

RESEARCH REPORT

A TRIANGULATION STUDY TO EXPLORE THE EFFECTS OF THE PICK N PAY SMART SHOPPER PROGRAMME ON CUSTOMER BRAND LOYALTY.

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Abstract:

The South African retail industry is highly competitive, so brand awareness, customer loyalty, customer retention and conversion is vital to the long-term sustainability of brands. Many organisations have implemented loyalty programmes to develop strong customer relationships leading to customer retention and thus a competitive advantage (Duffy, 1998). The strategic aim of loyalty programmes is to ensure strong CRM (Customer Relationship Marketing) with customers resulting in return business and re-purchasing (Dowling and Uncles, 1997).

The purpose of this study is to explore the effects the Pick 'n Pay Smart Shopper loyalty programme has on customer brand loyalty. Pick n Pay is one of the biggest players in the grocery retail sector in the South African market, with being the only other retailer besides Woolworths to have a loyalty programme. The Pick n Pay Smart Shopper loyalty programme consists of members earning points (1 point for every R1 spent) which can then be used to pay for products within Pick n Pay stores (Pick n Pay, 2016).

The study uses a mixed-method research methodology. An online questionnaire was used to collect qualitative and quantitative data from the sample. The questionnaire was distributed across a Facebook Forum through the use of Google Forms. The questionnaire was constructed to gather findings and form conclusions pertaining to consumers' perceptions and preferences as well as the effect that loyalty programmes have on their loyalty towards the Pick n Pay brand.

The most significant insights from the research findings were that the Pick n Pay Smart Shopper loyalty programme does not seem to make customers more brand loyalty or change their perceptions of the brand. A commonality amongst respondents was that the Smart Shopper programme should be that of a tiered loyalty programme, whereby consumers receive more points per spend based on the level (Bronze, Silver, Gold, Platinum) they are on within the loyalty programme.

In conclusion, this study contributes to the body of knowledge on the effects that the Pick n Pay Smart Shopper loyalty programme has on customers' brand loyalty, which has been a previously unexplored topic of study in the South African market.

CHAPTER 1 – INTRODUCTION TO THE STUDY

This chapter introduces the topic under study. The background along with the research problem, questions, objectives and relevance of the study are discussed. The chapter further goes on to bring to light an overview as to how the research process will take place and finally the chapter outlines of the report.

1.1 Background:

The purpose of this study is to explore the effects the Pick n Pay Smart Shopper loyalty programme has on customer brand loyalty.

Given the competitive nature of the retail industry in South Africa, brand awareness, customer loyalty, customer retention and conversion is vital to the long term sustainability of a retail brand such as Pick 'n Pay. To ensure competitive advantage and customer retention many organisations and companies have implemented loyalty programmes targeted at developing strong relationships with their customers (Duffy, 1998). The strategic aim of loyalty programmes is to ensure strong CRM (Customer Relationship Marketing) with customers resulting in return business and re-purchasing (Dowling and Uncles, 1997).

The added advantage of loyalty programmes is that they are effective marketing tools utilised by the retailer/company to understand their target market (demographics, purchasing habits and needs) thereby ensuring effective targeted marketing and competitive advantage (Piercy, 1985; Buckley, 1996 and Stone, 1994).

Loyalty programmes make the customer feel “special” and challenged by rewarding the customer on purchases or targets achieved. Consequently, loyalty programmes enhance store/brand loyalty resulting in higher purchases and activity (in the case of hierarchical loyalty programmes, whereby consumers achieve a level of status based on their spending). The main benefit to the firm is an increase in productivity and turn-over (Minami and Dawson, 2008).

There is limited research on retail loyalty programmes within a South African context. The major players in the South African food retail market are Pick n Pay, Shoprite,

Woolworths and Spar. The researcher has decided to examine Pick n Pay for this study as apart from Woolworths, it is the only brand which offers a loyalty programme to its customers. The Pick n Pay Smart Shopper loyalty programme differs from Woolworths' WReward programme in terms of offering cash back as opposed to simply instore discounts on selected products. The researcher will explore whether the Pick n Pay Smart Shopper loyalty programme (including its structure and reward type given) has an effect on customers' brand loyalty. The researcher will also explore which types of programme structures and reward types the market prefers. The findings will enable researchers as well as retailers to gain an understanding on which loyalty programme structures and reward types, the South African market best responds to. This will enable effective loyalty programmes to be constructed and implemented by retailers in the South African market to enable the building of strong customer relationship marketing.

1.2 Research Problem:

This triangulation study will explore the effects of Pick 'n Pay's Smart Shopper loyalty programme on customer's brand loyalty by means of a cross-sectional questionnaire methodology.

The study will involve a cross-sectional questionnaire methodology of a triangulation nature with the purpose of exploration, this enables an overall picture of a phenomenon at a specific point in time to be formed (Maree, 2007). Therefore data is only collected from respondents once. The data will be collected by the use of an online questionnaire. A questionnaire is a series of questions used to gather data about groups of people (Du Plooy-Cilliers, Davis and Bezuidenhout, 2014).

As both qualitative and quantitative data will be gathered from the questionnaire, the nature of the study is that of triangulation. The use of triangulation validates and verifies data from a number of sources by applying and combining different methodologies (Bogdan and Biklen, 2006).

The purpose of the study is to explore and obtain new insights whilst identifying key concepts, consumers' behaviours and perceptions (Du Plooy-Cilliers *et al*, 2014).

1.3 Relevance and importance of the study:

This research study will shed light on the effects that loyalty programmes have on customer loyalty. Due to the fact that the study is based on the Pick n Pay Smart Shopper loyalty programme, Pick n Pay could use the findings and results of the study to understand and potentially improve their loyalty programme to attract and retain customers. The study will enable Pick n Pay and other retailers to understand the effects that loyalty programmes have on customers and how this can be an effective marketing tool.

The research study contributes to the body of knowledge by drawing conclusions from the findings as to what the effects are on customer loyalty when retailers employ loyalty programmes.

Researchers studying the effects of loyalty programmes on customer loyalty can draw on the key concepts and constructs which have been defined in this study and can use the findings of the study in their literature review. Researchers who are studying loyalty programmes and/or customer loyalty can adjust the questionnaire to suit their sample and research objectives. This study can be used as a form of secondary research for other researchers who are studying Pick n Pay's Smart Shopper loyalty programme.

1.4 Key Concepts:

The researcher has identified the following key concepts that are relevant to this research study:

- Loyalty programme: This is a system whereby customers are members and receive rewards based on their spending (Sharp and Sharp, 1997).
- Pick n Pay Smart Shopper Programme: This is a loyalty programme which the retailer Pick n Pay uses to reward their customers. Members of this programme receive 1 point for every R1 spent in a Pick n Pay store. 1000 Smart Shopper points equate to R10 to be used either in a Pick n Pay to pay for ones purchases or can be donated to a charity of choice. Members can

accumulate points; however these points expire after three years (Pick n Pay, 2016).

- Customer brand loyalty: This is how committed a customer is to repurchasing a particular brand. Loyal customers are often less price sensitive and regardless of convenience will purchase the brand; they also encourage other people to use the brand (Aaker, 1991).

1.5 Research Questions:

What are the effects of Pick n Pay's customer loyalty programme on consumers?

- Are consumers more likely to purchase under this loyalty programme?
- Do consumers increase their purchasing levels after joining a loyalty programme?
- What are consumers' perceptions on the rewards received from loyalty programmes?
- Do consumers' perceptions of a brand change when joining a loyalty programme?
- Once a consumer joins a loyalty programme, are they more likely to join other retailer's loyalty programmes?

1.6 Research Objectives:

The primary research objective of this study is:

- To explore the effect that Pick 'n Pay's Smart Shopper loyalty programme has on their customers loyalty

The secondary research objectives of this study are:

- To gain an understanding of how loyalty programmes in general may enhance customer loyalty

- To explore whether loyalty programmes lead to customer retention

1.7 Research Paradigm, Approach and Design:

The research is embedded in a mixed method of a positivist and interpretivist nature. According to du Plooy-Cilliers, Davis and Bezuidenhout (2014) a positivist paradigm allows one to discover causal relationships in order to predict and control events, whilst the interpretivist paradigm allows one to understand and describe meaningful social action and experiences. As the aim of the research is to explore the effects that Pick 'n Pay's Smart Shopper loyalty programme has on customer's brand loyalty, this supports the use of the positivist paradigm. Along with quantitative data being collected, qualitative data will also be collected, thus an interpretivist paradigm is relevant to the study as the researcher aims to understand Pick 'n Pay Smart Shopper card holders' perceptions of the loyalty programme. However, the study is predominately working on positivist assumptions.

As the study is looking to explore both qualitative and quantitative approaches, the study is said to be that of a triangulation research design. The qualitative research gathered enables the researcher to gain an in-depth understanding of a phenomenon through the examination of people's responses, whilst the quantitative research allows people's responses to be converted into units that can be compared and used for statistical analysis (du Plooy-Cilliers *et al*, 2014).

The sample comprises of those individuals who reside in the suburbs of Constantia, Bergvliet, Meadowridge, Tokai and Steenberg in Cape Town, South Africa. A sample size of 100 has been chosen. The researcher will be using a convenience non-probability sampling technique. This will be explored in more detail in Chapter 3 of the study.

The researcher will make use of a questionnaire to gather data from the sample. The questionnaire will be distributed online via Google Forms. The respondents will be asked to fill out the questionnaire once as the researcher is using a cross-sectional time dimension, this will provide an overall picture of a phenomenon (du Plooy-Cilliers *et al*, 2014).

The researcher will then to draw conclusions from the data gathered. The aim of the study is to explore and understand what the effects of the Pick n Pay Smart Shopper programme has on Pick n Pay's customer's brand loyalty.

1.8 Structure of Report:

This research report has been structured in the following way:

Chapter 1 introduces the reader to the topic under investigation, whilst clarifying and explaining the research questions, research objectives and the research approach the researcher will be employing.

Chapter 2 makes the reader aware of the literature surrounding the research topic and explains the various models and theories surrounding customer brand loyalty and loyalty programmes.

Chapter 3 explains the research process as well as describing the sampling approach and data collection methods used.

Chapter 4 presents and analyses the data gathered from the online questionnaire.

Chapter 5 concludes the main findings from the data gathered and recommendations are made on how loyalty programmes should be designed and/or can be improved to deliver optimum results to organisations. The researcher also makes recommendations for future studies.

1.9 Summary:

This chapter saw the introduction of the background to the study, along with the presentation of the research problem, questions and objectives. The chapter further went on to bring to light the relevance of the study, an overview as to how the research process will take place and finally the chapter outlines of the report. The next chapter will cover the current literature pertaining to the study.

CHAPTER 2 – LITERATURE REVIEW

This chapter provides a brief overview of the literature pertaining to the effect of loyalty programmes on customer's brand loyalty. The chapter begins by defining the most important concepts and theories for the study, thereafter the different types of rewards and loyalty programmes are discussed.

2.1 Theoretical Foundation:

This section will present the main theories surrounding customer brand loyalty. These theories include brand loyalty, behavioural and attitudinal loyalty and the resource and reciprocity theories.

2.1.1 Brand Loyalty:

Brand loyalty is defined as “the tendency of a consumer to continue buying the same brand of goods despite the availability of competing brands” (*The Oxford English Dictionary*, n.d).

Brand loyalty is defined by Aaker (1991) as the continued purchasing/use of a brand's products or services, as a result of the consumer feeling a sense of positivity towards the brand. Aaker (1991) further goes on to explain brand loyalty as the likelihood of a customer to switch to a competitors' brand, particularly when that brand making changes in price and product features. The act of consumers purchasing the same brand repetitively, due to them having a strong preference for the brand is described as brand loyalty (Hoyer, Macinnis and Pieters, 2012).

Brand loyalty can lead to the long-term success of a brand, as a loyal customer who frequently purchases the brand, forms significant brand equity, as opposed to those who purchase the brand once (Jacoby and Chestnut, 1978; Aaker, 2000). According to Kotler and Keller (2009), brands apportion large budgets to attaining customers but pay less attention to retaining customers, when brand loyalty can result in profitable brand equity. The cost of retaining customers is lower than the costs associated with attracting new customers (Reichheld, 1996). A brand which has a strong loyal customer base establishes a barrier to entry to competitor brands. In order for new competitor brands to encourage loyal customers to switch to their brand, they would have to budget for high costs associated with marketing (Aaker,

1996). In strategic marketing, brand loyalty is an essential asset, because it enables the brand to not lose following when factors such as price or product features change (Wernerfelt, 1991).

In order to classify the degrees of customers brand loyalty, Aaker's Loyalty Pyramid (figure 2.1) can be used (Aaker, 1991). This model classifies customers into one of five levels of brand loyalty they display.



Figure 2.1 Brand Loyalty Pyramid (Aaker, 1991)

The degree of loyalty a customer has for a brand increases as they move up the pyramid. The levels of loyalty are explained as follows (Aaker, 1991):

- **Switchers:** These are consumers who are indifferent as to which brands they purchase and base their purchase and usage decision on whether the price is within their budget. These consumers display no loyalty towards brands.
- **Habitual:** These are consumers who purchase a brand out of habit. These consumers are satisfied with the brand offering and therefore feel that there is no reason to change brands. However these consumers can be induced to switching to a competitors' brand, if there is more perceived benefit of switching created.
- **Satisfied:** These are consumers who are content with what the brand is offering them. However they can be lured by competing brands to switch, if the incentives of switching brands outweigh the switching costs associated with the change (time, money, acquired loyalty advantages etc.).
- **Likes:** These are consumers who enjoy and have an emotional attachment to the brand. This emotional attachment is often the reason why there is a long term relationship established with the brand. The emotional attachment can stem from factors such as the consumer having positive user experiences as well as perceiving the brand as high quality.
- **Committed:** These are customers who are extremely loyal to the brand and would recommend that others use the brand. These are consumers who are not swayed by competitors' offerings and will continue to support the brand going forward.

Another model which illustrates the varying levels of brand loyalty is the popular model, The Loyalty Ladder (figure 2.2) used in the discipline of marketing. The model describes how as a customer moves up the loyalty ladder, their loyalty towards the brand increases (Mutyala, n.d.). The five levels of brand loyalty according to The Loyalty Ladder are as follows (Ibid.):

- **Prospect:** These are consumers who are interested in the brand, but are yet to engage with the brand.
- **Customer:** Are those who have purchased and engaged with the brand only once.
- **Client:** These are people who are repeat buyers of the brand. They choose to engage with the brand again as they were satisfied the first time using the brand.
- **Supporter:** These are consumers who enjoy the brand and are open to trying new product offerings from the brand.
- **Advocate:** These are consumers who are extremely loyal towards the brand and would recommend the brand to others.

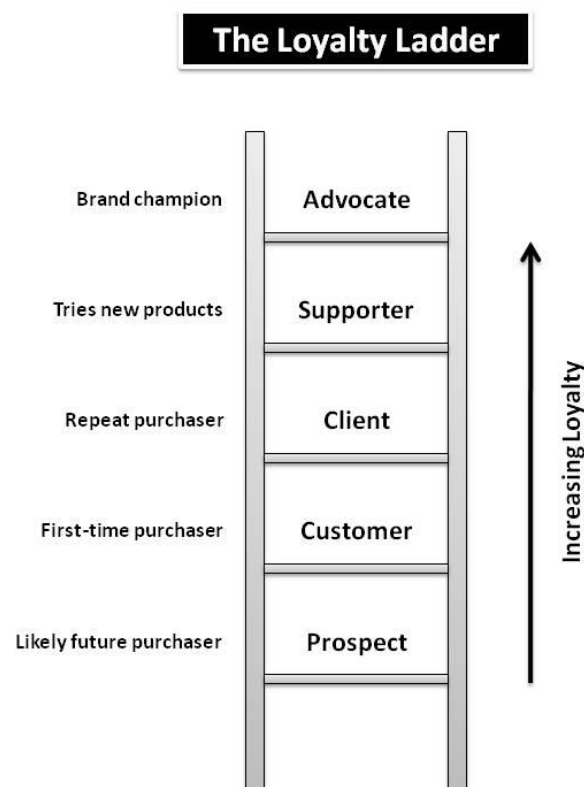


Figure 2.2 The Loyalty Ladder (Mutyala, n.d)

2.1.2 Behavioural and Attitudinal Loyalty:

There are two main dimensions of customer loyalty: behavioural loyalty and attitudinal loyalty (Baloglu, 2002).

Behavioural:

According to Tucker (1964) the concept of behaviour is fundamental to brand loyalty. Behavioural loyalty is that of customers making repeat purchases (Baloglu, 2002). As individuals' behaviour is observable and measurable, some scholars consider behavioural loyalty as a measure of brand loyalty (Hart, Smith, Sparks and Tzokas, 1999).

A way to measure behavioural loyalty is that of brand retention. The loyalty towards products is measured through repeat brand purchases, whilst loyalty towards services is measured by the duration of time that consumers use the service. When a consumer uses a number of brands in a category, for instance in the grocery market, loyalty towards a specific brand is calculated as the share of wallet expenditure (East, Gendall, Hammond and Lomax, 2005). Rothschild and Gadis (1981) suggest that the types of incentives that many customer loyalty schemes offer may induce loyalty to the programme rather than to the core product or service.

The effectiveness of loyalty programmes is frequently determined by repeat business only; however, repeat business does not necessarily signify true loyalty to a brand or firm (Baloglu, 2002). Some scholars believe that the behaviour of consumers making repeat purchases is due to various other factors such as lack of brand choice, habit, income level, convenience etc (Hart, Smith, Sparks and Tzokas, 1999). Another explanation for lower levels of repeat purchasing may include consumers having different usage situations and a lack of brand preference (Dick and Basu, 1994). Oliver (1999) further went on to explore the attitudes behind loyalty.

Attitudinal:

Attitudinal loyalty is measured by customers' commitment to repurchase or increase their spend on a specific brand, regardless of competitors offerings (Oliver, 1999). This is the emotional attachment a customer has with a brand as a result of understandable, consistent, friendly and personalised service. The aim is to build social relationships and keep promises made in promotional material that enhances

the customers' experience and creates a positive image. The major benefit to an organisation is the outperformance of competitors (Baloglu 2002).

There is a correlation between customer satisfaction and product/service provided by the company/retailer that has a positive effect on customer loyalty (Hu, Huang and Chen 2010). Customer satisfaction is used to measure customer loyalty, as a customer who is satisfied with a brand, is more likely to make repeat purchases (Reichheld, 1993). Other researchers add that consumers' liking, commitment and trust of the brand should also be taken into consideration when measuring customers' brand loyalty (East, Gendall, Hammond and Lomax, 2005). Mattila (2006) further explains that true loyalty is derived from an emotional commitment and attachment to the product/service provider. Mattila (2006) goes on to state that loyalty is an emotional bond to a brand and this cannot be bought by points or free stays.

Therefore to accurately measure brand loyalty behavioural loyalty and attitudinal loyalty needs to be taken into account. The dimensions of loyalty are important when it comes to understanding how the Pick n Pay Smart Shopper loyalty programme affects customers' brand loyalty. It will help the researcher to discover whether people shop at Pick n Pay out of loyalty towards the brand or because of convenience or habit (behavioural loyalty) or whether people are loyal to Pick n Pay and will repurchase regardless of competitors offerings due to having an emotional bond with the brand (attitudinal loyalty).

2.1.3 Reciprocity and Resource Theory:

The psychology behind customers having brand loyalty can further be explained by means of the Reciprocity and Resource Theory. The theories state the following (Morais, Dorsch, and Backman, 2004):

According to the Reciprocity Theory, when a customer feels that they have derived benefit, help or reward, they tend to feel indebted to the retailer/company and feel compelled to repeat purchases and provide positive recognition (Morais et al, 2004). Members of the Pick n Pay Smart Shopper loyalty programme could display a sense of reciprocity towards the Pick n Pay brand once they have redeemed their points to

pay for their purchases. This is because they could have a feeling of having received something for free.

In a study of a nature based tourism provider, Morais et al. (2004) found that when a company made investments in the customer, the customers in turn made reciprocal investments in the company, and those investments led to loyalty. It was therefore concluded that where there is the feeling of reciprocity, both retailer/company and customer would buy into the loyalty programme (Morais et al, 2004).

The Resource theory states, that when individuals receive a specific type of resource, they tend to counter with an identical type of resource in return (Morais et al, 2004). Resources are classified by tangibility and particularism. There are six classes of resources: love, status, information, money, goods and services (Morais et al, 2004).

Love and status are highly intangible and particularistic (exclusive or special devotion to a particular interest), information and status are the most intangible, goods are the most tangible, love is the most particularistic and money is the least particularistic (Morais et al, 2004).

The findings of Morais (2004), suggest that loyalty programs should invest in intangible and particularistic resources with their most valuable customers instead of intangible and non-particularistic investments like money or free discounted goods. When it comes to organisations operating in the tourism, hospitality and retail industries, the Resource theory is of importance. This is because there is a frequent face to face interaction between customers and staff (Morais et al., 2004).

2.2 Loyalty Programmes:

A loyalty programme is a marketing tool used by retailers, with the aim of attaining and retaining customers, by offering them incentives. These incentives are rewards, which are achieved through frequently purchasing from the retailer (Kopalle, Praveen, Scoot and Neslin, 2003). These reward programmes are utilised to cultivate customer loyalty over time, as customers seldom benefit from these rewards after just one purchase (Sharp and Sharp, 1997).

The first record of the introduction of loyalty programmes was in the 1960s in the United States; when supermarkets and other stores began giving food stamps in proportion to a customer's spend. These stamps would be accumulated into a booklet and once full, the customer would exchange this for a gift. The programme saw its end when it grew too popular and shop owners stopped taking part. This was due to the fact that many shops were issuing these stamps, thus they did not provide a competitive advantage to shop owners (Kotler, 1999).

The majority of airlines today use the frequent flier loyalty programme. This form of loyalty programme was first introduced in 1981 by American Airlines who termed their programme AAdvantage. This programme rewarded customers who regularly flew American Airlines with miles, which when accumulated could be used to for tickets, class upgrades as well as discounted car rentals and hotel accommodation to name a few. The programme employed a tier system whereby members who were more active than others received greater and more benefits (Berman, 2006). Shortly after the launch of the AAdvantage programme, the JW Marriott launched the Honoured Guest Programme followed by car rental firms and credit card companies following suit (Kotler, 2003).

According to O'Malley (1998) the objectives to an organisation of using a loyalty programme is the following:

- Loyal customers are rewarded:
A loyalty programme encourages repeat purchasing through the enticement of future rewards. Many people enjoy getting something for nothing, so they are dedicated to participating in such programmes.
- Generation of information:

When consumers join a loyalty programme their individual demographics as well as any other information that the organisation may find of use, such as spending patterns is stored. This provides the organisation with fairly inexpensive knowledge on their customers. This data can then be used to market offerings to specific groups who are part of the loyalty programme.

- Consumer behaviour can be manipulated:

An organisation can manipulate consumers' behaviours through the use of incentives/rewards to encourage spend or to try new products. For instance, if you buy Soap X you earn 3 points, but if you buy Soap Y you can earn 5 points.

- Combat a competitor or competing programme:

When an organisation experiences a decline in their customer base due to a competitor having an attractive loyalty programme or offerings attracting these customers, the organisation could implement a loyalty programme to reward loyal customers and attract new or previously lost customers.

In support of the objectives addressed by O'Malley above, Uncles, Grahame, Dowling and Hammond (2003) state the following when it comes to the objectives behind an organisation launching a loyalty programme:

- The increase in customer purchases and usage levels results in the increase or maintenance of sales levels, margins and profits.
- Customers can be enticed into increasing the range of products they buy from the retailer as they will then earn additional points/rewards.
- A loyalty programme enables an organisation to differentiate themselves from a parity brand.

- An organisation with an established loyalty programme deters potential competitors from entering the market as well as competitors from launching a similar loyalty programme.

Shugan (2005), a firm critic, suggests that loyalty programmes are ineffective at delivering a competitive value proposition, and are responsible for increasing marketing costs.

The effectiveness of loyalty programmes has proven difficult to empirically define and remains debatable. Various researchers have found positive effects through different studies (Bolton et al., 2000; Leenheer and Bijmolt, 2008; O'Brien and Jones, 1995), while others have not been able to categorically prove the effects of the systems (Sharp and Sharp, 1997; Dowling and Uncles, 1997).

2.2.1 Types of loyalty programmes:

Loyalty programmes can be classified according to the type of reward received and the timing of the reward (Dowling and Uncles, 1997).

The reward type of a loyalty programme refers to whether the loyalty programme offers its members a reward which is equivalent to the value proposition. These rewards can be divided into indirect or direct rewards (Dowling and Uncles, 1997).

A loyalty programme which offers its members rewards that encourage loyalty more towards the programme as opposed to the brand would be classified as a programme offering indirect rewards. The value offered by the loyalty programme is not in proportion to the value proposition of the product or service offering (Dowling and Uncles, 1997). For example, a restaurant offering its loyalty programme members an opportunity to receive a free overseas holiday is encouraging consumers to be loyal to the programme as opposed to the restaurant brand. This is because the reward (overseas holiday) is greater than the money which would have to be spent to participate in the programme (eating in restaurant).

A loyalty programme that results in consumers being loyal towards the brand as opposed to the loyalty programme is classified as a programme offering direct rewards. The reward offered to members of the loyalty programme is in proportion to

the value proposition of the product or service offering. The product or service is considered of higher value than the reward (Dowling and Uncles, 1997). For example if a consumer decides to purchase a new Land Rover Discovery car and receives a 10% discount, the incentive (10% discount) is seen as a small incentive compared to the core product (the car). The consumer is loyal to the product as opposed to the incentive received, because the product is of a higher value.

The timing as to when loyalty programme members receive their rewards is either immediately or it is delayed. A programme offering immediate rewards, results in members being able to redeem their loyalty programme rewards as soon as they have joined the programme. For example if a retailer offers their loyalty members a 5% discount on all of their purchases, this reward can be used immediately at the point of purchase. Loyalty programmes can also offer delayed rewards, whereby members can only redeem their loyalty programme points after a specified time has lapsed since purchasing from the organisation or a specified accumulation of points has occurred. For example customers who are members of an airline's frequent flyer programme can only receive a free flight once they have accumulated a set amount of points (Dowling and Uncles, 1997).

Dowling and Uncles (1997) state that by using a loyalty programme which is in direct support of the value proposition of the product and offering immediate rewards is a more effective marketing tool to encourage brand loyalty.

Pick n Pay can be characterised as offering their loyalty programme members direct rewards with immediate timing. This is due to the fact that Pick n Pay rewards their members with points which are inline with the value proposition which the customer is purchasing (groceries) and these points can be used at any point in time the Smart Shopper member wishes (immediate timing).

In addition to the above reward types and timing classifications, Kopalle, Neslin, Sun, Sun and Swaminathan (2007) go onto explain two different loyalty programme structures, namely points based loyalty programmes and tiered loyalty programmes.

- **Points Based Loyalty Programme:**

This programme is based on the principle that each time a loyalty card is swiped at a point of sale, points are earned in the form of cash back (based on a percentage of their spend). These points can then be redeemed at a future point in time at the customers' discretion. An example in South Africa would be the Pick 'n Pay Smart Shopper programme, whereby each time the consumer swipes at the check-out till, they are rewarded with points which are loaded automatically onto their loyalty card, that can be redeemed for future purchases within Pick 'n Pay stores (McCall and Voorhees, 2010).

- **Tiered Loyalty Programmes:**

These programmes are implemented by firms by which they have classified their customer base according to their customer performances, spending and goal achievement. These types of programme result members having an aspirational goal achievement in improving their tier statuses (Gilbert, 1996). An example in South Africa would be Discovery Vitality and Momentum Multiply (McCall and Voorhees, 2010).

A consequence of multi-level tier loyalty programmes is the need for consumers to improve their behaviour in order to elevate themselves to the next tier (Kopalle, Neslin, Sun, Sun and Swaminathan 2007). The higher the level achieved, the more elite the perceived status (Dreze and Nunes, 2009).

Tiered customer loyalty programmes provide customers with a sense of identity and fit with both the firm and other like customers, which can lead to improved commitment to the loyalty programme and firm (McCall and Voorhees, 2010).

2.2.2 Effectiveness of Loyalty Programmes:

In order for an organisation to have a successful and effective loyalty programme which yields the required outcomes set by the organisation, Nunes and Dreze (2006), Liu and Yang (2009) as well as O'Brien and Jones (1995) agree that the following attributes need to be considered:

- The cost of participating in the loyalty programme:
This relates to the costs associated with joining the loyalty programme as well as the convenience of participating in the programme in terms of recording points and redeeming rewards. These factors will have an effect on the attractiveness of the loyalty programme to consumers.
- The point structure:
This pertains to the issuing of points, the point thresholds or point tier levels. It is of importance that point thresholds and tier levels be obtainable, otherwise members will be discouraged to use the loyalty programme.
- The choice and availability of rewards:
This refers to the value of the reward offered and how suited it is with the brand. The reward to spend, reward choices on offer as well as there being a sense of aspiration to attain a higher status level within the programme is thought to be of importance when designing a loyalty programme. It is noted that when the requirement for a customer's effort is high, they tend to prefer luxury rewards, in contrast when customers are required a low effort when part of a loyalty programme, they tend to be content with necessity rewards.

2.3 Summary:

This chapter presented various concepts, theories and studies surrounding brand loyalty and loyalty programme structures and objectives. The purpose of this literature review is to provide context and a background to the research study.

Pick n Pay Smart Shopper loyalty programme members will display both behavioural and attitudinal loyalty towards the Pick n Pay brand. The Reciprocity and Resource Theories are both important when it comes to examining how Pick n Pay Smart

Shopper loyalty programme members react to the rewards received from the retailer. It has been proved that customers react more positively towards a loyalty programme which offers direct rewards with immediate timing; this is of relevance to Pick n Pay as this is the structure of the Smart Shopper programme. Pick n Pay's loyalty programme is that of points based. These concepts and theories will guide the research design and methodology which is discussed in the next chapter

CHAPTER 3 – RESEARCH DESIGN AND METHODOLOGY

This chapter will present the research design previously mentioned in chapter 1 in more detail and then go on to explain the population, sampling methods and size and finally the data collection method.

3.1 Research Design:

The study follows a triangulation research design. This means that the study includes both a qualitative and a quantitative approach. The aim of qualitative research is to gain an in-depth understanding of a phenomenon through the examination of people's responses. The aim of quantitative research is the conversion of responses into units that can be compared and used for statistical analysis (du Plooy-Cilliers *et al*, 2014).

The time dimension of the study is that of a cross-sectional survey design. A cross-sectional survey design is used when data is collected from the respondents at only one point in time to provide an overall picture of a phenomenon (du Plooy-Cilliers *et al*, 2014). In the case of this study, the sample will only complete the questionnaire once, to provide the researcher with the required data.

Due to the study being that of a positivist and interpretivist research tradition, both a deductive and inductive line of reasoning could be applied. With deductive reasoning theories are constructed prior to the study being conducted, thus an existing theory is tested through the study. Inductive reasoning allows for the development of an existing or new theory (du Plooy-Cilliers *et al*, 2014). In the case of the study on the effects of Pick 'n Pay's Smart Shopper programme on customer's brand loyalty, no prior assumptions and ideas exist, therefore the study relies on an inductive approach.

The researcher hopes to draw generalisations from the facts gathered and from the open ended questions. The aim of the study is to explore and understand what the effects of the Pick 'n Pay Smart Shopper programme has on Pick 'n Pay's customer's brand loyalty.

3.2 Population:

3.2.1 Units of Analysis:

The object/individual under investigation in the study is referred to as the unit of analysis (du Plooy-Cilliers et al, 2014). The unit of analysis for this study is:

1 customer who is part of the Pick 'n Pay Smart Shopper loyalty programme.

3.2.2 Target and Accessible Population:

The target population of the study are all the Pick 'n Pay customers who are part of the Smart Shopper loyalty programme in South Africa.

The accessible population of the study are all the Pick 'n Pay customers who are part of the Smart Shopper loyalty programme in Constantia, Tokai, Bergvliet, Meadowridge and Steenberg suburbs of Cape Town, South Africa.

3.2.3 Population Parameters:

The population parameters for the study are shoppers at Pick n Pay who are part of the Smart Shopper loyalty programme in the Constantia, Tokai, Bergvliet, Meadowridge and Steenberg suburbs of Cape Town, South Africa.

Beyond the one common denominator, namely the Pick n Pay Smart Shopper loyalty programme, customers are all very diverse in terms of gender, age and race (Pick 'n Pay, 2014).

3.3 Sampling:

3.3.1 Non-probability sampling:

There are two main types of sampling techniques, namely probability and non-probability sampling.

The study follows non-probability sampling. When elements of a population do not have an equal chance of being included in the sample, this is referred to as a non-probability sampling technique. This technique will be used as it is difficult for the researcher to gain access to the entire population (du Plooy-Cilliers et al, 2014).

3.3.2 Sampling Method:

The study will use convenience sampling. This method involves including elements of the population which the researcher can easily have access to (du Plooy-Cilliers et al, 2014).

3.3.3 Sample Size:

According to Pick n Pay there were 8.9 million Smart Shopper card holders in South Africa in 2015 (Pick 'n Pay, 2015). The researcher has decided that a sample size of 100 people is adequate to gather data from, in order to draw conclusions on the effects of that the Pick n Pay Smart Shopper loyalty programme has on customers' brand loyalty.

3.4 Data collection method:

Due to the nature of the study being of a mixed method, a questionnaire is used as the data collection method. The questionnaire consists of a majority of quantitative closed-ended questions and four open-ended qualitative questions closer to the end of the questionnaire.

The questionnaire is made up of direct, matrix, multiple choice, closed-ended and open-ended questions. The questionnaire has been constructed in the order of warm-up questions at the beginning, followed by closed-ended questions, then the open-ended questions and closing with two demographic questions. The questionnaire is ordered in this way so that the respondents are more willing to complete the questionnaire. Only questions of relevance to the study have been included in the questionnaire. Respondents will be provided with detailed instructions on how to complete the questionnaire so as to avoid confusion in the answering process, as well as the assurance of their responses being treated confidentially.

The questionnaire is that of a self-administered survey, this is beneficial as respondents can complete the questionnaire within their own time and at their own pace (Bryman and Bell, 2007). A disadvantage of using a questionnaire as a data collection instrument is that it is not possible to ask for follow up questions and the response rate can be low (du Plooy-Cilliers *et al*, 2014).

An online questionnaire is the most appropriate data collection instrument for this study of the sample of 100 Pick 'n Pay Smart Shopper card holders, as it is the fastest way for the researcher to gather data from the sample in the given time frame. The questionnaire will be distributed through an online survey software programme called Google Forms via a Facebook forum page. This forum includes residents of the areas stated in the population parameters. The Google Forms software allows the researcher to automatically input the data gathered into Microsoft Spreadsheets for analysis. The sample will be asked to fill out the questionnaire before a certain date. The problems which could occur with this method are that of low response rates due to factors such as illiteracy or not being fluent in English as the questionnaire is in English as well as people not willing to fill out the questionnaire.

The researcher will make sure of the following:

- That the questions move from closed-ended to open-ended questions to let participants warm up to answering the questionnaire, so that the researcher has a higher chance of receiving accurate information.
- The questions are simple and clear as to not confuse the respondents, thus more precise answers are given.
- Leading questions are avoided as to get a more truthful response as to how respondents view certain aspects of the phenomenon.
- Double-barrelled questions are avoided as these can confuse the respondents, leading to only certain parts of the question being answered. Each question in the questionnaire addresses only one question at a time.
- The open-ended question will not lead the participant into responding in a certain manner, but to encourage the respondent to give opinions and responses that are not influenced by the researcher.

3.5 Summary:

This chapter presented the research design in more detail, as well as explained the population, sampling methods and size and finally the data collection method which was used.

CHAPTER 4 – DATA ANALYSIS AND FINDINGS:

This chapter will present and discuss the analysis and findings which have been obtained from the data by means of the online questionnaire. A sample size of 100 participants was selected to form part of the study, however only 93 people completed the questionnaire. All the 93 questionnaires were deemed usable as participants had answered all of the 16 questions.

The researcher analysed the qualitative data by means of thematic coding and the quantitative data was analysed through tallying of responses. The researcher has used illustrative tools to present the findings of the quantitative research questions and has identified the themes from the qualitative research questions. The research questions and objectives were taken into account when collecting the data.

4.1 Data Analysis:

Due to the fact of the study being of a triangulation nature, data analysis methods relating to both qualitative and quantitative data were employed.

The qualitative data gathered from the sample through the open-ended question in the questionnaire is textual. In order to analyse the findings, the data needs to be transcribed, themes need to be clustered and then a report on these findings written.

In the case of this study the researcher transcribes the data collected into a written format. She then goes onto identifying and grouping themes which emerge from the data, as the study is following an inductive line of reasoning. This is referred to as content analysis (du Plooy-Cilliers et al, 2014). Conclusions are then drawn and findings are presented.

The quantitative data gathered from the sample through the closed-ended questions in the questionnaire, needs to be tallied and then findings presented in diagrams, which in turn can lead to patterns being identified and predictions being made (du Plooy-Cilliers et al, 2014).

The quantitative data gathered from the respondents will fall into specific categories due to the nature of the closed-ended questions being asked. All the individual quantitative question responses gathered need to be counted, for example 150 of

the respondents answered yes to Question 3, whilst 235 of the respondents answered no to Question 3. All the tallied answers will then be presented in visual diagrams such as histograms, bar charts, scatter plots and pie charts to name but a few. From the data averages, means, medians, frequencies, variances, correlation coefficients as well as the distribution of data can be identified. Finally conclusions will be drawn from this data gathered from the sample of 93 Pick 'n Pay Smart Shopper card holders and generalisations will be made about the greater Pick 'n Pay Smart Shopper card holder population.

4.2 Findings:

The researcher identified themes which emerged from the data collected; these themes were identified in relation to the research questions and objectives. The data gathered from the quantitative questions were tallied and presented in diagrams, to enable patterns and predictions to be made. The findings from the online questionnaire are as follows:

Question 1: What year did you join the Pick n Pay Smart Shopper loyalty programme?

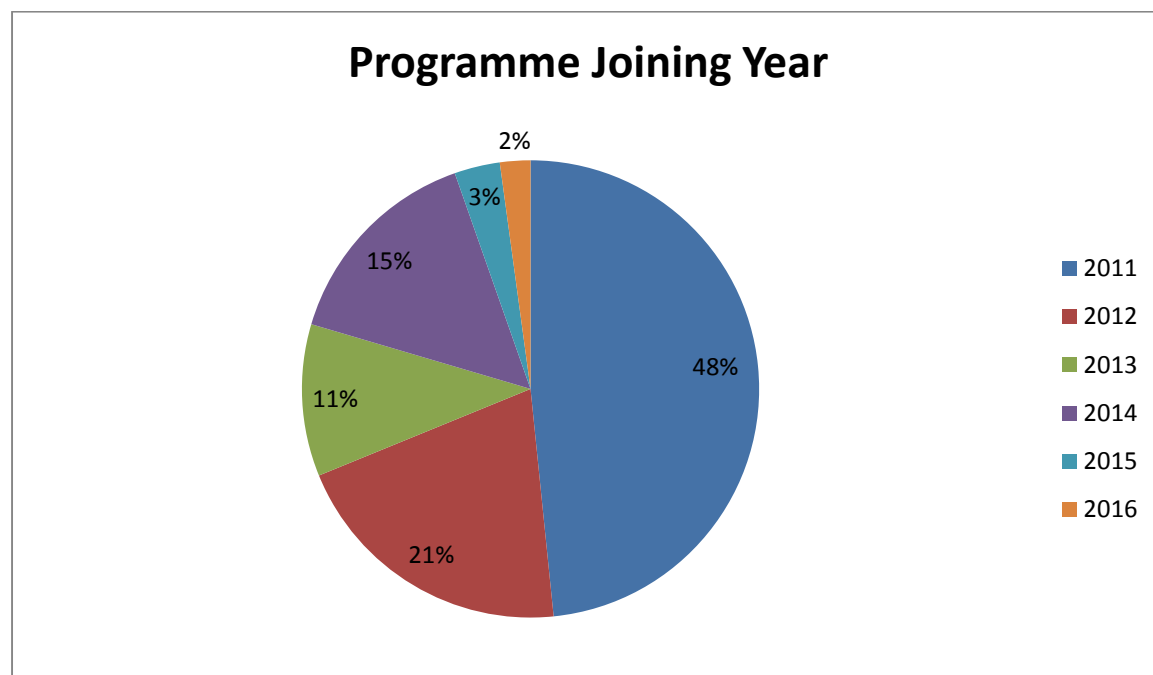


Figure 4.1 Joining Year

The findings show that the majority of respondents joined the Pick n Pay Smart Shopper loyalty programme during the first year of launching said programme in 2011. The data shows that 48% of respondents joined in 2011; 21% of respondents joined in 2012; 11% of respondents joined in 2013; 15% of respondents joined in 2014; 3% of respondents joined in 2015 and with only 2% of respondents being new to the Smart Shopper programme having joined in 2016. This finding enables the researcher *to gain an understanding of how on loyalty programmes in general may enhance customer loyalty*, which is an objective of the study. The finding can be interpreted that as the majority of the respondents joined the loyalty programme during the first year of launching, that the market enjoys being part of loyalty programmes and are enthusiastic about being members of these programmes. This finding could also show that the launch of the Smart Shopper loyalty programme was successful in encouraging people to join. The tapering off of people joining in more recent years could be attributed to Pick n Pay not marketing their loyalty programme as much as they did when it first launched, thus people who shop at Pick n Pay and are not members of the Smart Shopper loyalty programme could either be unaware of the programme or simply not know how to join it.

Question 2: Which Pick n Pay store do you most often visit?

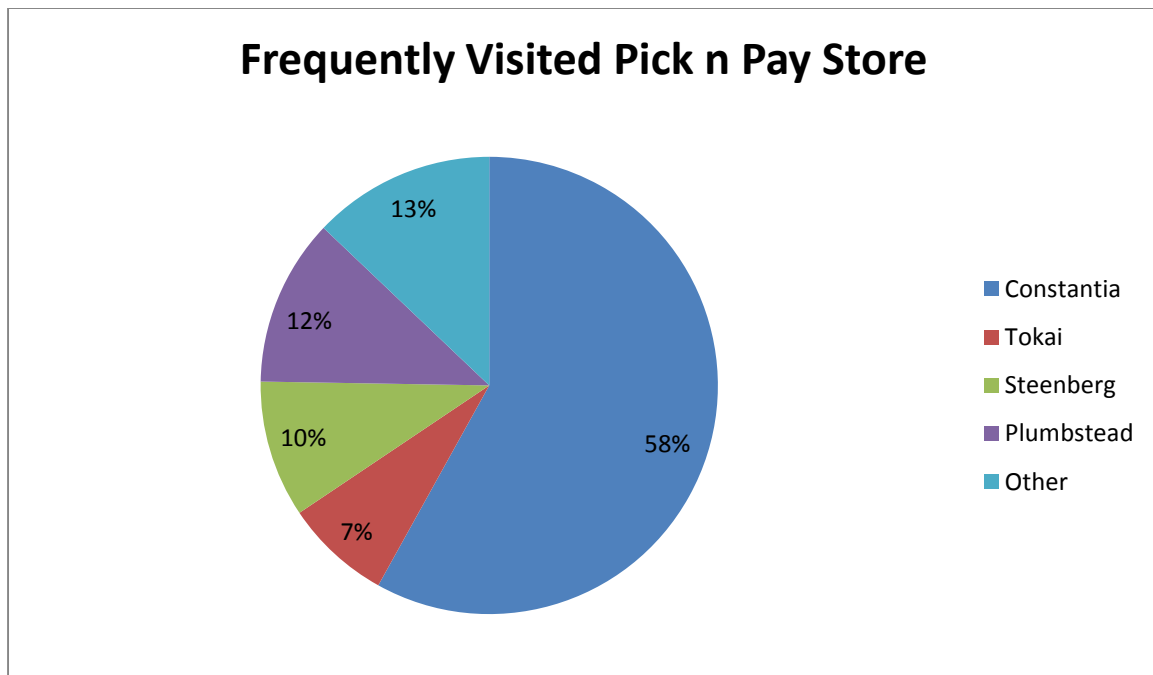


Figure 4.2 Frequently Visited Store

The questionnaire was distributed online via a Facebook forum for residents of Constantia, Bergvliet, Tokai and Meadowridge suburbs of Cape Town. This enabled the researcher to gather findings related to the population living in these areas. The findings show that the majority of the respondents most often shop at the Pick n Pay in Constantia (58%); 7% of respondents most often shopping at the Pick n Pay in Tokai; 10% of the respondents frequenting the Steenberg Pick n Pay; the Plumbstead Pick n Pay is frequented most often by 12% of the respondents and 13% shop at other Pick n Pay branches.

Question 3: How often do you purchase from Pick n Pay?

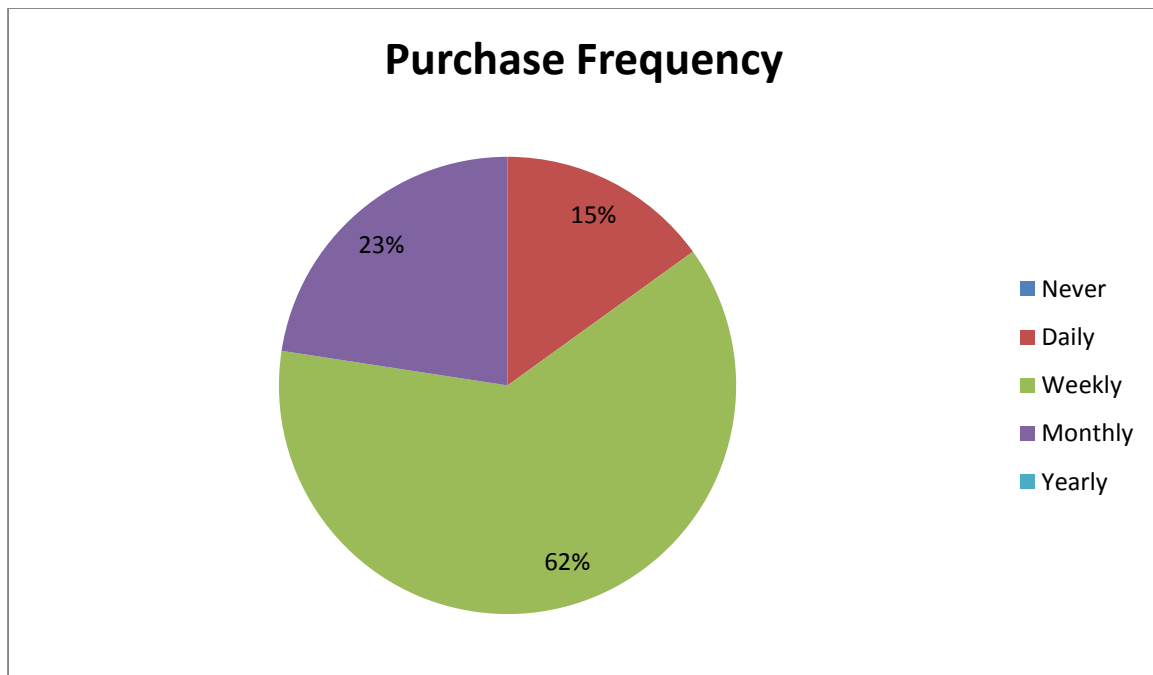


Figure 4.3 Purchase Frequency

All of the respondents shop at Pick n Pay, with none of the respondents only shopping at Pick n Pay on an annual basis. From the data gathered it can be seen that the majority of the respondents shop at Pick n Pay on a weekly basis (62%), with 23% of the respondents shopping at Pick n Pay on a monthly basis and 15% shopping on a daily basis.

Question 4: Are you a member of any other retail loyalty programmes?

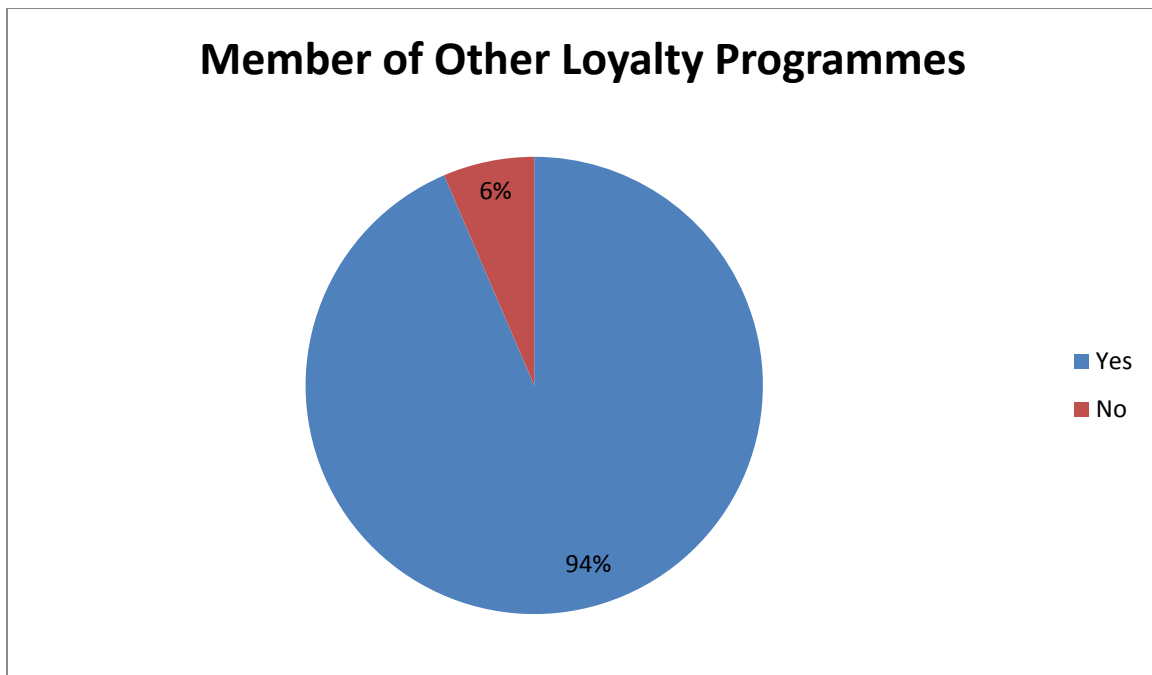


Figure 4.4 Members of Other Loyalty Programmes

The findings show that 94% of the respondents are members of other retail loyalty programmes, with just 6% of Pick n Pay Smart Shopper card holders belonging to only the Pick n Pay Smart Shopper loyalty programme. Although the Pick n Pay Smart Shopper loyalty programme is different to other retail loyalty programmes such as the WRewards (Woolworths) programme in the sense of getting points to use as cash to purchase products in Pick n Pay, this finding could show that the respondents are not necessarily loyal to Pick n Pay based on the Smart Shopper loyalty programme, as they are members of other retail loyalty programmes. This implies that *once a consumer joins a loyalty programme, they are more likely to join other retailer's loyalty programmes.*

Question 5: How strongly do you agree or disagree with the following statement: The Smart Shopper loyalty programme makes me purchase more in-store or online?

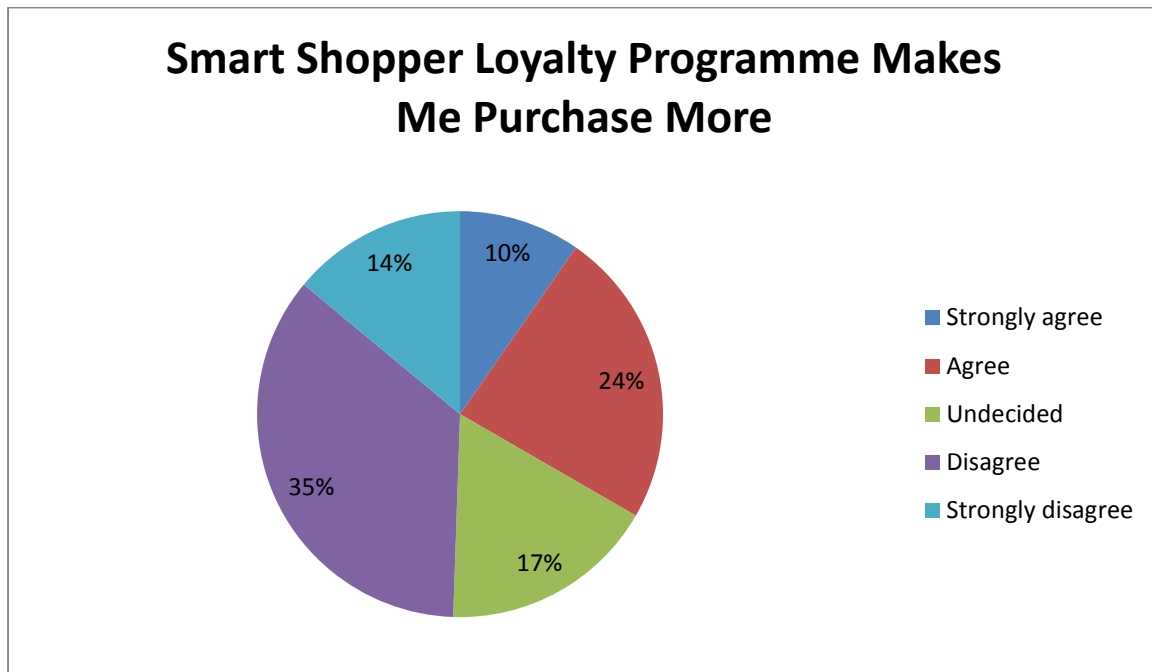


Figure 4.5 Smart Shopper Loyalty Programme Makes Me Purchase More

The findings, although rather close, lean towards consumers feeling as though the Smart Shopper loyalty programme does not make them purchase more. This is in support of the previous finding that the fact that most of the respondents are members of other loyalty programmes that the Smart Shopper loyalty programme does not make consumers more loyal to the Pick n Pay brand. This sheds light on the research question: *Are consumers more likely to purchase under this loyalty programme?* The majority of the respondents were members of other retail loyalty programmes, which suggests that just because a consumer is a member of a retail loyalty programme, does not mean they are exclusively loyal to that brand.

Question 6: On a scale of 1 to 5, with 1 being most loyal and 5 being disloyal, how loyal do you consider yourself to Pick n Pay?

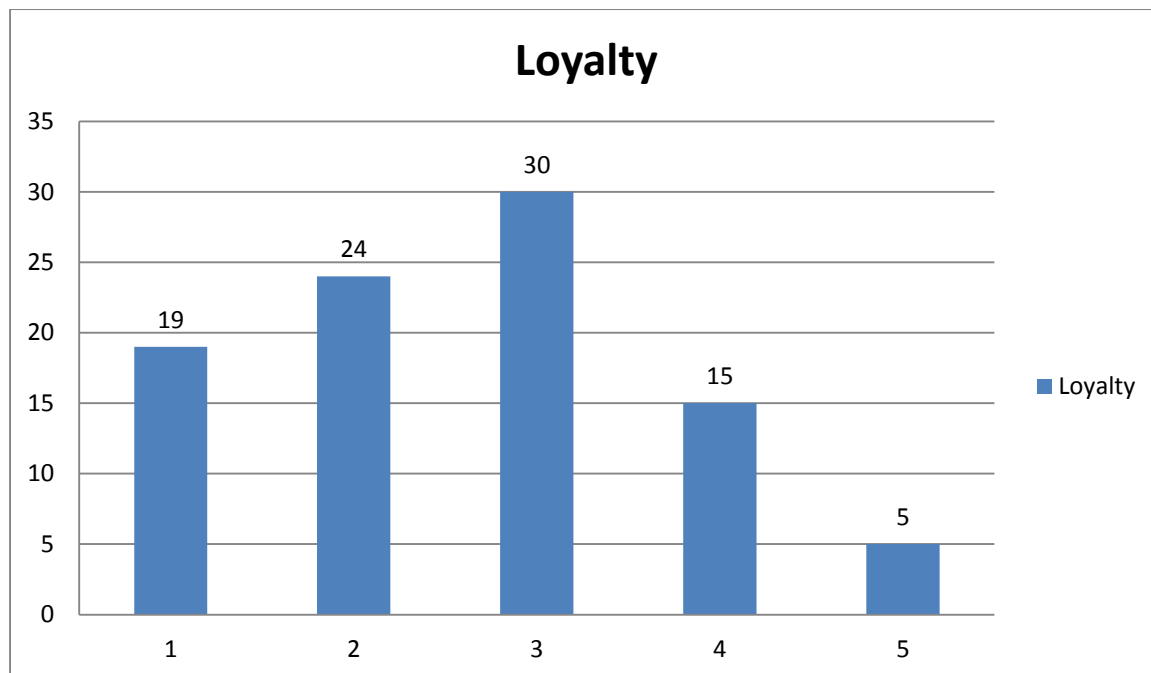


Figure 4.6 Loyalty Level

The findings show that the majority of the respondents (43) feel more loyal to Pick n Pay than disloyal (20) to Pick n Pay, with 30 of the respondents feeling neither loyal nor disloyal to Pick n Pay. This question enables the researcher to gain an understanding when it comes to the research objective of *exploring whether loyalty programmes lead to customer retention*. This is of interest to the researcher as this tendency of respondents to be on the more loyal side towards Pick n Pay could either be because of the Smart Shopper loyalty programme, or out of convenience, location (Question 2) or habit of shopping at Pick n Pay. This could be explored in further research studies.

Question 7: How strongly do you agree or disagree with the following statement: Regardless of competitors' offerings I shop at Pick n Pay?

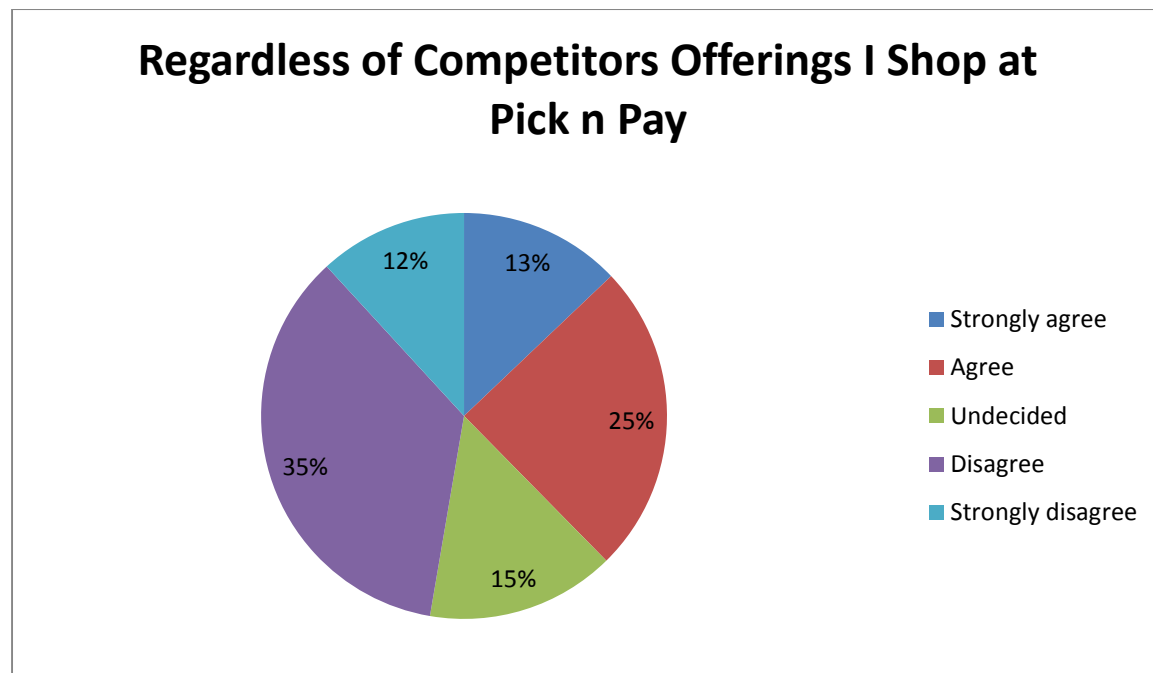


Figure 4.7 Regardless of Competitors I Shop at Pick n Pay

The data shows that the majority of respondents do not shop at Pick n Pay regardless of what the competitors are doing, with 12% strongly disagreeing and 35% disagreeing with the statement. Out of the respondents 15% were undecided as to how they felt when it came to shopping at Pick n Pay regardless of what their competitors were doing, 25% agreed and 13% strongly agreed that they shopped at Pick n Pay regardless of what their competitors were doing. This finding shows that there is not more loyalty towards Pick n Pay as opposed to their competitors as 47% of the respondents take into account what Pick n Pay's competitors are doing before they purchase from Pick n Pay and only 38% of respondents would shop at Pick n Pay regardless of what their competitors are doing. This can be interpreted as the majority of the respondents not being loyal to the Pick n Pay brand, but rather to where they can receive the best price and quality of products.

The finding is in line with the research objective, *to explore whether loyalty programmes lead to customer retention*. Thus it can be noted that the Smart Shopper loyalty programme does not necessarily lead to guaranteed customer retention, regardless of Pick n Pay's competitors offerings.

Question 8: Are you more likely to shop at Pick n Pay because of the Smart Shopper loyalty programme?

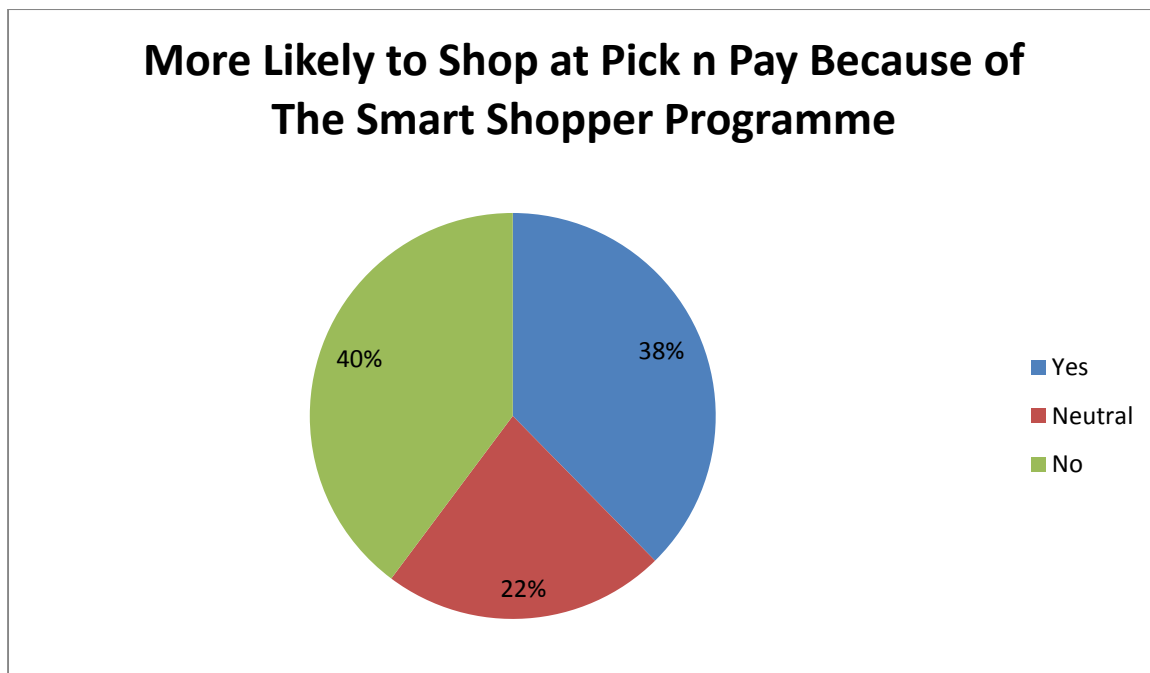


Figure 4.8 More Likely to Shop at Pick n Pay Because of The Smart Shopper Programme

When it comes to the respondents' opinions on whether they believe that the Smart Shopper programme makes them more likely to shop at Pick n Pay, 40% of the respondents answered no and 38% of the respondents answered yes, with 22% of the respondents feeling neutral. Although these findings are extremely close, with just a 2% difference between respondents who said no and those who said yes, there is however still a greater number of respondents who feel that the Smart Shopper programme does not make them more likely to shop at Pick n Pay. Again this is leaning towards the previous findings of there being little loyalty toward the Pick n Pay brand based on the Smart Shopper loyalty programme alone. This finding sheds light on the research question: *Do consumers increase their purchasing levels after joining a loyalty programme?* Just because consumers are a member of a loyalty programme, they feel that they are not induced to shop more at the retailer. Thus not spending any more money than if they were not a member of the loyalty programme.

Question 9: How often do you redeem your Smart Shopper points/benefits?

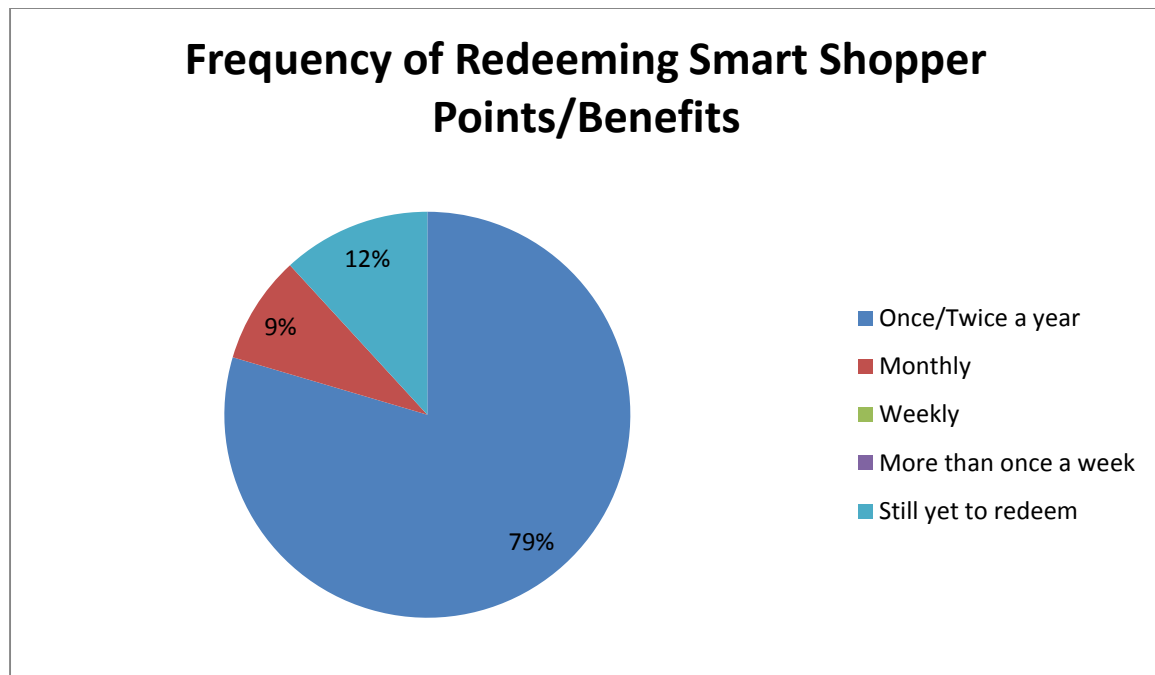


Figure 4.9 Frequency of Redeeming Rewards

When it comes to the respondents redeeming their Smart Shopper points, the majority (79%) of respondents utilise said points between once and twice a year, 9% of the respondents redeem their points on a monthly basis, none of the respondents redeem their points on a weekly or more than a weekly basis and 12% of the respondents are still yet to start redeeming their Smart Shopper points. The fact that 12% of the respondents are still yet to start redeeming their points, could be attributed to: not knowing how to redeem their points or feeling as though they do not have enough points to justify redeeming them. This finding gives the researcher an idea as to a pattern when it comes to Pick n Pay Smart Shopper card holders redeeming their points.

Question 10: What are your perceptions/views of the Pick n Pay brand?

When respondents were asked the open-ended question pertaining to how they perceived the Pick n Pay brand, the common themes were as follows:

- Pick n Pay is reliable and consistent
- Pick n Pay provides good quality products
- Pick n Pay provides good value for money
- Pick n Pay is increasingly becoming more expensive

The first three themes identified are in line with one another of being that of reliability, consistency, good quality and pricing, however another major theme identified from the data was that of respondents feeling as though Pick n Pay is becoming increasingly more expensive. This is a key finding as this sheds light on how a portion of the market perceives the brand and could lead to Pick n Pay losing customers and loyalty.

Question 11: Have your perceptions/views of the Pick n Pay brand changed since you joined the Smart Shopper programme?

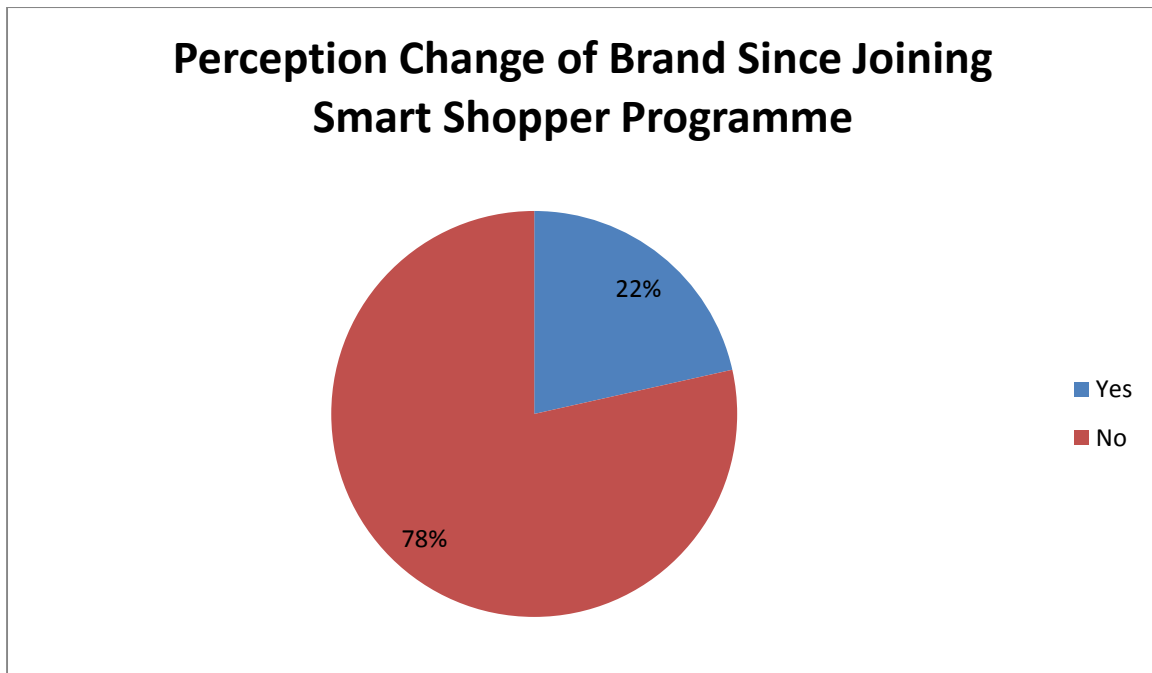


Figure 4.10 Changed Perceptions of Pick n Pay Brand Since Joining The Smart Shopper Programme

The findings show that according to the majority (78%) of respondents, since joining the Pick n Pay Smart Shopper programme their perceptions of the Pick n Pay brand has not changed.

This finding enables the researcher to understand whether consumers' perceptions of a brand change once having joined their loyalty programme. This sheds light on the research question: *Do consumers' perceptions of a brand change when part of their loyalty programme?* According to this finding the majority of consumers perceptions of a brand do not change when joining their loyalty programme, so it shows that if a brand wants to change consumers' perceptions of them, a loyalty programme is not necessarily the most effective tool. This unchanged perception once joining the Smart Shopper loyalty programme could however be due to the consumer already having a positive perception of the Pick n Pay brand, so joining a loyalty programme does not change this perception. This is explored more in the following question (Question 12).

Question 12: How have your perceptions/views of the Pick n Pay brand changed since joining the Smart Shopper programme?

The 22% of respondents who answered yes to the above Question 11, relating to their perceptions changing towards the Pick n Pay brand, were asked how their perceptions had changed. This was done through an open-ended question and the following themes were identified:

- Feel more loyal to Pick n Pay
- More inclined to shop at Pick n Pay because of the points which can be earned and redeemed to subsidise purchases, especially over Christmas period. This can be linked to Question 9 regarding the majority of respondents redeeming their points once or twice a year.
- Feel that the brand gives back to its customers

These changed perceptions are positive for the brand, however the respondents who did experience a change in their perception of the brand are the minority of respondents. However there is no evidence to say that those who did not experience a change in brand perception since joining the loyalty programme (question 11), had negative perceptions pre or post joining the Smart Shopper loyalty programme.

These themes highlight that there is merit in the investigation of the research question: *Do consumers' perceptions of a brand change when part of their loyalty programme?* The findings show that the respondents (22%) who experienced a change in perception once joining the Pick n Pay Smart Shopper loyalty programme, identified with the aforementioned themes.

Question 13: How do you think the Pick n Pay Smart Shopper loyalty programme could be improved?

Respondents were asked in an open-ended question to give feedback on how they believe the Smart Shopper loyalty programme could be improved. The following themes were identified:

- The machines used to redeem ones points should be placed in a more convenient part of the store (not at the entrance) and these machines need to be maintained so that they are always working. The respondents feel that the machines being placed as one enters a Pick n Pay is inconvenient as one needs to then redeem their points prior to starting their shop.
- A commonality amongst respondents was that there should be the option to redeem ones Smart Shopper points at the point of purchase; this is in line with the above theme of the redeeming of points being more convenient.
- Respondents feel that they should be given a higher point to rand percentage based on their amount and frequency of spend. In other words, Pick n Pay should use a tier loyalty system, whereby (as mentioned in Chapter 2) customers earn higher points on their spend based on the frequency and amount spent at Pick n Pay, i.e. Someone who spends R3 000 a week at Pick n Pay is level gold and earns R4 worth of points for every R100 spent; someone who spends R1 000 a week at Pick n Pay is level silver and earns R3 worth of points for every R100 spent, a person who spends less than R1 000 is level bronze and earns the current R1 worth of points for every R100 spent.
- Another theme identified through the findings was that respondents would like to be able to donate their accumulated points or a proportion, or have Pick n Pay match customers' points and donate them to a charity, similar to that of the My School programme which Woolworths utilises. This is of interest because Pick n Pay offers this option to donate ones Smart Shopper points to

a charity, so this finding shows that Pick n Pay needs to make this feature better known to Smart Shopper members.

These themes identified are useful to Pick n Pay if they want to improve their Smart Shopper programme. These themes shed light on answering the research question: *What are consumers' perceptions on the rewards received from loyalty programmes?* These findings could assist Pick n Pay in making their loyalty programme more attractive to the market and thereby improving customer loyalty.

Question 14: Compared to Pick n Pay's competitors, what do you believe Pick n Pay does particularly well?

Respondents were asked in an open-ended question on what they believe Pick n Pay does particularly well compared to that of their competitors. The following themes were identified:

- Kids marketing was identified as something Pick n Pay does better and more frequently than its competitors.
- They have consistent and relevant advertising which keeps them top of mind.
- They offer their customers a wide variety of products.
- Their brand match concept, whereby consumers get a discount off of goods if that week those specific goods are marked lower in competitors' retail outlets. This gives the customer a sense that they are not being charged more for goods at Pick n Pay.
- Their stores are kept neat and tidy, with shelves being well stocked and product prices always displayed.

Question 15: What is your gender?

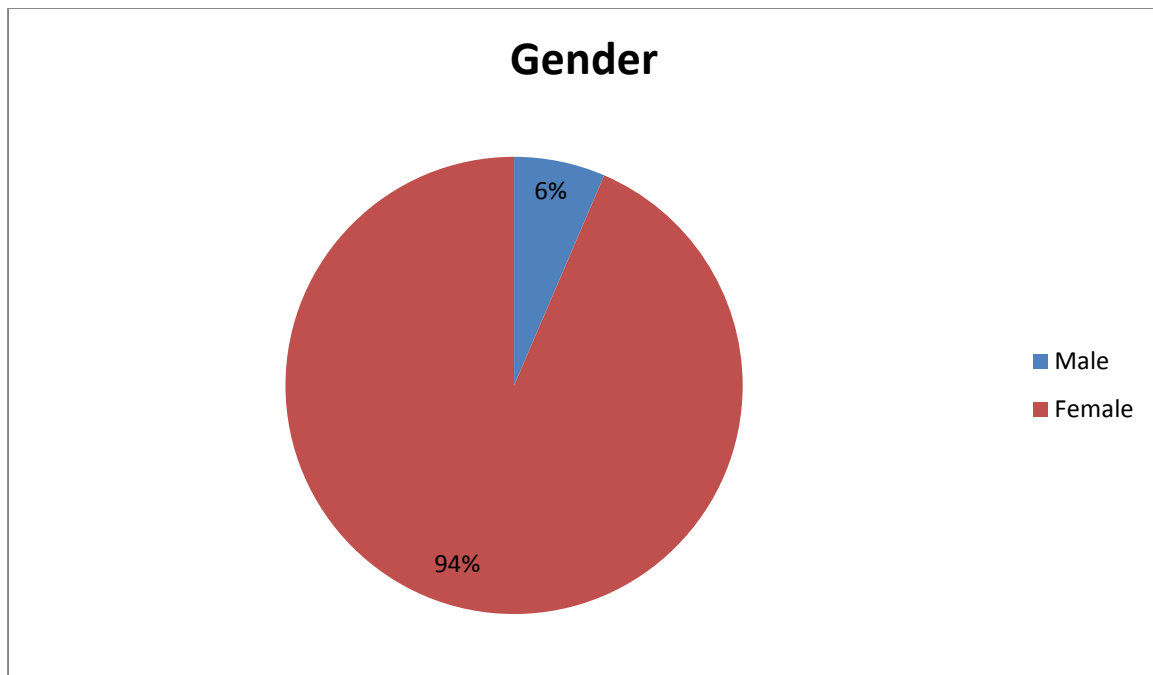


Figure 4.11 Gender of Respondents

The majority of respondents of the online questionnaire stated that they are female. This cannot be used as an indication that the majority of Pick n Pay Smart Shopper card holders are female as the sampling method was that of convenience non-probability sampling. This question gives the researcher an idea as to the gender demographic divide that completed the online questionnaire.

Question 16: What is your age?

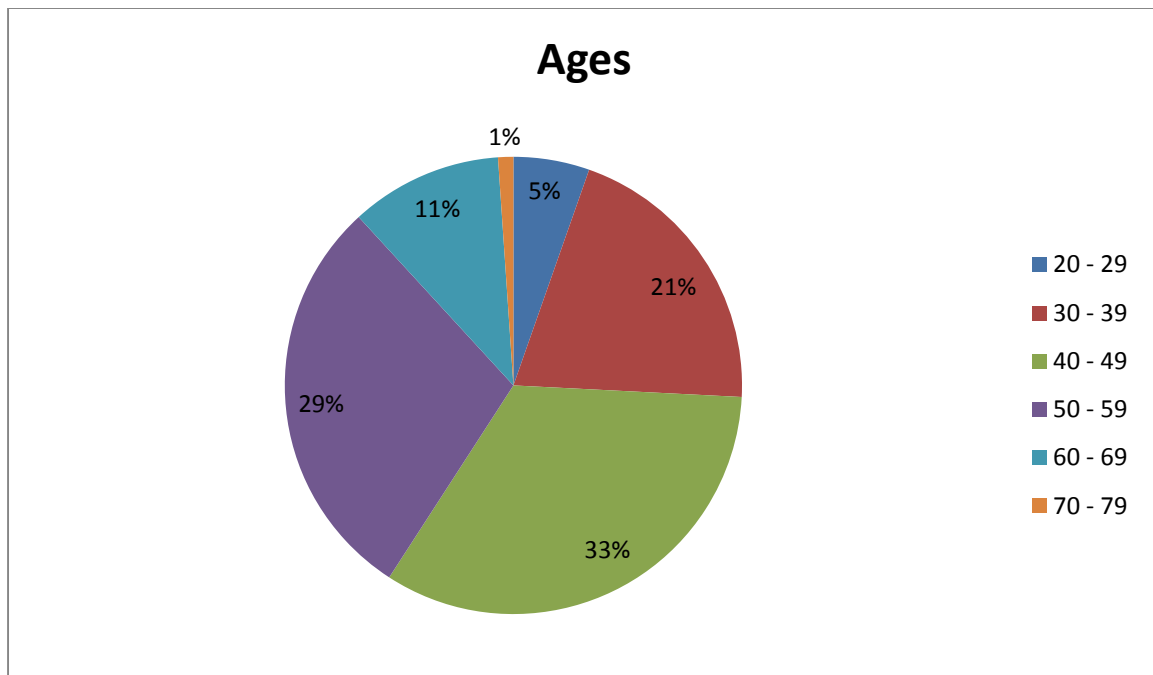


Figure 4.12 Age of Respondents

It is noted that most of the respondents of the online questionnaire fall within the 40-49-year-old age group. The researcher is not able to conclude that most of the Pick n Pay consumers fall within this age category as the sampling method used was that of convenience non-probability sampling. Through this age demographic question, the researcher is made aware as to the divide in age groups who completed the questionnaire.

4.3 Discussion of Findings:

The findings gathered from the data have enabled the researcher to shed light on the research questions and objectives.

Objectives:

To explore the effect the Pick n Pay Smart Shopper loyalty programme has on their customers' loyalty:

- *To gain an understanding of how loyalty programmes in general may enhance customer loyalty:*
- *To explore whether loyalty programmes lead to customer retention:*

Research Questions:

What are the effects of the Pick n Pay's customer loyalty programme on consumers?

- *Are consumers more likely to purchase under this loyalty programme?*
- *Do consumers increase their purchasing levels after joining a loyalty programme?*
- *What are consumers' perceptions on the rewards received from loyalty programmes?*
- *Once a consumer joins a loyalty programme, are they more likely to join other retailer's loyalty programmes?*

The findings have revealed that to some extent the Pick n Pay Smart Shopper loyalty programme has the following effect on customers' loyalty towards the Pick n Pay brand:

It is found that the Smart Shopper loyalty programme does not make consumers purchase more or more likely to shop at Pick n Pay. The majority of the respondents felt a sense of loyalty towards Pick n Pay, however many still take into account what Pick n Pay's competitors are doing, in terms of pricing and offering. This shows that although many respondents identified as being loyal to the Pick n Pay brand, they are easily pulled by other retail brands' offerings. For many of the respondents they have had unchanged perceptions of the Pick n Pay brand since joining the Smart

Shopper loyalty programme, with the perceptions of Pick n Pay being that of reliable, consistent, good quality, competitive pricing with the contradiction of Pick n Pay becoming more expensive. A commonality amongst respondents was that the Smart Shopper programme should be that of a tiered loyalty programme.

These findings are of use not only to Pick n Pay but also other retailers implementing or wanting to implement a loyalty programme, when it comes to deciding on the structure and type of loyalty programme to implement to aid in effective customer retention and brand loyalty strategies.

4.4 Summary:

This chapter brought to light the findings gathered from the data, keeping in mind the research objectives and research questions. The researcher then concluded the chapter with a discussion of these findings.

CHAPTER 5 – CONCLUSIONS:

In this chapter the implications of the research findings are concluded, whilst making recommendations for areas of further research. The limitations, validity, reliability and ethical considerations of the study are also discussed.

5.1 Validity, Reliability, Trustworthiness and Limitations of the study:

As the study follows a triangulation research design, both quantitative and qualitative research approaches are used, therefore validity, reliability and trustworthiness are of concern to the study. The use of triangulation increases the validity, reliability and trustworthiness of the study. However the research study is more concerned with validity and reliability as opposed to trustworthiness as the study is predominately quantitative, with only four qualitative questions in the questionnaire.

To ensure the validity and reliability of the quantitative element of the research study, the researcher made use of a large sample and used a relevant questionnaire as a research tool to find answers to the research questions.

Reliability refers to how consistent the research method or instrument is at producing the same results each time the method or instrument is employed. Reliability is also the degree to which the results of the research study can be generalised to the greater population (du Plooy-Cilliers et al, 2014).

A further way to test the reliability of the research method is by making use of an inter-rater test. This involves the researcher dividing the sample in half and administering each half the same questionnaire. The researcher then compares the responses from each half and if the findings and conclusions that are drawn from each half are similar, the study is considered reliable (du Plooy-Cilliers et al, 2014). However due to the fact that the questionnaire was distributed online through Google Forms, this inter-rater test was not used to test reliability.

Validity refers to the degree to which the research instrument is measuring the constructs the researcher has set out to measure (du Plooy-Cilliers et al, 2014). The researcher has acted diligently and comprehensively when concepts and constructs were defined. This is known as content validity. The questionnaire consists only of questions which are of importance to gathering information on the concepts and

constructs of the study, further ensuring content validity. The researcher took care in the design of the questionnaire to ensure that the questions were numbered and followed a logical sequence confirming face validity.

The researcher made sure to uphold internal and external validity whilst conducting the research study. Internal validity refers to the research method answering the research question. External validity pertains to the research findings being able to be generalised from the sample to the larger population (du Plooy-Cilliers et al, 2014).

The use of triangulation improves validity and reliability of the study. The research study also makes use of a qualitative research approach, thus the research findings need to be examined in terms of their trustworthiness. Trustworthiness is divided into credibility, transferability, dependability and confirmability. If the sample feels that the researcher has interpreted the data accurately, the study is thought to be credible (du Plooy-Cilliers et al, 2014).

The scope of the research study is Pick n Pay consumers who are members of the Pick n Pay Smart Shopper loyalty programme who reside in the Constantia, Bergvliet, Meadowridge, Tokai and Steenberg suburbs of the Western Cape, South Africa. A major limitation the researcher encountered was getting the sample to respond and to receive responses within the time limit she had set. The researcher set a sample of 100 people; however in the time limit set she was only able to gather responses from 93 people.

Another limitation of the study could be that of language and literacy levels. The questionnaire is compiled in English and if members of the sample do not speak English, there can be confusion and a potentially low response rate. However with the sample residing in the Constantia, Bergvliet, Meadowridge, Tokai and Steenberg suburbs of the Western Cape this was not a concern as people living in these areas are predominately English speaking and literate.

5.2 Ethical Considerations:

The researcher needs to ensure that she is as ethical as possible whilst conducting the research study. Ethics is a moral code of conduct which outlines behaviours and attitudes which are considered acceptable and unacceptable in a research study. The researcher must treat the respondents, the data analysis and the data reporting approaches in an ethical manner throughout the research study (du Plooy-Cilliers, Davis and Bezuidenhout, 2014).

As the researcher sent the questionnaire to respondents through the use of an online survey software programme (Google Forms), respondents could have felt as if their privacy was being invaded. The researcher made sure to inform the respondents that the study is for academic purposes.

The researcher must ensure that respondent confidentiality is upheld. This means that the researcher can identify who the respondent is but the respondent's identity is not disclosed in the research study.

Respondents have the freedom to participate in the study. As the questionnaire was posted on online Facebook forums, the sample had the choice to complete the questionnaire if they so wished. The questionnaire dealt with no sensitive information and participants were made aware of exactly why the data was needed and the purpose of the research study, therefore no deception occurred.

The researcher does not falsify, distort or misuse any information or results. Given that the study is predominately quantitative, the aspect of bias is reduced. The researcher has interpreted the qualitative data in the most objective way possible to avoid bias; however this can be more difficult when working with qualitative data as opposed to quantitative data.

5.3 Implications of Findings and Final Conclusions:

This research study sheds light on the effects that loyalty programmes have on customers' brand loyalty. Due to the fact that the study is based on the Pick n Pay Smart Shopper loyalty programme, Pick n Pay could use the findings and results of the study to understand and potentially improve their loyalty programme to attract and retain customers. The study will enable Pick n Pay and other retailers to understand the effects that loyalty programmes have on customers and how this can be an effective branding and marketing tool. The decision on the structure and type of loyalty programme to implement to aid in effective customer retention and brand loyalty strategies is also revealed.

The implications of the findings enable marketers to gain an understanding of loyalty programmes in a South African context. It was found that the Smart Shopper loyalty programme does not make consumers purchase more or more likely to shop at Pick n Pay. Many consumers still take into account what competing brands are doing with regards to pricing strategies and product offering. This highlights that even though respondents considered themselves as being loyal to the Pick n Pay brand, they can easily be pulled by other retail brands' offerings.

The study has shown that a loyalty programme is not an effective tool to implement if the goal is to change consumers brand perceptions. Pick n Pay Smart Shopper members have the perception of the brand being reliable, consistent, good quality, competitive pricing with the contradiction of Pick n Pay becoming more expensive.

It is suggested that Pick n Pay adopts a tiered loyalty programme to encourage more users and higher spending. Pick n Pay continues to keep their brand top-of-mind through their continuous and relevant marketing and promotions to both adults and children. However there is room for the brand to promote their Smart Shopper programme more. This is backed by the reduction in members joining in recent years as well as respondents being unaware of some of the offerings the programme has, such as donating one's points to charity.

The research study contributes to the body of knowledge by drawing conclusions from the findings as to what the effects are on customers' brand loyalty when retailers employ loyalty programmes.

Researchers studying the effects of loyalty programmes on customers' brand loyalty can draw on the key concepts and constructs which have been defined in this study and can use the findings of the study in their literature review. Researchers who are studying loyalty programmes and/or customer brand loyalty can adjust the questionnaire to suit their sample, research objectives and questions. This study can be used as a form of secondary research for other researchers who are studying Pick n Pay's Smart Shopper loyalty programme.

5.4 Summary:

This chapter has concluded the research report. The aspects pertaining to the validity, reliability and limitations of the study were described. The researcher covered the ethical matters which were considered whilst conducting this study and then final conclusions were drawn.

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APPENDIX A – ONLINE QUESTIONNAIRE:



Pick n Pay Smart Shopper Card Effect on Customer's Brand Loyalty and Perceptions.

Please take a moment to fill out a questionnaire with regards to the Pick n Pay Smart Shopper loyalty programme, to aid with my Vega Honours research project. It should take you no longer than 10 minutes. All information provided will be treated confidentially and respondents can opt-out at any time they choose.

* Required

What year did you join the Pick n Pay Smart Shopper loyalty programme? *

- ☐ 2011
- ☐ 2012
- ☐ 2013
- ☐ 2014
- ☐ 2016
- ☐ 2015

Which Pick n Pay store do you most often visit? *

- ☐ Constantia
- ☐ Tokai
- ☐ Steenberg
- ☐ Plumstead
- ☐ Other



How often do you purchase from Pick n Pay? *

- ☐ Never
- ☐ Daily
- ☐ Weekly
- ☐ Monthly
- ☐ Yearly

Are you a member of any other retail loyalty programmes *

- ☐ Yes
- ☐ No

How strongly do you agree or disagree with the following statement: The Smart Shopper loyalty programme makes me purchase more in store or online? *

- ☐ Strongly agree
- ☐ Agree
- ☐ Undecided
- ☐ Disagree
- ☐ Strongly disagree

On a scale of 1 to 5, with 1 being most loyal and 5 being disloyal, how loyal do you consider yourself to Pick n Pay? *

	1	2	3	4	5	
Loyal	☐	☐	☐	☐	☐	Disloyal



How strongly do you agree or disagree with the following statement: Regardless of competitors' offerings I shop at Pick n Pay? *

- ☐ Strongly agree
- ☐ Agree
- ☐ Undecided
- ☐ Disagree
- ☐ Strongly disagree

Are you more likely to shop at Pick n Pay because of the Smart Shopper loyalty programme? *

- ☐ Yes
- ☐ Neutral
- ☐ No

How often do you redeemed your Smart Shopper points/benefits? *

- ☐ Once/ twice a year
- ☐ Monthly
- ☐ Weekly
- ☐ More than once a week
- ☐ Never
- ☐ Still yet to redeem

What are your perceptions/views of the Pick n Pay brand? *

Your answer



Have your perceptions/views of the Pick n Pay brand changed since you joined the Smart Shopper programme? *

☐ Yes

☐ No

How have your perceptions/views of the Pick n Pay brand changed since joining the Smart Shopper programme? *

Your answer

How do you think the Pick n Pay Smart Shopper loyalty programme could be improved? *

Your answer

Compared to Pick n Pay's competitors, what do you believe Pick n Pay does particularly well? *

Your answer

What is your gender? *

☐ Female

☐ Male

What is your age? *

Your answer

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SUBMIT

Never submit passwords through Google Forms.



