaningful conclusions (Du Plooy-Cilliers, Davis and Bezuidenhout, 2014).

3.3.5 Application of Data Collection Method

When applying the data collection method, various aspects were considered in order to gain optimal advantage of conducting interviews. The questions for the interviews had to be pre-determined in order to ensure they were thoroughly considered. The questions asked to participants needed to fulfil the research objectives and provide the reader with insight into the purpose of this study and how the research question would be solved.

APPENDIX B provides an overview of the questions that were constructed for purpose of the in-depth interviews in attempt to fulfil the research objectives and answer the research question.

As stated by Du Plooy-Cilliers, Davis and Bezuidenhout, (2014), during the preparation of the interview questions, a few considerations need to take place. These precautions were taken when constructing the questions to be asked in the in-depth interviews:

- Questions need to move from a broad to narrow focus surrounding the topic.
- Questions have to be clear and simple to avoid any confusion.
- The researcher has to guard against asking any leading questions. This allowed participants to truly express how they feel, rather than what the researcher wishes to hear.
- Avoiding any double-barrelled questions.
- Asking truly open-ended questions in order to obtain opinions and responses that are not pre-determined by cues provided by the researcher.

After the questions were constructed, they were analysed and approved by a research supervisor who confirmed that the questions were appropriate for use. The interview questions were then typed out in a word document and sent out via E-mail to the various voluntary participants who fitted the inclusion criteria. Do to COVID-19, physical contact with strangers is prohibited and therefore participants had to be sourced alternatively via social media. Face to face sourcing and questioning for the in-depth interviews was preferable, however given the circumstances, tactics had to change to online forms of communication due to the need for social distancing. The participants of this research responded to an announcement placed on social media stating that the researcher was seeking participants for the study. Therefore the respondents were sourced randomly and conveniently.

These respondents were emailed a consent form, along with the interview questions. They were given a week to fill out the questions, sign the consent form and email them back to the researcher. After all the respondents had completed the questions and emailed them back, the responses were analysed.

3.3.6 Data Analysis Method

Thematic analysis was used for purpose of analysing the qualitative data obtained in this study. This form of analysis can be applied in different ways, to lots of different datasets, to address lots of different research questions. Thematic analysis focuses on identifying patterned meaning across a dataset. It is a flexible data analysis plan used to generate themes from interview data (Statisticssolutions.com, 2020). This process involves examining data to identify common themes such as topics, ideas or patterns of meaning that occur repeatedly. These themes were incorporated into the objectives for ease of data collection and analysis.

Once deciding upon thematic analysis, a deductive approach was utilised. This approach involved coming to analyse the data with preconceived themes expected to feature or reflect in the data, based on theory and existing knowledge. When analysing the data a semantic approach was taken, this involved analysing the explicit content of the data rather than reading into assumptions and subtext (the latent approach) (Scribbr, 2020).

For purpose of this study a simplified process for thematic analysis was used, this involved a six-step process, sourced from Scribbr, (2020):

1. Familiarisation With the Data;

This involves getting to know the data, it includes reading through all the responses and taking notes, as well as general browsing through to become acquainted with the information.

2. Coding the Data;

This means highlighting sections of the text such as phrases or sentences and giving them shorthand labels also known as 'codes' to describe their content, grouping similar topics.

This step involved going through each transcript of each interview and highlighting all information relevant pertaining to these codes identified, new codes were added along the way that appeared frequently.

Once all the transcripts had been analysed, the data was collected and placed in groups identified by code. This allowed for a summarized overview of main topics and common meanings that appeared often throughout the data.

3. Generating Themes;

The codes were analysed to identify patterns among them in order to generate themes. These themes are broader concepts of the codes identified in the previous step. At this stage of the process, certain codes were dismissed and discarded if deemed irrelevant or too vague. When generating the themes it was kept in mind that they needed to be helpful in telling the reader about the data, as well as aid in solving the research problem, objectives and purpose of the study.

4. Reviewing These Themes;

This step involved ensuring the themes identified were useful and an accurate representation of the data. The data was reanalysed and compared against the themes to ensure no area of information was missed, and to ensure each theme was truly presented throughout the data.

5. Defining/ Naming the Themes;

After finalising the themes, each of them were named and defined. This involved formulating exactly what was meant by each theme and how it aided in helping understand the data. When naming the themes they had to be succinct and understandable.

6. Writing up the Analysis;

Lastly an analysis needed to be drawn up. This involved an introduction to establish the research question, aims and approach, a methodology section describing how the data was collected, the results/findings discovered that addressed each theme, and lastly the conclusion which explained the main takeaways to show how the analyses has answered the research question.

3.3.7 Application of Data Analysis Method

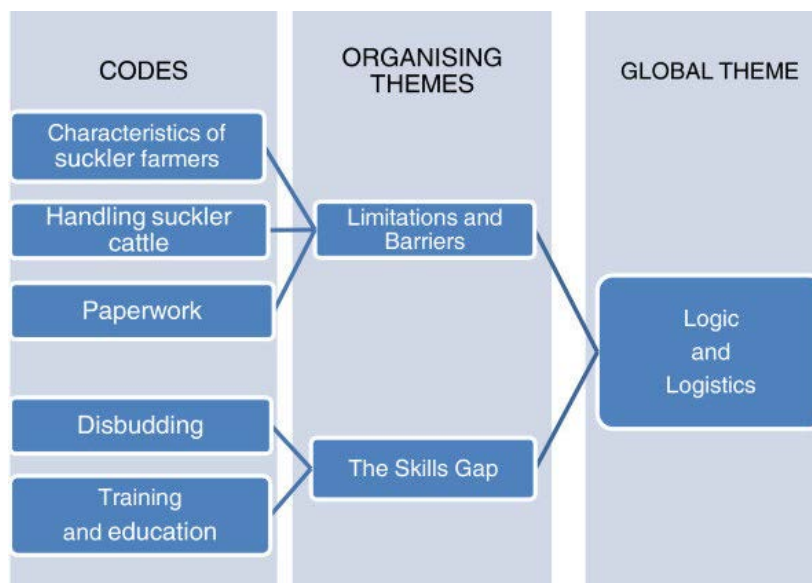


Figure 3.1: Example of Thematic Analysis In Practice

Source: Dineen (2013).

Figure 3.1 depicts an example of the process that was carried out when using thematic analysis to interpret and analyse the data obtained from the email interviews. The data received from participants was analysed, summarized and further coded to organise themes. Each objective of this study reflected a theme, these are seen as follows:

Objective 1: To determine if customers choose to purchase at a specific store in order to receive the benefits/ perks of their loyalty program.

Theme 1: Purchasing at a particular store

Covered by Question: 3

Objective 2: To determine how important the incentive/ loyalty program is to the customer.

Theme 2: Importance of incentives (Tying in with theme 1)

Covered by Question: 4 and 5

Objective 3: To determine if the customer will go out of their way to purchase at the relevant store offering the loyalty program.

Theme 3: The value of the incentive to the customer (Tying in with theme 2)

Covered by Question: 5

Objective 4: To determine if loyalty programs cause an increase in customer spending in order to receive the perk/ incentive.

Theme 4: Do rewards programs increase customer spending

Covered by Question: 6

Theme 5: Customer loyalty

Covered by Questions: 7-12

Theme 6: Issues customers experience with loyalty programs

Covered by Question: 13

Theme 7: Suggestions by customers on how to better loyalty programs

Covered by Question: 14

As seen above there are various themes that were extracted from the answers of respondents and the relevant questions asked during the interviews to ensure the research objectives were thoroughly answered. After the themes were identified they were reviewed and defined. This process has aided in organising the findings into logical categories that are now equipped for use. While applying thematic analysis, there were various advantages and disadvantages noted.

According to Nowell, Norris, White and Moules, (2017), Thematic analysis provides the researcher various advantages, some of which include:

- It is a highly flexible approach
- Provides rich and detailed, yet complex account for data
- It is a more accessible form of analysis
- Thematic analysis is relatively quick to learn
- Aids in highlighting similarities and differences in the data findings
- Helps generate insights
- Aids in summarizing details of a large data set
- Forces the researcher to take a well-structured approach to handling the data

While noting the many advantages of thematic analysis, the disadvantages also need to be considered:

- A simple thematic analysis doesn't allow the researcher to make claims about language use
- Its flexibility can lead to inconsistency and lack of coherence when developing themes
- When compared to other methods, a lack of substantial literature can cause the researcher to be uncertain of how to conduct rigorous thematic analysis

(Nowell, Norris, White and Moules, 2017)

3.4 Ethical Considerations

According to Du Plooy-Cilliers, Davis and Bezuidenhout, (2014), there are a number of important ethical issues that affect the participants partaking in a research study, some of which include:

- Informed consent; this involves gaining the approval of participants to partake in the research study. Participants needed to be informed of the study and how their contribution will be used and how it will affect the study taking place. Informed consent was received from participants wishing to partake in this study.
- Collecting data from participants; during this process participants were not placed in situations where they had to answer embarrassing questions, their personal information is protected, and their time was not wasted.

- Dealing with confidential information; participants are protected through confidentiality of their information or answers. Sensitive information has therefore not been disclosed to others. If certain customers requested that their information/responses not be shared publicly, their privacy was respected.
- Avoiding harm; during the process of this study participants were not harmed physically or emotionally in any way through having to recall emotionally painful memories, or placed in embarrassing situations.

In order for participants to feel completely comfortable partaking in this research study, their identities remain anonymous and confidential. A consent form has been made available for participants to sign; this has been attached as **APPENDIX A**. The questions asked during interviews avoided emotional harm to respondents and sensitive information remains confidential. When collecting the information, the physical and psychological comfort of participants was prioritised (Du Plooy-Cilliers, Davis and Bezuidenhout, 2014). Ethical clearance was obtained before responses were collected.

3.5 Trustworthiness - Credibility, Transferability, Dependability and Confirmability

The aim of qualitative research is to promote a deeper understanding surrounding a particular phenomenon within a certain context, results are not generalised to a broader population. Subject's answers are therefore unique and not objectively measurable; therefore the trustworthiness of the study is important in order to ensure accurate results and conclusions drawn by the researcher (Du Plooy-Cilliers, Davis and Bezuidenhout, 2014). Trustworthiness is used in qualitative studies and can be divided into:

- Credibility: the accuracy of the researcher's interpretation of the data provided by participants (Du Plooy-Cilliers, Davis and Bezuidenhout, 2014). This has been increased through the researcher spending long periods of time with participants in order to fully grasp their understandings and insights.
- Transferability: the ability of the findings to be applied to similar situations, delivering similar results. It involves the extent to which the results and their analysis can be applied beyond the particular research study. In order to improve the transferability of this study, the researcher has remained as objective as possible when collecting and analysing findings, in order to create accurate results that can be applied in similar circumstances.

- Dependability: the quality of the integration between data collection and analysis as well as the theory generated from the data (Du Plooy-Cilliers, Davis and Bezuidenhout, 2014). To improve dependability, the researcher conducted interviews in a manner whereby the researcher remained objective at all times, allowing the subject to give their own honest opinion. This has led to more accurate interpretations of results, as the researcher did not influence the subject to answer in any specific way.
- Confirmability: whether the data collected supports findings and interpretations of the researcher. Others should be able to look at the data and come to similar conclusions as the researcher (Du Plooy-Cilliers, Davis and Bezuidenhout, 2014). This has been improved through the research being analysed and proof read by two external academic parties in order to confirm conclusions drawn and statements made.

3.6 Chapter Summary

This chapter concludes the justification for why and how the particular population and sample were chosen, as well as the methods chosen to collect and analyse the data. These methods were described in detail for the reader to gain greater understanding of the study and to recognise that it was conducted through careful consideration to ensure accurate data results. Chapter four presents and discusses the findings.

CHAPTER FOUR: PRESENTATION AND DISCUSSION OF FINDINGS

4.1 Introduction

The purpose of this chapter is to interpret the data that has been previously analyzed and present these as findings. These findings will be discussed in relation to the research problem and theoretical framework present in the literature review.

4.2 Presentation and Interpretation of findings

Table 4.1: Profile of Respondents from the Survey:

Male	18-24	25-34	35-44	45-54	55+
Frequency	2	0	0	0	1

Female	18-24	25-34	35-44	45-54	55+
Frequency	9	1	0	2	0

The 15 respondents who took part in the qualitative survey have been listed in the above table according to age and gender. As seen above, there are a variety of ages that took part in the research, although most are females between the ages of 18-24 due to convenience and accessibility factors.

4.3 Responses that aid in answering the research objectives

The answers by respondents are discussed below in relation to how they address the research objectives and question previously mentioned. The responses are visually depicted in the form of figures and tables before being discussed.

4.3.1 Objective 1: To determine if customers choose to purchase at a specific store in order to receive the benefits/ perks of their loyalty program.

Covered by Question 3: Do you purchase your goods at a specific store in order to receive the benefits of their loyalty program? If so, which firms/brands are they and what are the benefits that appeal to you and why is that so?



Figure 4.1: Different brand's respondents shop at along with the benefits these stores offer their loyal customers.

Interpretation of the Findings:

There are a vast number of brands that offer loyalty programs to customers. All the brands evident above have been mentioned by respondents, stating that their loyalty programs are frequently used. Words such as "discounts", "savings", "exclusive deals", "cash back", "easily redeemable", "freebies" and "student discounts" have all been mentioned as factors respondents deem important surrounding the topic of rewards programs. Loyalty programs must therefore provide customers with these perks/ benefits.

4.3.2 Objective 2: To determine how important the incentive/ loyalty program is to the customer.

Covered by Question 4: Which rewards and rewards programs are of value to you and why?



Figure 4.2: Rewards and rewards programs that are of value to respondents.

Interpretation of the Findings:

It is evident that many respondents value programs that provide them with some form of cash back, discounts, promotions, freebies or savings. This often comes in the form of stamps or stickers that are collected with each purchase, or alternatively swiping a loyalty card in order for points to accumulate. These points are then cashed in for use on items such as groceries, clothes or to fill the next tank of petrol. Many respondents have stated that these programs are of great value, especially towards the end of the month when cash is low and points can be cashed in to spend on necessities such as food or petrol.

4.3.3 Objective 3: To determine if the customer will go out of their way to purchase at the relevant store offering the loyalty program.

Covered by Question 5: Please mention the extent to which you would go out of your way to purchase your goods at a store offering a loyalty program you are interested in.

very low extent
I would go out of my way
not unless it's nearby
willing to delay a purchase
Shop online, or nearest store
5/10
won't go out of my way
If it is convenient
would definitely travel further
would put in a lot of effort

Figure 4.3: Extent to which respondents will go out of their way to purchase at the store offering a loyalty program they are interested in.

Interpretation of the Findings:

The phrases depicted in Figure 4.3 are responses of interviewee's, these responses clearly depict that consumers are willing to put in that extra bit of effort to travel further and purchase at the store offering a loyalty program they are interested in. Some respondents have stated that they are even willing to delay a purchase until they are able to purchase at a store that provides them with the incentive they want. However, a select few have stated that due to time and convenience constraints, they would be unwilling to go that extra bit further, they would rather purchase at the store nearest to them for ease and convenience.

4.3.4 Objective 4: To determine if loyalty programs cause an increase in customer spending in order to receive the incentive.

Covered by Question 6: Do loyalty programs cause you to increase your spending amount at the store (in order to receive the points / reach a higher level of rewards)?

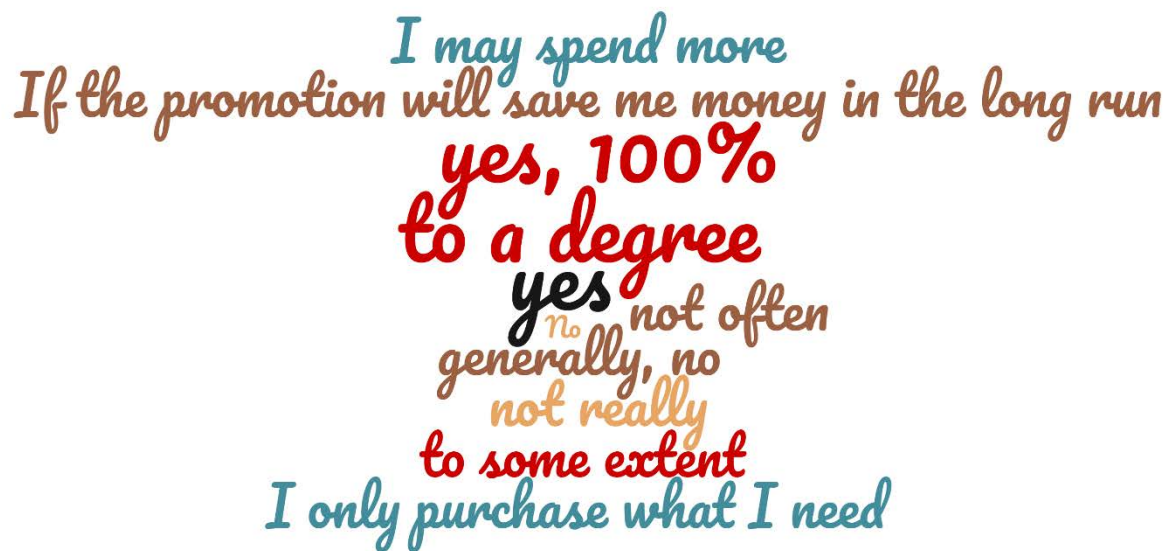


Figure 4.4: Responses of interviewee's in relation to their spending inclinations.

Interpretation of the Findings:

This question was answered in 3 tiers, many stating “no”, while others stated “to a degree” and a select few stating “most definitely, yes”. This question is subjective to each person being interviewed. Older generations (45+) have stated that they are willing to spend more if it will save them money in the future, while most respondents were students (18-24) who are on a tight budget and unable to spend more than what they can afford. Some respondents have mentioned that if their budget allows for a higher spend, they are likely to consider spending more if it is worth their while. For the most part, consumers have stated that they are likely to only purchase what they need, the points/ perks are an added bonus.

4.4 Findings In Context

4.4.1 The SERVQUAL Model (1988)

Companies that offer rewards programs as a service can apply the SERVQUAL model to create a competitive edge. This model is based on satisfaction surveys and can help identify shortcomings in a company's service offering and address them (Tools Hero, 2020).

This framework is centred around the expectancy pattern of service quality, highlighting the difference between expectations and perception. If there is a difference between the quality of service that is expected and the actual quality of service experienced, this is made clear through a gap. The SERVQUAL Model allows businesses to learn which factors contribute

to how the customer's expectancy pattern is formed. The company can then make improvements by taking this pattern into account (Tools Hero, 2020).

The SERVQUAL Model assists in measuring customer perceptions of rewards programs that are currently offered by companies as a service. This can help stores offering these programs to better their 'expected' service to customers to ensure more consumers find it worthwhile participating in these rewards programs. This will benefit both the company and the customer.

4.4.2 Aaker's Brand Equity Model (1991)

The brand equity model, as well as the benefits derived from brand equity are significant to retailers offering rewards programs to their customers. If a brand has significant value; customers are aware of the brand, loyal to the brand, they perceive the brand to be of high quality, and therefore customers associate a brand with positive attributes (Simply Notes, 2020). Therefore, if a brand, and thus a rewards program is equitable, it is valued by customers. Customers are then likely to remain loyal to the brand; given the brand's trusted quality and service offering.

It then becomes clear that customers will trust a brand if it is equitable and will want to take part in the brands' loyalty program to gain the added benefit of incentives for their continuous loyalty. In saying this, it is also noted that existing loyal customers will have an impact on a brand's equity, customers are seen as assets to a business and therefore can raise a brand's equity with their loyalty (Ijstr, 2020).

4.5 Chapter Summary:

This chapter has interpreted the data that has previously been analyzed and the appropriate findings have been presented. These findings have been discussed in relation to the research problem and theoretical framework present in the literature review. Chapter five presents conclusions and recommendations.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Chapter five presents conclusions and recommendations in relation to each objective. The findings are presented and the literature from chapter two consulted in order to draw accurate conclusions. Suggestions for further research and limitations to the study will be discussed along with the anticipated contribution of the study to the branding and marketing field. Closing remarks are presented in order to complete this chapter.

5.2 Objective 1 – To determine if customers choose to purchase at a specific store in order to receive the benefits/ perks of their loyalty program.

5.2.1 Findings from the Literature

According to Saleh, (2020), consumers say their choice of retailer depends on where they can earn customer loyalty/ rewards program points and consumers state that loyalty programs make them more likely to continue doing business with a certain company/ brand. Research shows that customers value incentives that offer flexibility, they appreciate the option of choice. By adding various redemption options, the process of attaining points is also encouraged (Retail Customer Experience, 2020).

5.2.2 Findings from the Questionnaire

Customers have stated that they are more inclined to purchase their goods at a store that provides them with perks/points due to the fact that they receive benefits such as cash back, discounts, promotions or savings. Consumers have however stated that they will only purchase their goods at these relevant stores if they have the time and these stores are convenient/ close by.

5.2.3 Conclusion

From the research gathered for this objective it is clear to see that consumers would rather purchase their goods at a store where they can receive some form of reward/ incentive for their loyalty. Consumers value meaningful rewards such as cash back and discounts and a variety of redemption options. If the consumer has the time and the store is conveniently close by, they will choose the store offering the loyalty program over another.

5.2.4 Recommendations

Brands can encourage and attract consumers to purchase at their store by offering personalized incentives/rewards to consumers based on data gathered from the loyalty program regarding purchasing behaviour and spending habits. Customers are likely to purchase at particular stores offering these programs if they feel the benefits they receive in exchange for their loyalty is meaningful. Brands therefore need to offer the consumer the same value they give the business.

5.3 Objective 2 - To determine how important the incentive/ loyalty program is to the customer.

5.3.1 Findings from the Literature

According to Saleh, (2020), consumers value loyalty programs because they are a part of their relationship with a brand. Many consumers have changed their behaviour in order to reach a higher tier of a loyalty program, showing the significance of the program. At least once a month, consumers of a specific loyalty program are likely to purchase at the relevant store offering the program. This shows that customers value the benefits/ incentives they receive in exchange for their loyalty (Saleh, 2020).

5.3.2 Findings from the Questionnaire

It is evident that many respondents value programs that provide them with a form of cash back, discounts, promotions, freebies or savings. Consumers have expressed that these points/rewards are valuable because they can be cashed in for use on items such as groceries, clothes or to fill the next tank of petrol. Customers have stated that the points are particularly valuable towards the end of the month when cash is low as it enables them to cash in points for necessities such as groceries and petrol.

5.3.3 Conclusion

Customers value particular incentives/ benefits over others, they have stated that cash back and discounts are most valuable to them as they are able to cash points in for discounts on their next purchase resulting in savings. Loyalty programs are demanded by all firms who wish to compete in modern society as they heavily influence a consumers purchasing decision. Loyalty programs have therefore proved to be of great importance to customers.

5.3.4 Recommendations

Brands need to offer consumers rewards they prefer, such as points that can result in cash back/ discounts. Consumers want a reward that is beneficial and valuable to them. In doing this, a business is able to attract and retain consumers by offering them rewards that are important to them.

5.4 Objective 3 - To determine if the customer will go out of their way to purchase at the relevant store offering the loyalty program.

5.4.1 Findings from the Literature

Consumers are likely to go out of their way if the benefits they are receiving from loyalty programs are truly rewarding. Consumers appreciate rewards that involve cash back/ discounts. They are likely to make less of an effort purchasing at a store if they feel they have to spend a lot to receive a reward. If brands remove obstacles for their consumers, they are more likely to go out of their way to purchase at the relevant store offering the rewards program (Retail Customer Experience, 2020).

5.4.2 Findings from the Questionnaire

Customers have expressed their willingness to put in that extra bit of effort to travel further and purchase at the store offering a loyalty program they are interested in. Some respondents have stated that they are even willing to delay a purchase until they are able to purchase at a store that provides them with the perk/ incentive they want. However, a select few have stated that due to time and convenience constraints, they would be unwilling to go that extra bit further, they would rather purchase at the store nearest to them for ease and convenience.

5.4.3 Conclusion

The information gathered for this objective shows that each consumer has their own subjective opinion on whether they are willing to travel further for the reward. Consumers have expressed their consideration of time and convenience, as well as the type of reward they are receiving as important factors before determining where to purchase.

5.4.4 Recommendations

Consumers are likely to travel further in order to receive the reward if it is a meaningful reward. Brands are able to employ various strategies to attract consumers and encourage

them to travel that extra bit further to purchase at their store. By offering tailored rewards, flexible redemption options and great customer service, a brand is able to create a meaningful relationship with the customer that is mutually beneficial.

5.5 Objective 4 - To determine if loyalty programs cause an increase in customer spending in order to receive the perk/ incentive.

5.5.1 Findings from the Literature

Through data obtained from a loyalty program, a company can increase their sales by promoting suggested accessories that go well with a purchased item and provide discounts on these related items. The loyalty program can also bring a business relief by encouraging purchases during slow seasons (Annex Cloud, 2020). Customers will therefore be inclined to purchase additional goods if offered tailored benefits or discounts on these goods.

5.5.2 Findings from the Questionnaire

Generations (45+) have stated that they are willing to spend more if it will save them money in the future, while most respondents were students (18-24) who are on a tight budget and unable to spend more than what they can afford. Some respondents have mentioned that if their budget allows for a higher spend, they are likely to consider spending more if it is worth their while. For the most part, consumers have stated that they are likely to only purchase what they need, the points/ perks are an added bonus.

5.5.3 Conclusion

If consumers have the available funds, they are likely to consider spending slightly more in order to receive the reward, depending on the reward they are receiving. Overall, consumers will only purchase what they need, unless the reward is worth the extra spend.

5.5.4 Recommendations

As mentioned above, businesses can push sales by promoting suggested add-ons that pair well with the consumers purchase and provide related discounts. This strategy can also be employed by brands during slow seasons along with promotional offers customers cannot resist. Through offering a worthwhile rewards program, consumers are more likely to sign up and trade with the relevant brand offering the loyalty program.

5.6 Research Question and Problem

When addressing the research question, many consumers stated that they will still stay loyal towards a particular brand even if this brand does not offer a rewards program. This was due to factors such as: “great customer service”, “convenience”, “availability of stock”, “the quality of the product”, “variety of offerings” and “good value for money”. Many consumers have stated that they sign up for loyalty cards regularly, on condition it does not take too much time or effort. These consumers have also stated that they use their loyalty cards at least once a week to purchase groceries or other necessities.

When asking respondents whether they feel a rewards program influences their loyalty towards a particular brand, nearly every respondent answered yes. When asking whether the rewards program has impacted their decision to purchase elsewhere, the same answer was given. Many consumers have stated that they would rather purchase from a brand where they can receive some form of cash back or an incentive for their loyalty. This concludes the fact that rewards programs most definitely reinforce client retention and support loyalty towards a brand.

When addressing the problem statement, it is clear to see that companies ought to be injecting the necessary resources into running loyalty programs and offering their customers meaningful incentives. Every respondent has stated that the benefits offered in exchange for their loyalty is of value to them. This study has provided certainty that rewards programs do in fact provide some form of loyalty towards a brand. In terms of positively influencing consumer purchasing decisions, consumers have shown that they are not quick to spend more to receive the perk/ benefit, unless the reward is worth their while.

5.7 Anticipated Contribution

This research will provide greater understanding of the extent to which loyalty programs cause customer retention, increase purchases and generate brand loyalty. This research will be of significance to many companies as it will provide insight on whether or not customers actually value these programs and consider them important when making a purchasing decision. Companies will then be able to make more informed decisions regarding capital spent on providing these benefits and incentives. This study will also help brands determine whether their rewards system is strong enough to retain customers or where they can potentially improve their incentives to retain customers instead of losing them to competing brands (Harvard Business Review, 2019). Consumers of these stores

will also benefit as company's offering these rewards programs can better their incentives, resulting in happier, satisfied and frequently returning customers.

5.8 Suggestions for Further Research

1. A larger sample size for greater accuracy
2. A different sampling method can be used for greater accuracy of the sampling frame
3. Research equipment and additional human resources can be purchased to facilitate the data collection process
4. Software can be purchased to process the data
5. More time can be allocated to ensure interviews are more thorough

5.9 Limitations

- Sample size; when conducting this study, approximately 15 respondents will take part in the interviews. Due to a small sample size and the fact that the study is qualitative in nature, responses by the sample cannot be used as a general representation for the entire consumer population within South Africa. The accuracy of the sampling method chosen (convenience sampling) may therefore also distort results of the study, due to the need for accessible respondents.
- Time; being a student means academic deadlines and therefore the research study has to be conducted within a certain time period, extended time would mean a more thorough research study is conducted.
- Financial resources; being a student means there are certain financial constraints, if more finances were available to use for the study, equipment could be purchased, additional human resources acquired to aid in the data collection process, and certain software could have been purchased to process data, resulting in greater accuracy of the data analysis.

In order to mitigate these limitations, students have made use of a research supervisor assigned to them. This supervisor has contributed greatly by imparting valuable advice and knowledge on ways to conduct research in order to make the process and its limitations more manageable.

5.10 Concluding Remarks

Rewards programs are of great value to companies, brands must provide consumers with incentives that are of equal value to the loyalty customers provide. Rewards programs have the ability to generate more than just a monetary return if they are well run and offer

meaningful benefits to the brand and customer. If well executed, these programs can aid in building meaningful relationships.

This chapter has therefore arrived at a clear conclusion to the research problem, question and objectives in order to tie the research study together. Further recommendations and limitations to the study have been discussed along with the anticipated contribution of the study to the branding and marketing field.

The research was conducted in a methodical and objective manner and the findings were arrived at without any bias. If the findings are implemented, they can benefit companies with rewards programs in place. Due to the fact that this was a small-scale qualitative study with no statistical levels of confidence, in the event of the findings being implemented, they should be carefully monitored to ensure the process is successful and that the desired results are achieved.

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APPENDICES

APPENDIX A: CONSENT FORM FOR PARTICIPANTS

I, _____, agree to participate in the research conducted by Kyli Foley in order to help determine if rewards programs and their incentives increase customer purchases, reinforce client retention and support loyalty to a brand.

This research has been explained to me and I understand what participation in this research will involve. I understand that:

1. I agree to be interviewed for this research.
2. My confidentiality will be ensured. My name and personal details will be kept private.
3. My participation in this research is voluntary and I have the right to withdraw from the research at any time. There will be no repercussions should I choose to withdraw from the research.
4. I may choose not to answer any of the questions that are asked during the research interview.
5. I may be quoted directly when the research is published, but my identity will be protected.

Signature

Date

My contact details are as follows:

Kyli Foley
082 971 4567
kylifoley@gmail.com

The contact details of my supervisor are as follows:

Alec Bozas
082 334 4477
mwbozas@mweb.co.za

APPENDIX B: SCOPE OF INTERVIEW QUESTIONS

1. How old are you? Please mark the appropriate.
18-24 : 25-34 : 35-44 : 45-54 : 55+
2. Please indicate your gender by marking the appropriate.
Female : Male : Other
3. Do you purchase your goods at a specific store in order to receive the benefits of their loyalty program? If so, which firms/brands are they and what are the benefits that appeal to you and why is that so?
4. Which rewards and rewards programs are of value to you and why?
5. Please mention the extent to which you would go out of your way to purchase your goods at a store offering a loyalty program you are interested in.
6. Do loyalty programs cause you to increase your spending amount at the store (in order to receive the perk / points / reach a higher level of rewards)? Elaborate on your response please.
7. Would you remain loyal towards a specific brand if their rewards program weren't in place? What attributes of a brand / store would cause you to remain a loyal client, if there were no rewards program?
8. How often do you sign up for loyalty programs and what aspects of rewards programs appeal to you?
9. Do the lengthy sign-up processes of rewards programs influence your decision to sign up?
10. How often do you make use of your personal loyalty cards?

11. Do you feel a rewards program influences your loyalty towards that particular store/ brand?
12. Has a rewards program ever influenced your decision to switch brands and purchase elsewhere?
13. Are there any positive or negative issues you would like to mention regarding your experiences with various loyalty programs?
14. Do you have any suggestions as to how rewards programs can be improved?

I would like to personally thank you for your contribution in helping me conduct this research. Your input is greatly appreciated. If you have any further questions or queries, please don't hesitate to contact me.

Kyli Foley

082 971 4567

Kylifoley@gmail.com

APPENDIX C: ETHICAL CLEARANCE LETTER



4/08/2020

Student name: Kyli Foley

Student number: 17744193

Campus: Vega School, Durban North

Re: Approval of Honours in Strategic Brand Communication Proposal and Ethics Clearance

HONOURS/PGDIP ETHICAL CLEARANCE LETTER

Your research proposal and the ethical implications of your proposed research topic were reviewed by your supervisor and the campus research panel, a subcommittee of The Independent Institute of Education's Research and Postgraduate Studies Committee.

Your research proposal posed no significant ethical concerns and your supporting documents and instruments are in order to proceed. We hereby provide you with permission to proceed with your research.

In the event of you deciding to change your research methodology in any way, kindly consult your supervisor to ensure all ethical considerations are adhered to and pose no risk to any participant or party involved. A revised ethical clearance letter will be issued.

We wish you all the best with your research

GENERAL CONDITIONS TO BE FULFILLED IN RELATION TO RESEARCH

Permission is granted to proceed with the above study subject to the conditions listed below being met and may be withdrawn should any of these conditions be flouted.

Please note: The panel has not considered the merits, accuracy or ethical soundness of the research. The only merits examined are the use of The IIE as a sample.

Permission is granted subject to the following conditions:

1. You will need to obtain informed consent in writing from all of the participants in his/her sample if the study is not anonymous.
2. You may only use the data collected for research purposes and in no other way.
3. Photographs of human subjects may only be taken if relevant to the research, informed consent was obtained, and even with informed consent, the photographs may not be published on any online platforms.
4. You are responsible for supplying and utilising his/her own research resources, such as stationery, photocopies, transport, faxes and telephones and should not depend on the goodwill of the institutions and/or the offices visited for supplying such resources.
5. No names or identifying information of participants may be used within the research and the research must be voluntary. You may neither interview minors, nor anyone who has been placed in an institution.
6. Please make it clear that the information will not be used punitively in any way and participants may in no way be counselled/advised based on this.
7. Your research must be conducted in the public domain.

ARBoZay 06/08/2020

Supervisor: Alec Bozas



Campus Postgraduate Co-ordinator (CPC):

Carolanda Du Toit

13/08/2020

Research Purpose/objective	Primary Research Question	Research Rationale	Seminal authors/sources	Literature Review – conceptual framework	Paradigm	Approach	Data Collection Method(s)	Ethics	Key Findings	Recommendations
To determine if rewards programs and their incentives increase customer purchases, reinforce client retention and support loyalty to a brand.	Do South African rewards programs and their incentives increase customer purchases, reinforce client retention and support loyalty to a brand?	It will help companies determine if their incentives and benefits offered are strong enough to retain customers and their loyalty/ purchases.	Parasuraman, Zeithaml, and Berry (1985) Harvard Business Review David A. Aaker (1991)	Theme:1 The advantages and disadvantages of customer loyalty programs. Theme:2 Why Loyalty programs are important. Theme:3 Issues experienced with rewards programs and solutions to these.	Interpretivism: involves social sciences, this form of research seeks to understand human behaviour. Interpretivists want to see through the eyes of the person they are studying and gain an in-depth understanding Ontology: Reality is socially constructed	Qualitative	Focus groups or In-depth interviews.	1.COVID-19. This is a major challenge and will affect the way interviews need to be conducted. Instead Skype or E-mail will be used in order to protect the interviewee.	Rewards programs influence customer buying behaviour and their decisions on where to purchase products.	1.Brands must offer customers meaningful incentives/ rewards. 2. Brands must monitor customer buying behaviour to offer tailored rewards customers will find valuable. 3. Brands must execute rewards programs in ways that they are beneficial to both parties.
Research Problem	Secondary Questions/ Hypotheses/ Objectives	Key Concepts	Key Theories			Population	Data Analysis Method(s)	Limitations	Key Contribution	
There is uncertainty as to whether these programs are effective in positively influencing customer purchasing decisions and ensuring loyalty to a brand.	1.To determine if customers choose to purchase at a specific store in order to receive the perks of their loyalty program. 2.To determine how important the incentive/ perk is to the customer. 3.To determine if the customer will go out of their way to purchase at the relevant store offering the loyalty program.	Competitor	The SERVQUAL model - developed by Parasuraman, Zeithaml and Berry (1985) The Brand Equity Model – developed by Aaker (1991)	Theme:4 The benefits loyalty programs yield in terms of customer retention. Theme: 5 Whether rewards programs are worthwhile implementing		Shoppers participating in rewards programs.	Unit of Analysis: people (consumers)	1.COVID-19. 2.Access to proper data analysis technology. 3.Possible sampling errors. 4. insufficient time for thorough enough research.	Businesses and large branded retailers will be aware of the impact rewards programs make on customer retention and loyalty, it will be able to make informed decisions on capital spent implementing these programs.	4. By offering meaningful rewards programs brands have the ability to build strong relationships with consumers. 5. Consumers want to feel their loyalty is valuable to a brand, businesses need to offer the same value in exchange.
		Customer retention					Data Analysis method: Thematic Analysis.			
		Demographics			Aged between: 25-45 years					
		Rewards programs			Sampling	Non- probability sampling. Convenience sampling. Size: 15				
		Paradigm								
		Incentives								
		Customer service								
		Customer loyalty								

APPENDIX D: FINAL RESEARCH SUMMARY DOCUMENT TABLE

Title: How South African rewards Programs Impact On Customer Loyalty