



Feasibility and perceived benefits of a loyalty programme for a coffee shop in the Northern suburbs of Cape Town.

Student name Susan Augustyn

Student number [REDACTED]

Supervisor Patrick Pirow

Module name Research

Module code RESE8419

Qualification BCom Honours in Strategic Brand Management

Date 29 November 2021

Word count 12 207

DECLARATION

I, Susan Augustyn, hereby declare that the Research Report submitted for the BCom Honours in Strategic Brand Management 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.

Signed: Susan Augustyn

A solid black rectangular box used to redact the signature of Susan Augustyn.

Date: 29 November 2021

ABSTRACT

In recent years customers have shifted from perceiving loyalty programmes as an added benefit to a required customer service. Given the costly nature of loyalty programmes and the ongoing debate surrounding its effectiveness, it is important to know what types of benefits are perceived as valuable to the customer, while still being feasible to a small coffee shop. Consequently, the researcher set out to gain insights from customers concerning their perception of loyalty programme benefits. The benefits were grouped into utilitarian, hedonic and symbolic benefits, and customers' perception for each respective group was investigated.

The researcher chose in-depth interviews to collect data due to its supportive nature towards an interpretivist approach as well as qualitative research. Generation Z and Millennials were interviewed, and the semi-structured questionnaires allowed the researcher to discover the underlining motivations behind customers' perceptions towards loyalty programme benefits.

The most notable finding is customers' disregard for benefits when hygiene factors (as per Herzberg's theory) are not present at the coffee shop and that a loyalty programme alone is not able to change customers' perception.

TABEL OF CONTENT

DECLARATION.....	ii
ABSTRACT	iii
List of Addendums	vii
LIST OF TABLES.....	viii
CHAPTER 1: INTRODUCTION	1
1.1. BACKGROUND.....	1
1.2. RATIONALE	2
1.3. PROBLEM STATEMENT	3
1.4. PURPOSE STATEMENT AND RESEARCH QUESTION	3
1.4.1. Purpose statement.....	3
1.4.2. Research question.....	4
1.5. OBJECTIVES	4
CHAPTER 2: LITERATURE REVIEW.....	5
2.1. THEORETICAL FOUNDATION.....	5
2.1.1. Utilitarian benefits	5
2.1.2. Hedonic benefits	5
2.1.3. Symbolic benefits.....	6
2.1.4. Conclusion.....	6
2.2. LITERATURE REVIEW	6
2.2.1. The effectiveness of loyalty programmes	7
2.2.2. The sustainability and design of loyalty programmes	8
2.2.3. Design of a loyalty programme	8
2.2.4. Impact of culture on loyalty programmes.....	9
2.2.5. Research methodology imbalance	10
2.3. CONCEPTUALISATION.....	12
2.3.1. Loyalty Programmes	12
2.3.2. Perceived value	12
2.3.3. Perceived benefits	13
CHAPTER 3: RESEARCH DESIGN & METHODOLOGY	14
3.1. RESEARCH PARADIGM.....	14
3.1.1. Epistemology	14
3.1.2. Ontology	15
3.1.3. Axiology	15
3.1.4. Conclusion.....	15

3.2. DESIGN OR CONCEPTUAL APPROACH.....	16
3.3. POPULATION.....	16
3.4. SAMPLING	17
3.4.1. Sampling methods	17
3.4.2. Sample size	18
3.5. DATA COLLECTION METHODS	18
3.5.1. Types of questions.....	19
3.5.2. Scope of the questions	20
3.5.3. Application of the methods.....	20
3.6. DATA ANALYSIS METHODS	21
3.6.1. Application of data analysis methods	22
3.7. RELIABILITY AND TRUSTWORTHINESS	24
3.7.1. Trustworthiness	24
3.7.2. Reliability and Validity	25
CHAPTER 4: FINDINGS AND INTERPRETATION OF FINDINGS.....	26
4.1. PRESENTATION OF FINDINGS.....	26
4.1.1. Open-ended questions.....	26
4.1.2. Closed-Ended questions.....	26
4.1.3. Connecting sections 1 and 2.....	30
4.2. INTERPRETATION OF FINDINGS.....	30
4.2.1. Interpretation of general findings not directly relevant to the literature.....	30
4.2.2. Effectiveness of loyalty programmes.....	32
4.2.3. Sustainability of loyalty programmes.....	32
4.2.4. Design of loyalty programmes.....	33
4.2.5. Impact of culture on loyalty programmes.....	33
4.2.6. Research methodology imbalance	34
CHAPTER 5: CONCLUSION	35
5.1. RESEARCH QUESTION, PROBLEM STATEMENT AND OBJECTIVES ADDRESSED	35
5.1.1. Addressing the research question.....	35
5.1.2. Addressing the research problem	35
5.1.3. Addressing the research objectives	36
5.1.4. Implication of the findings	36
5.2. ETHICAL CONSIDERATIONS, LIMITATIONS AND HEURISTIC VALUE	37
5.2.1. Ethical Considerations	37
5.2.2. Limitations	38
5.2.3. Heuristic Value.....	38

REFERENCES	40
------------------	----

LIST OF ADDENDUMS

Addendum 1: Section 1 answers.....	48
Addendum 2: Questionnaire.....	50
Addendum 3: Consent Forms	51
Addendum 4: Concept Table.....	55
Addendum 5: Ethical Clearance Letter	56

LIST OF TABLES

Table 1: Summary of Studies	10
Table 2: Summary of Benefits Categories.....	13
Table 3: Guba's (1981) four principles when evaluating trustworthiness and its application	24
Table 4: Word regularly used when referring to monetary savings.	27
Table 5: Quotes from their respondents about their favourite loyaltyprogrammes ...	27
Table 6: Extracts from question 2.4.3. and question 2.4.4.	28
Table 7: Quotes illustrating the respondents' fondness for the social benefits	29
Table 8: Summary of General observations	31
Table 9: Research Objectives' Conclusions	36
Table 10: Answers to section 1	48

CHAPTER 1: INTRODUCTION

1.1. BACKGROUND

Loyalty programmes have been around since the 18th century but have seen some significant development since (Gold, 2017). Some argue that the modern-day loyalty programme started with the airline industry when various airlines introduced frequent flyer or mileage programmes in the late 1970s, early 1980's (Chen, Mandler & Meyer-Waarden, 2021; Rosen, 2021). In recent years, however, loyalty programmes have become more and more popular, with most businesses running some form of programme to encourage loyalty (Cromhout & Netto, 2020). It has grown to such a point where consumers expect companies to have a loyalty programme, and it can no longer be used as a differentiator (Cromhout, Netto, Hamilton, & Rootman, 2017). The effectiveness of these programmes has also been scrutinised throughout the years, with experts questioning whether it has the ability to truly promote loyalty (Chun & Ovchinnikov, 2019).

Research by Mimouni-Chaabane and Volle (2010) shows that consumers' perceived value obtained from loyalty programmes is tied to what the programme has to offer for its members. Yi and Jeon's (2003) ground-breaking study on the effect of loyalty programmes gave great insight into the effectiveness of loyalty programmes. However, their research focussed exclusively on financial benefits and omitted other intangible benefits. This is where Mimouni-Chaabane and Volle's (2010) framework is useful – capturing all benefits currently in use by loyalty programmes. The three types of benefits are utilitarian, hedonic and symbolic benefits. Kim, Steinhoff and Palmatier (2021) report that consumers can sometimes experience certain reward types as unfair, if not managed well. However, if used tactically, it can increase a loyalty programme's effectiveness (Danaher, Sajtos & Danaher, 2020). Accordingly, identifying the right type of benefits for a loyalty programme is a vital part of the programme's ability to successfully encourage loyalty amongst consumers.

As noted by Cunningham (2021), loyalty programmes are used to persuade consumers to continue using the company's services and recently Chen, Mandler and Meyer-Waarden, (2021) has shed light on the vital role it plays as a marketing tool. Loyalty programmes also provide companies with invaluable consumer insights, when

consumer data is properly analysed (Price, 2021). Analytics enable companies to build personalised relationships with consumers, e.g., offering a customised coupon or birthday special, and drastically increases companies' ability to retain consumers (Price, 2021). Consequently, even though there might be questions regarding its effectiveness, it appears that loyalty programmes are an essential part of any business's differentiation, growth, as well as consumer insights.

1.2. RATIONALE

The researcher was approached by a coffee shop owner, to help with the development of its loyalty programme. Since building a loyalty programme is no easy task, given that numerous elements play a role in the determination of the effectiveness thereof, the owner needs some insight into what will be most important to the coffee shop's target market. Also, since the coffee shop has limited resources, the owner wants to ensure the best possible utilisation of it. This led the researcher to address the owner's research problem by investigating the target market's perceptions of loyalty programme benefits. The name of the coffee shop is The LightHub and from here on forth the coffee shop will be referred to as that.

Generation Z and Millennials (the LightHub's target market) have shown an increased interest in technology – displaying different consumption behaviours than previous generations (Özkan & Solmaz, 2017; Moreno, Lafuente, Carreón & Moreno, 2017). Consequently, for the data to be relevant to the demographic targeted by the LightHub, Generation Z and Millennials will specifically be targeted.

Even beyond aiding The LightHub with its pursuit of developing a successful loyalty programme, this research can make a unique contribution to the already existing knowledge of loyalty programmes. What makes this research different to previous studies, is its focus on coffee shops. Although the majority of loyalty programme research is done within the retail and hospitality industry (Chen *et al.*, 2021), most of the research focuses on corporate businesses. Little is known about the effectiveness of loyalty programmes within local urban trading (Chen *et al.*, 2021). Furthermore, as the greater part of the previously conducted research relied on quantitative methods (Chen *et al.*, 2021), this study will discover consumer perceptions under qualitative methods – hopefully gaining some new insights relevant to the field.

Consequently, for this study, the researcher aimed to gain insight into how consumers perceive the benefits of loyalty programmes. Generation Z and Millennials were interviewed to give insight to the owner of The LightHub, located in the Northern suburbs of Cape Town.

1.3. PROBLEM STATEMENT

As mentioned, many aspects influence whether or not a loyalty programme is successful (Chun & Ovchinnikov, 2019; Chen *et al.*, 2021). It is also very costly to implement such a programme (Mimouni-Chaabane & Volle, 2010; Kecsmar, 2020), and therefore it is vital, to ensure that The LightHub implements the best possible loyalty programmes from the start. As explained in the rationale, there is a clear gap pertaining to research on loyalty programmes of coffee shops, as current research lacks an in-depth understanding of the perception of benefits to coffee shops (Adam, Ibrahim, Ikramuddin, and Syahputra, 2020). The researcher is particularly interested in how consumers perceive the value of these loyalty programmes' benefits and how (or if) they can be utilised to encourage loyalty.

The study focussed on the Northern suburbs of Cape Town, as there are several elements (such as culture and income) that influence perceptions of individuals. To ensure that the insights gained are relevant to where it is to be applied, i.e., the Northern suburbs of Cape Town, the study focussed on the perceptions of the individuals residing within the mentioned location.

Thus, the problem that the researcher investigated, was how consumers perceived the value of the different types of benefits, i.e., utilitarian, hedonic and symbolic benefits. Upon gaining better insight as to which benefits are most valued and why, the researcher was able to make recommendations to the owner of The LightHub, as to which benefits to focus on in the development of their loyalty programme.

1.4. PURPOSE STATEMENT AND RESEARCH QUESTION

1.4.1. Purpose statement

The purpose of this study was to explore the perceived value of loyalty programme benefits to consumers through qualitative methods. The focus was on utilitarian, hedonic, and symbolic benefits and interviewed individuals residing in the Northern suburbs of Cape Town, to gain a deeper understanding. Ultimately the insights will be

used to develop the best possible loyalty programme for a coffee shop. The end goal of this study was to determine whether the development of a more complex (i.e. anything more than a loyalty stamp card¹) would be feasible and beneficial to The LightHub.

1.4.2. Research question

Following the background, rationale and problem statement of the question, the study's research question reads as follow:

- How do consumers perceive the value of loyalty programme benefits?

To make the research question more manageable, McCall and Voorhees's (2010) categorisation of the loyalty programme benefits (utilitarian, hedonic and symbolic) was used to break the question down into three sub-questions. This assisted in the process of discovering how loyalty programme reward's value is perceived. Subsequently, the three sub-questions are:

- How do consumers perceive the value of utilitarian loyalty programme benefits?
- How do consumers perceive the value of hedonic loyalty programme benefits?
- How do consumers perceive the value of symbolic loyalty programme benefits?

1.5. OBJECTIVES

The research objectives were relatively straightforward, as the aim of the study was clearly defined. Below is what the researcher aspired to gain insight into.

- To understand how consumers perceive the value of loyalty programme benefits.
- To determine whether consumers distinguish between the different types of benefits or not.
- To explore which benefits consumers value most, and which holds the least value to them.

¹ Loyalty stamp card refers to a system where a customer receives a free product/service after making a certain amount of purchases (Swiftic, 2021).

CHAPTER 2: LITERATURE REVIEW

2.1. THEORETICAL FOUNDATION

To assess how consumers perceive loyalty programme benefits from local coffee shops within the Northern suburbs, a framework needed to be established. The framework chosen for this specific study originates from Mimouni-Chaabane and Volle's study in 2010, relating the implications and strategies of loyalty programmes' perceived benefits. They developed a framework derived from multiple studies and identified three overarching groups to which benefits can be classified. The three classifications are utilitarian, hedonic, and symbolic benefits (Mimouni-Chaabane & Volle, 2010).

2.1.1. Utilitarian benefits

How consumers perceive the value of a loyalty programme is dependent on what they can gain from it (Keller, 1993). Utilitarian benefits create value by providing a method to achieve something – traditionally monetary savings, or convenience. These benefits are mostly instrumental, functional, and cognitive (Mimouni-Chaabane & Volle, 2010). As most local coffee shops have a utilitarian benefits system (e.g., discount or vouchers), investigating how consumers perceive this, is subsequently important to the research. In examining the perceived value of utilitarian benefits relative to hedonic and symbolic benefits, the researcher was able to determine whether it is necessary to invest in more than utilitarian benefits.

2.1.2. Hedonic benefits

Hedonic value is obtained from experimental, non-instrumental, expressive, and individually satisfying benefits, such as when earning and redeeming points (Mimouni-Chaabane & Volle, 2010). Rintamäki, Kanto, Kuusela and Spence (2006), support this definition by referring to it as “abstract and subjective”. Traditionally achieved by entertainment and exploration, hedonic benefits can preserve consumers' interest due to their ability to evoke emotional responses (Vesel & Zabkar, 2009; Rocereto & Mosca, 2012).

Hedonic benefits are not commonly used within the restaurant industry (Pérez-Villarreal, Martínez-Ruiz, Izquierdo-Yusta, & Gómez-Cantó, 2020). However, it does show significant potential (Muñoz, Hildebrandt, Schacht, Stürmer, Bröcker, Martín-

Loeches & Sommer, 2018). Given this proposed gap in the loyalty programme market, it is important to also investigate consumers' perception thereof. However, since the development of a loyalty programme is a costly activity (McCall & Voorhees, 2010) this gap has to be researched to ensure that it is indeed a gap in the market and not a purposely disregarded benefit.

2.1.3. Symbolic benefits

The last group of benefits, as stipulated by McCall and Voorhees (2010), is the symbolic benefits. After intangible characteristics, symbolic benefits provide external value through relating to the consumer's need for personal articulation, self-regard, and social acceptance (McCall & Voorhees, 2010). Most commonly seen as personalized services or special treatment benefits, symbolic benefits are reportedly able to increase loyalty amongst consumers (Hennig-Thurau, Gwinner & Gremler, 2002).

Its relevance to the study is crucial, given its ability to increase loyalty. Because local coffee shops are often visited only for convenience reasons (Yılmaz & Gültekin, 2016), increasing loyalty is an important factor in the development of this loyalty programme. Should symbolic benefits be able to successfully increase the loyalty of The LightHub, its addition will be definite. However, should its value be obsolete for Generation Z and Millennials, to add it will be pointless. Therefore, it is essential to determine whether symbolic benefits appeal to the targeted population, i.e., Generation Z and Millennials.

2.1.4. Conclusion

Mimouni-Chaabane and Volle (2010) have proposed a framework of three classifications of loyalty programme benefits, namely utilitarian, hedonic, and symbolic benefits. Its relevance to the study can be summarised in one main concept: cost vs. benefit. As discussed above, each category has its benefits to both the company and the consumer, but how it relates to the specific target market of Generation Z and millennial consumers in Durbanville had to be determined in order to know how to develop the most effective loyalty programme for The LightHub.

2.2. LITERATURE REVIEW

In exploring current research four major themes or concerns came to light. There are, of course much more to be investigated but these five subjects held the most relevance

to the research topic. Below, the effectiveness, sustainability and design of loyalty programmes, the impact of culture on loyalty programmes and finally, the imbalance in research methodology will be discussed.

2.2.1. The effectiveness of loyalty programmes

There has been a considerable discussion about the effectiveness of loyalty programmes in recent years (Kim *et al.*, 2021). In South Africa, the average consumer belongs to an average of 5.6 loyalty programmes (Cromhout & Netto, 2020), once again bringing the effectiveness of these programmes into question. Although past observations (Leenheer, van Heerde, Bijmolt & Smidts, 2007; Lui, 2007) indicate that loyalty programmes are constructive in building consumer loyalty, not all academics concur. Most literature points towards loyalty programmes as not meeting financial expectations for companies (e.g., McCall & Voorhees, 2010; Steinhoff & Palmatier, 2016).

Various academics have attested that there are many reasons why loyalty programmes fail, but that it does not deem them irrelevant. Colliander, Söderlund and Szugalski (2016) contend that it depends on the tier the consumer is on, concluding that loyalty programmes are most effective in enticing loyalty with top-tier consumers. According to them, a company will yield sufficient financial gains from loyalty programmes when a tiered loyalty programme is implemented. Ruzeviciute and Kamleitner (2017), however, argue that monetary loyalty programmes, without a doubt, is more effective than nonmonetary programmes, regardless of the industry.

Lawrence and Greene (2020) have also noted the fact that a loyalty programme's effectiveness is not a life-long guarantee. To remain relevant to the consumer, a company has to recurrently re-assess its benefits as its consumer's attitudes, principles and desires evolve. Many academics have added their voice to the discussion, some acclaiming its effectiveness (e.g., Zhang & Breugelmans, 2012), other fighting against it (e.g., McCall & Voorhees, 2010). No clear conclusion can be derived, given the conflicting evidence (Steinhoff & Palmatier, 2016), but one might infer that many variables play a role in whether or not a programme is effective.

To maximise the resources available to develop this loyalty programme, the question of whether it will be worth it for the company, should be the starting point. Asking consumers if the existence of a loyalty programme (with the given benefit types) will

increase the amount of money they spend at The LightHub, was explored. This will ensure that no more is spent on the development of the programme than necessary.

2.2.2. The sustainability and design of loyalty programmes

According to Fourie (2018), one of the biggest threats to loyalty programmes' sustainability is consumers' adoration for discounts and monetary benefits. According to Fourie (2018), these benefits come at a great cost for a company and do not generate the same measure of benefits to the company. This aligns with Nastasoia & Vandebosch (2018), who attest to the vulnerable position of many companies that have an ineffective loyalty programme. Because most consumers consider loyalty programmes a given, this places companies in a difficult position. Although they cannot financially sustain their loyalty programme any longer, they cannot terminate it, because it is likely to cost them brand equity (Nastasoia & Vandebosch, 2018).

Shah, Qureshi and Samad (2019) point out an interesting argument, articulating that recurring and habitual purchases should not be mistaken for loyalty. They argue that price and situational effects should be considered. This begs the question of whether some companies need a loyalty programme and if the habitual purchase of their recurring consumers overshadows the loyalty clients – making the loyalty programme a free giveaway with no effect on loyalty. This argument links with Alshurideh, Gasaymeh, Ahmed, Alzoubi, and Kurd (2020), who found that the majority of companies, their employees, and their consumers are unaware of the aim of their loyalty programme. Once again, this probes the issue of whether loyalty programmes are sustainable and even necessary. But, as mentioned consumers expect loyalty programmes, in some form or shape (Cromhout & Netto, 2020). Alshurideh, *et al.* (2020) accounts for this occurrence of aimless and possibly unsustainable loyalty programme to a lack of proper design, which will be discussed below.

This theme points towards a hard reality – not all loyalty programmes implemented are sustainable in the long term. To ensure long-term success, the researcher must be sure to investigate the difference in loyalty programme benefits enticing consumer loyalty versus habitual purchase.

2.2.3. Design of a loyalty programme

Incentives are a crucial element of the design of loyalty programmes, an element without which it could not exist (Alshurideh, Gasaymeh, Ahmed, Alzoubi & Kurd,

2020). With loyalty programmes, incentives are usually offered in the form of rewards or benefits. Given the different types of loyalty programme benefits (e.g., utilitarian, hedonic and symbolic; instant or delayed), companies have to carefully decide which to implement since the type of benefits used may have an impact on the loyalty of the consumer (Lee, Kim & Kim, 2015). But before a company can decide on the design of its benefits, it has to determine the type of loyalty programme it wants to utilize.

Heidarzadeh, Hanzadeh and Esmaeilpour (2017) reported that companies often run loyalty programmes at an immense loss, promoting the importance of making the right choice when it comes to the type of programme. This emphasizes the prominence of the right type of loyalty programme. And yet, Gorlier and Michel (2020) claim that reward types to be of higher importance to ensure consumer loyalty. Alshurideh, *et al.* (2020) provides a possible explanation for this disagreement, stating that the benefits are more important from the consumer's point of view as it is what usually attracts their attention, but that the choice of loyalty programme design ensures its long-term viability.

The design of a loyalty programme, therefore, has two components, of which both are equally important. The choice of loyalty programme type will result in either success or failure for the company, but the choice of benefits will ultimately appeal to the consumer. These two components have to be mutually inclusive for a financially viable loyalty programme that is actually attractive to its consumers.

Linking with the previous concept of sustainability, the researcher will have to differentiate between the type of programme that is using the benefits (utilitarian, hedonic and symbolic). Consequently, a difference in the consumer's perceived value might occur, depending on the type of programme and the researcher should take this into account when analysing the data.

2.2.4. Impact of culture on loyalty programmes

It is commonly accepted that culture influences an individual's perception, emotions, and behaviours (Triandis, 1989). Relating culture's impact on how loyalty programme benefits are perceived became relevant in 2014 when Samaha, Beck and Palmatier conducted an international study to investigate the effect of culture on relationship marketing. This study yielded four overarching insights: (i) in individualistic cultures, consumers are less willing to form long-term relationships with companies; (ii) cultures

with a greater power distance, allows for more use of status-based benefits; (iii) cultures where consumers are more prone to avoid uncertainty, reduced uncertainty will produce more forming of relationships and (iv) more masculine cultures see fewer benefits in relationship marketing. Hwang and Mattila (2018) continued with this research and determined that culture also plays a great role in how certain benefits are perceived, as well as how likely consumers are to engage in the incentives.

The topic of culture is relevant to the study, since the demographic that was researched in this particular study, has a specific culture which in turn will influence the way they perceive the value of the benefits.

2.2.5. Research methodology imbalance

The research was done on the topic of loyalty programmes (mostly focussing on loyalty programme's benefits delivery and types, mechanisms, and tiers), is mostly done through empirical analysis. The majority of these empirical studies, however, relies on quantitative methods such as experiments and surveys. Table 1 summarises ten studies conducted in the last 5 years, specifically used to frame this study's literary review, with 8 out of the 10 studies relying on quantitative methods. Even though quantitative empirical studies are an essential part of loyalty programme research (Ruzeviciute & Kamleitner, 2017), it is clear that there is a gap in the literature concerning qualitative research, with only two studies (Kim *et al.*, 2021; Lawrence & Greene, 2020) using qualitative methods.

Table 1: Summary of Studies			
	Topic	Reference	Research type
1.	Effect of program type and reward timing on customer loyalty: The role of the sunk cost effect	(Lee, et al., 2015)	Experiment & Survey
2.	Understanding loyalty program effectiveness: managing target and bystander effects	Steinhoff & Palmatier (2016)	Experiment & Survey

Table 1 continues on page 11.

Table 1 (continue)			
3.	Multi-level loyalty program rewards and their effects on top-tier customers and second-tier customers	(Colliander, et al., 2016)	Quantitative between-subjects experiment
	Attracting new customers to loyalty programs: The effectiveness of monetary versus nonmonetary loyalty programs	Ruzeviciute & Kamleitner (2017)	Quantitative survey
4.	Effect of restaurant reward programs on customers' loyalty: Evidence from Iran	(Heidarzadeh Hanzae & Esmaeilpour, 2017)	Quantitative between-subjects experiment
5.	Is It My Luck or Loyalty? The Role of Culture on Customer Preferences for Loyalty Reward Types	Hwang & Mattila (2018)	Quantitative survey
6.	Customer Loyalty the Disney Way	Lawrence & Greene (2020)	Personal interviews
7.	How special rewards in loyalty programs enrich consumer-brand relationships: The role of self-expansion	Gorlier and Michel (2020)	Laboratory experiments
8.	Loyalty program effectiveness: Theoretical reviews and practical proofs	(Alshurideh, et al., 2020)	Quantitative survey
9.	An emerging theory of loyalty program dynamics	(Kim et al., 2021)	Grounded Theory

Kim, et al. (2021) has highlighted the lack of a qualitative approach to the relationship aspect of loyalty programmes in their recent study. They put forward the idea that consumers' relationships with loyalty programs are fluid and that different approaches to the various stages of loyalty programmes are necessary. This study aimed to continue this approach of diving into the consumer's perception by also conducting qualitative research.

2.3. CONCEPTUALISATION

An understanding of key terms is essential to a correct interpretation of the study (Unified Compliance Framework, 2021). To ensure that there is no confusion when referring to terms that might have different meanings depending on the field, the researcher will now define perceived value, loyalty programmes and benefits.

2.3.1. Loyalty Programmes

Kim, Steinhoff and Palmatier (2021) describe loyalty programmes as “systemized marketing efforts that offer economic, psychological, and sociological benefits to customers, to enhance customer loyalty and firm performance”. Previously, Meyer-Waarden (2007) has also referred to loyalty programmes as “loyalty schemes”, highlighting the strategic element to these programmes. But, in simple, layman’s terms, a loyalty programme is an instrument used to encourage customer to spend more money at a specific business (Chen, 2021).

The focus of the study relied more heavily on the benefits gained from these programmes, more specifically how they are perceived. However, without an actual programme, there will be no drivers of the benefits and therefore the conceptualisation of loyalty programmes is still necessary.

2.3.2. Perceived value

An understanding of consumer perceived value is an essential component of the success of this study. In recent years, the term has gained ample traction, as it became clear that consumers have become more driven by their values when making purchase decisions (El-Adly, 2018). For one, Zeithaml (1988:14) defines consumer-perceived value as the rational compromises in benefits and sacrifices, made by consumers, when making consumption decisions.

Various authors have added to this Zeithaml’s definition in recent years (Flint, Woodruff, & Gardial, 2002; Sánchez-Fernández & Iniesta-Bonillo, 2007; Smith & Colgate, 2007). Pointing out five crucial elements relating to perceived value, Currás-Pérez, Dolz-Dolz, Miquel-Romero & Sánchez-García (2018) summarised these additions as the following, (i) consumer value perception relates to a specific brand, product, or service, (ii) the value is relative to each consumer and cannot be determined by an organisation, (iii) the determination of the value typically involves an

assessment of the trade-off made by the consumer, including monetary and non-monetary trade-offs, (iv) a consumer's perception of a product, a brand or service changes over time and (v) consumer value perception is relative, depending on what it is being compared to.

This study specifically considered how consumers perceive the value of benefits obtained from loyalty programmes. This brings the definition of loyalty programmes into question.

2.3.3. Perceived benefits

Grasping the concept of perceived benefits is vital to this research. There is Zhu, Goraya & Cai (2018), who argue that benefits can be experienced or received by a consumer, but that some form of interaction with a company is required. Further, benefits are seen as positive (Zhu *et al.*, 2018).

Benefits can be divided into three categories, as per McCall and Voorhees (2010) framework. The three categories (utilitarian, hedonic and symbolic) have been thoroughly discussed in section three, but a summary (Table 2) is included for comprehensiveness.

Table 2: Summary of Benefits Categories	
Utilitarian	"Utilitarian benefits, which are primarily instrumental, functional, and cognitive, provide consumer value by offering a means to some end."
Hedonic	"Hedonic value derives from non-instrumental, experiential, emotional, and personally gratifying and may be associated with shopping, the use of media, and increased behavioural loyalty."
Symbolic	"Symbolic benefits, the extrinsic advantages that products or services provide in relation to needs for personal expression, self-esteem, and social approval result from intangible and often non-product-related attributes."
<i>Source: McCall & Voorhees (2010)</i>	

In literature, the terms "benefits" and "rewards" are used interchangeably. For this study, it will be referred to it as benefits.

CHAPTER 3: RESEARCH DESIGN & METHODOLOGY

3.1. RESEARCH PARADIGM

A paradigm, as defined by the Merriam-Webster Dictionary (2021), is a framework that encapsulates all theories, laws, and generalizations of a specific scientific school or discipline. The paradigm chosen for this study was interpretivism, implying that humans cannot be studied in an enclosed environment, since they do not live within a controlled environment, but that various factors influence them (du Plooy-Cilliers, Davis & Bezuidenhout, 2014:27). With an interpretivist approach, the researcher can study the subjective perception of each subject individually and deduct insights that can be used to better business practices (du Plooy-Cilliers *et al.*, 2014:28).

Since this study focused on the perception of Generation Z and Millennials, an interpretivist approach was chosen to allow for deeper insights into these perceptions. Research has sufficiently concluded that consumers perceive loyalty programmes as positive. However, the financial gains of loyalty programmes do typically not meet their prospects (Kim, Steinhoff, & Palmatier, 2021). To prevent loyalty programmes from falling short of their financial goals, an in-depth understanding of what a positive perception means to Generation Z and Millennial consumers was endeavoured.

Concentrating on how exactly an interpretivist approach would be applied to the study, the epistemological, ontological, and axiological position of interpretivism was explored.

3.1.1. Epistemology

Interpretivists argue that common sense is one of the keys to human behaviour (du Plooy-Cilliers *et al.*, 2014:29). However, as subjectivism is a cornerstone of interpretivism and interpretivists believe in relativity (Hiller, 2016:103) one can argue that common sense is also relative, depending on the societal beliefs of the specific context.

In this study, it assumed that every respondent's perception of loyalty programmes, based on their subjective lived experiences, differs. It, therefore, did not aim to generalise the findings, but rather gain insights that can be applied to improve the loyalty programmes of coffee shops in the Northern suburbs area.

3.1.2. Ontology

Ontology explores the existence and that which is (du Plooy-Cilliers *et al.*, 2014:23), consequently a study of what is perceived as real. Interpretivists believe that truth is created by our consciousness that constructs it by interpreted experiences, resulting in a subjective reality (Hiller, 2016:99). Reality is therefore dependent on a flexible truth – different to each respondent.

Compared to positivism, where a universal truth is assumed (Maree, 2021:22), interpretivism enabled the researcher to study the respondents' perceptions, while considering that they might have divergent realities. If a positivist approach were to be taken, errors are most likely to occur because of the disregard of outside considerations altering perceptions. Thus, in accepting a relative reality, better insights into Generation Z and Millennials' perceptions of loyalty programmes can be drawn.

3.1.3. Axiology

The investigation of the role that values play within research, is referred to as axiology (du Plooy-Cilliers *et al.*, 2014:24). The axiological stance taken by interpretivists is that the researcher cannot be separated from the research itself (Saunders, Lewis & Thornhill, 2019:145). They value the complexity of reality, recognise their personal beliefs and values, and acknowledge the researcher's biases and their effect on the research (du Plooy-Cilliers *et al.*, 2014:31).

Its relevance to the study is crucial, especially when it comes to ethics. The researchers own perceptions of loyalty programmes might influence their interpretation of the results. However, given that the researcher has grown up in Durbanville, the location where the study was conducted, it is believed that the personal bias did not have a negative influence.

3.1.4. Conclusion

The decision to approach this study with an interpretivist approach was carefully considered by evaluating its epistemological, ontological, and axiological stance. This approach is best suited to the study, given the subjective nature of the topic, which is perception. By taking advantage of both the respondent's and the researcher's subjective truths and realities, this study was able to gain an in-depth understanding of their perceptions regarding loyalty programmes. Considering the nature of the study

and the integral part the subjectivity plays in the research, another paradigm would not have suited the topic. Thus, the study was approached with an interpretivist view.

3.2. DESIGN OR CONCEPTUAL APPROACH

As the researcher took an interpretivist approach in this study, it relied on first-hand accounts of the participants, rather than mathematical and logical arguments. Since the researcher wanted to explore the perception of various individuals (Maree, 2021:67), and the interpretivist approach acknowledges the subjective nature of each individual understanding of reality, numerical and arithmetical tests would not allow the researcher to gain the necessary insight (Viljoen, 2018). Consequently, an interpretivist approach is most often supported by qualitative research (Teddlie, 2005; Thanh & Thanh, 2015) and this study used qualitative methods to explore the research question. As noted by Kabir (2016), a qualitative approach allows the researcher to capture the subjective perceptions of the participants. To understand how consumers perceive the benefits of loyalty programmes, a qualitative approach (as explained above) allows the researcher to delve beneath the surface of how things might appear and be able to gain an understanding of the perceptions of the respondents.

3.3. POPULATION

In research, a population refers to the complete group of people, objects, or institutions (i.e., entities) that have a mutual trait or characteristic that is of value to the research question (du Plooy-Cilliers, Davis & Bezuidenhout, 2014:132). Population parameters refer to the mutual trait or characteristic that the entities of the population share (du Plooy-Cilliers *et al.*, 2014:133). As this study focused on individuals' perceptions, the unit of analysis that was used, was people. The size of the chosen target population included all individuals residing in the Northern suburbs of Cape Town, and who belong to a loyalty programme. Therefore, the two important characteristics the target population shared was (i) belonging to a loyalty programme, and (ii) residing in the Northern suburbs of Cape Town. However, since the researcher was unable to determine who all of the individuals are that share the two population parameters, the accessible population identified was those who the researcher could locate.

3.4. SAMPLING

Du Plooy-Cilliers, *et al.* (2014:135) defines a sample as a “subset of a population that is considered to be representative of the population”. As mentioned, the unit of analysis was people, as an effort was made to gain insight into their perceptions of loyalty programme benefits. Although the population only has two parameters (as mentioned above), the researcher chose to narrow down the sample even further:

- The LightHub’s primary target market is Generation Z and Millennials and thus only individuals between the ages of 18 and 38 were interviewed. This also narrows down the target population, which resulted in more accurate insights.
- Since the insights will have to be applied to aid in the development of a new loyalty programme, the researcher deemed it necessary for the respondents to have had significant exposure to loyalty programmes and their different benefits. Therefore, the respondents had to belong to three or more loyalty programmes, from at least two different industries. This increased the well-roundedness of the respondents’ perceptions of benefit types, and consequently prevented occurrences where respondents have no opinion or perception of loyalty programmes.

3.4.1. Sampling methods

Since the researcher could not gain access to all persons (i) belonging to a loyalty programme, and (ii) residing in the Northern suburbs of Cape Town, the researcher was forced to use non-probability sampling. Non-probability sampling does not use random selection, but rather a reliance on the researcher’s subjective judgement to select units for a sample (Maree, 2021:214). This method of sampling also does not support generalisation (du Plooy-Cilliers *et al.*, 2014:137), which is appropriate since this study does not attempt it. The researcher chose the following two methods of non-probability sampling: convenience and quota sampling.

Convenience sampling is when the units chosen for the study are purely a result of convenience to the researcher and often does not consider whether or not they are representative of the entire population (QuestionPro, 2021). The reason for this method was because respondents tend to provide little information when being interviewed (du Plooy-Cilliers *et al.*, 2014:15). To combat this, the researcher found respondents that tend to be more descriptive and talkative when answering questions

– giving the researcher quality data with which to work. To ensure a measure of population representation, a gender quota was imposed during the sample selection. Quota sampling is when a certain number of predetermined categories is required (Maree, 2021:219). With this study, the researcher ensured that an equal number of men and women were interviewed, as various studies have shown that men and women tend to perceive things differently (Patterson, 2017; García-González, Forcén & Jimenez-Sanchez, 2019; Li, Chen, Wang, Dhingra, Zhornitsky, Tang & Li, 2020). This helped to improve a better representation of the true sample.

3.4.2. Sample size

The chosen size of the sample for the study was six people. Although the researcher would have preferred to have a larger sample to ensure clearer insights and increase the reliability of the study, time constraints were a hindrance. DeJonckheere and Vaughn (2019), state that a qualitative study does not focus on a large sample size, but rather the depth and detail of the data gathered. Therefore, six respondents, three male and three female, were interviewed. Given that the respondents gave thorough answers to all of the questions they were asked, it was clear that the sample size was big enough to allow for some valuable insights.

3.5. DATA COLLECTION METHODS

For this study, the researcher's chosen method of data-collection was in-depth interviews. Ritchie and Lewis (2005) describe in-depth interviews as being similar to a conversation but emphasises that it is quite different. They continue to say that what makes an in-depth interview useful, is its ability to extract deep insights by delving beneath the surface.

The data-collection tool that was used to support the in-depth interviews was semi-structured questionnaires. The reason for this is that a semi-structured questionnaire links to DeJonckheere and Vaughn's (2019) justifications of their effectiveness, that being (i) its ability to collect open-ended data and not restrain the respondent's response as well as (ii) allowing the researcher to discover the respondent's "thoughts, feelings and beliefs" pertaining to a specific topic.

The interviews were in-person, and the researcher acted as the interviewer; interviewing all the respondents. Another reason why this specific method and tool of

data-collection was chosen is so that the interviewer was able to encourage the respondents to elaborate when their answers were without meaning/too short or cryptic (Babin & Zikmund, 2016:127). It also enabled the researcher to ask unscripted follow-up questions, when the respondent gave interesting answers that led to greater insights when explored further. This ensured detailed answers from which themes could be derived.

3.5.1. Types of questions

Asgarpour, Hamid and Sulaiman (2015) recognise three main elements that contribute to a consumer's perceived value of a product or service: product quality, service quality, and price. These three elements were used to guide the questions for the semi-structured questionnaire. They were slightly adapted to be more relevant to consumer-perceived value – the quality of the benefits received, the quality of the service that accompanies the reception of the benefits, and the cost of belonging to a loyalty programme.

Concerning the types of questions that were asked, the researcher decided to (i) start with simple, closed-ended questions, (ii) then move to simple open-ended questions and (iii) end with the more complex open-ended questions. This helped to ease the respondent into the questions, gradually “warming them up” to talk, thereby maximising the quality of the data collected (Gill, Stewart, Treasure & Chadwick, 2008). Below are examples of questions that the researcher asked the respondents. The full questionnaire is attached as Annexure A.

3.5.1.1. Simple closed ended

- To how many loyalty programmes do you belong? (Question 1.2)

These questions were included to help with making the respondent feel at ease since it does not require them to think critically about the questions. However, these questions still have value, because it enabled the researcher to see how the respondents' in-depth answers vary in relation to (like in this example) how many loyalty programmes they belong.

3.5.1.2. Simple open-ended

- Which of these loyalty programmes are your favourite ones and why? (Question 2.1.)

The purpose of the simple open-ended questions was to gradually lead the respondents into giving more detailed answers, and not jumping from closed-ended questions directly to more reflective open-ended questions. It guided the respondents in how the complex open-ended questions should be answered and enabled the researcher to extract as much data from their answers as possible.

3.5.1.3. Complex open-ended:

- Would the following benefits motivate you to join a coffee shop's loyalty programme? Why or why not? (Question 2.4.)

The bulk of the questions are complex open-ended questions. These questions aimed to provide the researcher with in-depth insights into how consumers perceive the value of the benefits they discussed. The questions also primarily focus on how the consumers perceive the quality of the benefits received, the service that accompanies the services, as well as the price paid to be a part of the loyalty programme (Asgarpour *et al.*, 2015). The feelings, thoughts, and beliefs concerning the loyalty programmes were then explored to gain insight into the consumer's perception.

3.5.2. Scope of the questions

As mentioned, the questions attempted to extract data that could be analysed to better understand how consumers perceive the value of loyalty programmes benefits, by focussing on the quality, service quality, and cost of the benefits. Therefore, the following topics were addressed in the questions:

- Feeling towards the different types of benefits (utilitarian, hedonic and symbolic).
- Benefit preferences.
- What they like and dislike about the different benefits.
- What benefits have the strongest ability to alter consumers' behaviour.

3.5.3. Application of the methods

Respondents for the interviews were chosen by selecting individuals whom the researcher already knew. As previously stated, the reason for this was to ensure that the respondents had a level of previously established trust and would consequently feel comfortable enough to share their true feelings and habits with the researcher. In

the light of this, the researcher scanned their contact list and reviewed which persons might fit the requirements.

In the week of the 26th to the 30th of August, the researcher was able to identify four individuals willing to participate in the interview. One of the respondents suggested two other persons which the researcher then contacted and resulted in a total of six respondents. The researcher had difficulty locating male Generation Z respondents who met the requirements since most of them do not belong to loyalty programmes. Correspondence with the respondents was facilitated by WhatsApp messages and interviews were held between August 2nd to August 14th, 2021.

Upon interviewing the respondents, the researcher conducted the interviews in a quiet environment, where no one could hear the conversation. The interviews were recorded, and respondents were assured of the anonymity thereof, as well as that it will only be used to transcribe their answers and not be played to anyone else. As for how the researcher asked the questions, two methods were used. In section one, the researcher found in the first interview that the respondent struggled to answer the multi-choice questions because he forgot the options. Consequently, the researcher decided to show section one's options to the respondents, helping them to answer the questions accurately. However, with section 2 (open-ended questions), the researcher handled the questions more like a conversation, trying to lead one question into another. Some respondents wanted to elaborate on their answers in section 1, which the researcher allowed since the researcher believed that valuable insights could also be drawn from it. However, not all respondents did elaborate in this section.

Seeing that a semi-structured questionnaire was used, it allowed the researcher to ask questions as they deemed relevant or necessary. When a respondent gave similar types of answers to questions, e.g. always linking their answer to the price with discount or coupons, the researcher would ask why the financial aspect of loyalty programmes plays such an important role to them. This helped the research to also get some insights into the motivation of the respondents' inclination towards a certain type of benefit. Most interviews lasted between 25 to 30 minutes.

3.6. DATA ANALYSIS METHODS

The researcher chose to use the thematic coding method to identify themes from the scripts (Plooy-Cilliers *et al.*, 2014:241). Braun and Clarke (2006) define thematic

coding as a data analysis method where one aims to identify “patterns within data”. At first the researcher thought that they would have to resort to inductive coding since little research has been done on this specific topic in the past – expecting that no pre-existing model could be applied to the text in order to identify previously established themes (i.e. deductive coding). However, as the researcher started to analyse the data, they discovered that all answers can be divided into the six sub-categories of the three types of benefits as identified by Mimouni-Chaabane and Volle (2010). These categories (as per benefit) are:

- Monetary savings and convenience (utilitarian)
- Exploration and entertainment (hedonic)
- Recognition and social (symbolic)

Consequently, the researcher resorted to deductive coding, starting with the broad concepts and assumptions from Mimouni-Chaabane and Volle’s (2010) study and confirming the validity of the theory (Du Plooy-Cilliers *et al.*, 2014:48).

With this method, the researcher is required to read through the transcripts numerous times and identify and categorise them into the pre-existing themes (du Plooy-Cilliers *et al.*, 2014:49). The researcher repeatedly investigates the text, asking “how” and “why” to facilitate the extraction of keywords (Hyde, 2000). The keywords were investigated to identify links and patterns within the themes, to ultimately gain insight into consumers’ value perception. Once the researcher coded the transcripts and consequently identified reoccurring themes, they were able to examine where the themes occur to identify links to the respondent’s perceived value.

All interviews were recorded and transcribed to ensure that the researcher could accurately analyse the text without losing any data. Given the semi-structured questionnaires, the transcripts are mostly large text passages. These passages enabled the researcher to be utterly comprehensive in the analysis of the text, and by working and reworking the text, was able to extract all possible meaning (which is deemed relevant) from the respondents’ answers.

3.6.1. Application of data analysis methods

After the interviews, the researcher transcribed all of the recordings with the help of MS Word’s Transcription function. The researcher uploaded the file to MS Word, which then automatically transcribed the recording. However, given the different accents and

the influence of external noise, the transcripts were not completely accurate. Consequently, the researcher had to go through each transcript, correlating the text to the recording – ensuring that the text was exactly the same. Almost all of the respondents would stutter, use words like ‘uhm’ and ‘yah’ repeatedly, or repeat a portion of a sentence. This made the data quite difficult to analyse and therefore, the researcher decided to refine the data. Only that which is strictly necessary to remove to improve the quality of insights drawn was removed and the researcher was extremely cautious to prevent any measure of change in the meaning of a respondent’s text. When for example stuttering or long periods of silence would indicate uncertainty, the researcher also included this in brackets as its meaning would have gotten lost if the words were only written verbatim. This process of transcribing the interviews proved to be quite tedious. As anticipated, the analysis of the data was also rather time-consuming, given the large amounts of text that had to be read and reread multiple times.

The researcher analysed the data in two ways. First, they looked at the data one respondent at a time, assessing what themes were apparent from the text. The researcher started by looking for words/synonyms that repeatedly occurred. These words were then grouped into the six themes (monetary savings, convenience, exploration, entertainment, recognition and social). Second, the researcher assessed the text question by question, comparing what different respondents answered to the same question. This helped the researcher to see the similarities and differences in the answers – ensuring a sense of consistency for the researcher.

After the themes were extracted from the text, the researcher reread the text to identify which benefits (utilitarian, hedonic and symbolic) they are linked to. Next, the researcher identified what type of benefit the respondents responded to most. This was cross-checked with question 1.2., which determined how many loyalty programmes they belong to, giving insight into whether there is any link. A summary of the findings are presented in Chapter 4.

3.7. RELIABILITY AND TRUSTWORTHINESS

3.7.1. Trustworthiness

Due to the high measure of subjective interpretation present in qualitative research, Maree (2021:144) emphasises the importance of trustworthiness. Consequently, the researcher had to intentionally put measures in place to ensure trustworthy data.

Guba (1981) identified four principles to consider when evaluating the trustworthiness of a study: credibility, transferability, dependability, and conformability. In an attempt to increase the trustworthiness of the study, the researcher followed the four principles as explained in Table 3 below.

Table 3: Guba's (1981) four principles when evaluating trustworthiness and its application	
Principle	Application
To ensure that the use of research design, research methods and theories are sound and well-established.	Through the development of this study, the researcher was supervised by an external researcher to ensure that the research design, -methods and theories are sound and relevant to the topic.
Not aiming to make generalisations, but rather acknowledge the context of the study, as well as the assumptions that were made to interpret the research.	As the purpose of the study was to gain insights for a specific group and therefore purpose, the researcher acknowledged this limitation and only applied the data to the population: Generation Z and Millennials residing in the Northern suburbs of Cape Town.
Documenting the study to ensure that future researchers can analyse how the researcher went about in analysing the data.	The study was documented in detail to ensure that future researchers can repeat and re-analyse the data and methods used in this study.
Admit that they have biases or predispositions, that might influence the interpretation of the data and setting certain measures in place to actively fight against it.	The researcher admitted to biases or predispositions pertaining coffee shops and loyalty programmes, but once-again had a third-party oversee the analysis to ensure that its influence on the study is as limited as possible.
<i>Source: Maree, 2021:144-146</i>	

3.7.2. Reliability and Validity

Reliability is commonly defined as how much results tend to be the same over a period of time, as well as being able to accurately reflect the whole population (Golafshani, 2003). To ensure reliability, inter-rater reliability (du Plooy-Cilliers *et al.*, 2014:255) was used. Although various answers to questions will be collected by the different respondents, a standardised questionnaire and coding sheet was used to ensure consistent results.

However, when referring to the reliability one has to consider validity, since even when results are consistent, what is measured might be invalid. The validity, therefore, refers to “whether the research truly measures that which it was intended to measure” (Joppe, 2000:1, cited in Golafshani, 2003). Consequently, to ensure validity within this specific study, the questionnaire will be reviewed by an external supervisor to confirm that the questions will answer the research question, i.e., face validity (du Plooy-Cilliers *et al.*, 2014:256).

CHAPTER 4: FINDINGS AND INTERPRETATION OF FINDINGS

4.1. PRESENTATION OF FINDINGS

As the questionnaire consisted of two sections (closed-ended questions, followed by open-ended questions), the findings will be discussed relating to the two sections. The reason for this is the limited insight gained from the closed-ended questions' answers, as they were strategically asked to make the respondents feel at ease and gradually move them into providing lengthier answers, from which insights could be drawn. First, the closed-ended questions will be discussed, then the open-ended questions and lastly the relationship between the two sections will be evaluated.

4.1.1. Open-ended questions

The respondents were relatively dispersed in terms of their coffee shop visiting habits, but as for the loyalty programmes, there were two distinct groups: respondents who belong to as many as possible and those who avoid loyalty programmes, except for where the benefits are just too good to let pass. No respondents' willingness to join a loyalty programme increased when they were asked to pay for it, but the majority of the respondents stated that it depended on the benefits they would receive in return. When asked to rank specific benefits, there was no clear benefit that trumps the others. However, when asked to choose the type of benefits, it seemed most important to reduce money, time and effort spent on their purchases. The questions and answers of Section 1 are included in Addendum A.

4.1.2. Closed-Ended questions.

The six themes identified during the analysis of the data are summarised below, followed by a short discussion on their main attributes. The questionnaire used during the interviews is included as Addendum B. The three types of benefits are broken down as follows:

- **Utilitarian:** Monetary savings and convenience
- **Hedonic:** Exploration and entertainment
- **Symbolic:** Recognition and social

Below, the six themes are explained, with their relevance to The LightHub's context and resources.

4.1.2.1. Monetary savings

This theme was most prominent, as all of the respondents repetitively mentioned this topic. Words that came up regularly, are summarised in Table 4. Every single respondent mentioned monetary savings and regularly referred to preferring it to other benefits even when not asked to compare the types of benefits. Given this finding, the researcher believes that The LightHub should include monetary savings as a benefit in the loyalty programme, as it was explicitly stated as an important aspect of a loyalty programme by all of the respondents.

Table 4: Word regularly used when referring to monetary savings.			
free	saved/savings	discount/s	no additional cost
voucher/s	sponsor	specials	cash/money back
cheaper	complimentary	pay less	gift/reward

4.1.2.2. Convenience

After monetary savings, convenience was the second most common theme which was evident in the closed-ended section. The most notable reference to convenience was users' liking in how their favourite loyalty programmes are the ones where they save money, without having to do something additional. In Table 5, quotes from the respondents' transcripts are included to illustrate this occurrence.

Even though this finding is relevant, implementing a convenience benefit, the researcher anticipated that implementing the benefit might prove difficult. This is discussed in further detail in Table 5.

Table 5: Quotes from their respondents about their favourite loyalty programmes		
<i>"So without doing anything, I just accumulate all this cash."</i>	<i>"I do my shopping there anyway and then sometimes I reap the benefits [...]. It does encourage me to go there more often."</i>	<i>"It was effortless for me [...] didn't have to go out of my way, really, to do it."</i>

4.1.2.3. Exploration

To discover and try new products/services of the company was another theme that arose frequently from the text. When asked whether exclusive coffee blends and a coffee club for coffee lovers would motivate them to join, most of the respondents reacted positively, stating that they want to try and discover the products or event. The researcher anticipated that the respondents would respond to the status and exclusivity of the question but none of the respondents reacted to the exclusivity aspect of it. Extracts of the questions where exploration came up most frequently are indicated in Table 6. The keywords used to identify exploration has been underlined.

Given The LightHub's current involvement with events similar to Question 2.4.3. (Addendum B), the researcher believes that this is a benefit that they can deliver on. Including social events where customers could explore new blends etc. proved a great motivator amongst the respondents and could easily be organised by The LightHub.

Table 6: Extracts from question 2.4.3. and question 2.4.4.	
Question 2.4.3 Would becoming part of a coffee club for coffee lovers motivate you to join a coffee shop's loyalty programme?	Question 2.4.4 Would having access to exclusive coffee blends motivate you to join a coffee shop's loyalty programme?
"People are mad about their coffee and the way they prepare it. So you can <u>learn a lot</u> from people [...] how you prepare coffee differently. Which blends to use."	"Would be nice to <u>experience</u> some other blends [...]."
"You will actually <u>broaden your knowledge</u> on different types of coffees so [...] I'm already hooked."	"Ja, ja, ja! I like that idea! Because I can take my coffee [from my favourite coffee shop] home."
"That would incentivise me because I generally do like <u>discovering new things</u> and stuff."	"I will definitely try it out. I enjoy <u>experimenting</u> with <u>something new</u> ."

4.1.2.4. Entertainment

Collecting and redeeming points rarely came up during the interviews. Only one out of the six respondents mentioned that they enjoy "getting more points" and "working for something". None of the other respondents responded positively to this, even when

asked directly in Question 2.4.1. Most respondents responded with something like “depends on the benefits” or “I like the idea of a reward more”, always linking it back to monetary savings such as discounts. Given the poor response to the benefits, the researcher suggests omitting entertainment benefits altogether.

4.1.2.5. Recognition

Acquiring a special status or to be treated better also received a somewhat positive response. However, this mostly referred to feeling valued as a consumer and knowing the coffee shop owners – but never at the expense of other customers. When asked how they would feel about “jumping the queue”, four out of the six respondents responded, “no” as it would be unfair to the other customers. Receiving a status was not a good motivator at all, as only one respondent showed slight interest in it, where the other respondents stated that it would not influence them. Consequently, the researcher does not regard including this benefit as a good use of resources.

4.1.2.6. Social

The prospect of meeting new people was overwhelmingly positive. As the questions about an exclusive coffee group were once again intended to determine the respondents’ feeling towards its exclusivity (i.e. status), all of the respondents answered these questions by referring to the prospect of meeting people. Relational interactions seemed to be of great importance to respondents 2 and 5, but all of the other respondents (illustrated in Table 7) liked the thought of gathering with people with a mutual interest in coffee.

As mentioned with exploration, combining these two benefits would be beneficial for the company, and valuable to the customers. The researcher recommends investing in these two benefits combined.

Table 7: Quotes illustrating the respondents' fondness for the social benefits	
<i>“I’ll just go for the people. Obviously, coffee is a bonus [...] but I enjoy doing something like that with people.”</i>	<i>I [find] that attractive because [...] as I previously mentioned, then you can build community with fellow coffee lovers.”</i>

Table 7 continues on page 30.

Table 7 (continue)	
<i>"But they guys are just very, very relational and that's what makes you feel valued [...] because of the actual relationship that you have."</i>	<i>"There is something different to it, the [...] meeting of new other people. You belong to something different [...]."</i>

4.1.3. Connecting sections 1 and 2

The in-depth, comprehensive answers from Section 2, correlate with the answers given in (closed-ended) Section 1. There was little correlation between the frequency of coffee shop visits and the number of LPs to the answers the respondents gave. Question 1.5 (found in Addendum A) gave a good indicator of the general inclinations of the respondents' perception of the value of the three types of benefits as displayed in Section 2; with utilitarian being perceived as the most valuable, followed by symbolic, with hedonic perceived as the least valuable.

4.2. INTERPRETATION OF FINDINGS

The themes used to analyse the data aided the researcher in uncovering insights that were interpreted in the context of the data, as well as the five major concerns identified in the literature review – the (i) effectiveness, (ii) sustainability and (iii) design of loyalty programmes, the (iv) impact of culture on loyalty programmes and finally, the (v) imbalance in research methodology).

4.2.1. Interpretation of general findings not directly relevant to the literature

A few observations were made by the researcher, who deemed it important to be mentioned, even though it doesn't directly connect to the research questions and objectives. These observations, as well as the interpretations thereof, are summarised in Table 8 (next page).

Table 8: Summary of General observations		
Observation	Interpretation and relevance	Context
1. When contemplating whether or not to join a loyalty programme, respondents weigh the cost to the benefit.	If the respondents can just go on with their daily life AND get benefits, they adore it. Respondents want to feel like their inputs are less than their outputs. Thus, the perception of a benefits' value is relative to the amount of effort needed to obtain it.	The communication of the benefits The LightHub decide to include, must be communicated in such a way that customers feel like they are receiving more than they are required to spend.
2. When people speak about loyalty in a coffee shop context, they have a very narrow idea of it. It's mostly confined to stamp cards and free coffees.	Respondents' perceptions of the value of hedonic and symbolic benefits are extremely limited and underdeveloped in this industry.	This could be used to The LightHub's advantage since it won't require as many resources as developing and managing a complex loyalty programme.
3. Exclusive content alone will not motivate someone to join.	Customers have to receive some form of monetary value, otherwise, they are not motivated to join a loyalty programme. The respondents only perceive a loyalty programme as valuable if it includes monetary savings.	Once again, this iterates the importance of including monetary savings as a benefit.
4. Convenience is not expected to reduce time or effort, but rather it should not require extra time/benefit.	Many of the respondents like the loyalty programmes they do because it integrates different aspects of their lives. The respondent's perceived value of hedonic benefits is focused on reducing rather than adding to their life.	The loyalty programme, regardless of which benefits are included, should be smooth and seamless – not requiring a physical card or a complex sign-up process.

The respondent's perceived value of hedonic benefits is focused on reducing rather than adding to their life. The loyalty programme, regardless of which benefits are

included, should be smooth and seamless – not requiring a physical card or a complex sign-up process.

4.2.2. Effectiveness of loyalty programmes

As mentioned in the literature review, the argument of the effectiveness of loyalty programmes is not conclusive. Several variables affect the effectiveness of the programme and the researcher identified that its effectiveness is subject to the customer receiving (and being satisfied with) basic need satisfaction. Respondents noted that they like coffee shops because of their atmosphere, good coffee or friendly owner.

Ultimately, the purpose of The LightHub is to sell good coffee create a space where customers can escape their office or busy lives. If The LightHub does not deliver on its main objective, the reward of a loyalty programme is irrelevant. All of the respondents indicated that they would rather pay more to ensure a good cup of coffee than get average coffee at a low price. Although respondents perceived utilitarian benefits (specifically monetary savings) as the most valuable benefit, a better overall coffee shop experience (i.e. the product, service and atmosphere) will trump these benefits every time. One can, therefore, conclude that before a coffee shop such as LightHub spends money on developing a loyalty programme, they should ensure that the hygiene factors are in place. Further research can be done to determine exactly what these hygiene factors are.

4.2.3. Sustainability of loyalty programmes

The sustainability of loyalty programmes lies in the issue of loyalty versus habits, and not confusing the two concepts with one another. In the data analyses, it became clear that not one respondent mentioned joining a loyalty programme and then becoming loyal to a store, but rather that they joined the loyalty programmes where they were already habitually shopping. The data, therefore, suggest that the respondents are rather habitually making purchases, rather than being loyal to a specific brand.

As to whether or not a loyalty programme is a sustainable venture for The LightHub, is an important question to ask. Given the respondents' perception that great value is gained from monetary savings, it appears to only be a cash outflow for coffee shops, without a clear advantage. However, by aiming at other benefits that also showed reasonable traction (e.g. the social aspect of symbolic benefits), opportunities can be

created where sales can be made. For example, if LightHub was to host a coffee club night, customers might like the coffee (and experience) enough to buy beans from the shop. So even though the night is an expense it also serves as a promotion for the products sold at the shop.

4.2.4. Design of loyalty programmes

As explained in the literature review, the design of a loyalty programme directly relates to its success. Consequently, choosing the right benefits is crucial. The findings suggest that monetary savings are perceived as most valuable by the respondents. Consequently, the design of The LightHub's loyalty programme must include monetary savings. The other benefits that were also perceived as valuable, were convenience, exploration and social. However, The LightHub's current resources (monetary and relationships with suppliers and other business owners), suggests that exploration and social would work best, as it would still appeal to the customers, but be less expensive for The LightHub to develop since social and explorative occasions are already happening in their venue. Therefore, The LightHub add to their revenue by leveraging their fixed expenses.

4.2.5. Impact of culture on loyalty programmes

The coffee culture and using habits of the respondents did not come up frequently. This might be because it was just not top of mind for them, or because the questionnaire did not succeed in extracting feelings on this topic. However, one finding did prove worth mentioning: the respondents often go to coffee shops to escape their working environment or have social interactions.

Since this is an important aspect of a coffee shop experience to most respondents, the benefits of a loyalty programme, should not impose on it in any way. Although the respondents generally responded well to the idea of an app that allows you to pre-order, the researcher anticipates that these benefits would not be as beneficial in practice, given that the coffee shops are used as a sense of escapism. By minimising the contact in the coffee shop, this important aspect might be neglected, having the opposite to desired effect. Consequently, the value of benefits received at coffee shops is perceived as less important than their need to escape, relax or have social interactions.

4.2.6. Research methodology imbalance

The use of qualitative methodology was extremely helpful in uncovering insights specifically relevant to The LightHub. As the typical customer was interviewed, the data reflected information directly relevant to the targeted audience of the coffee shop. The methodology enabled some insights that would not have been discovered if using qualitative methodology, given the limited sample size. The researcher is confident that the qualitative approach enabled rich insights that would add to the existing literature.

CHAPTER 5: CONCLUSION

5.1. RESEARCH QUESTION, PROBLEM STATEMENT AND OBJECTIVES ADDRESSED

5.1.1. Addressing the research question

This study set out by asking how consumers perceive the value of loyalty programme benefits. Following McCall and Voorhees's (2010) loyalty programme benefit classifications (utilitarian, hedonic and symbolic), the question was broken down into three sub-questions as listed below.

- How do consumers perceive the value of utilitarian loyalty programme benefits?
- How do consumers perceive the value of hedonic loyalty programme benefits?
- How do consumers perceive the value of symbolic loyalty programme benefits?

In the context of coffee shops, it became clear that customers prefer utilitarian and symbolic benefits to hedonic benefits. Overall, utilitarian benefits are perceived as a prerequisite for loyalty programmes, symbolic benefits are perceived as desirable and welcomed, but not necessarily missed when not there, and hedonic benefits can be divided into two further groups: exploration and entertainment – which yielded different responses. Exploration is perceived as quite valuable to consumers, but entertainment is deemed irrelevant in the context of a coffee shop.

5.1.2. Addressing the research problem

The research problem identified at the beginning of this study was to investigate which types of loyalty programme benefits are perceived as most valuable and why. Following the findings and the researcher's interpretation of them, utilitarian benefits were identified as being of most value to consumers in the Northern suburbs of Cape Town.

This information is imperative, as it directs The LightHub to focus on reducing the time, effort and money spent on purchases when developing their loyalty programme. The researcher assesses that these benefits are perceived as most valuable since people don't want to add anything to this activity, but rather improve it as it is.

5.1.3. Addressing the research objectives

The researcher can confirm that the three research objectives have been reached. A summary can be found in Table 9 (next page), where the relevance to The LightHub is included to put the findings in context.

Table 9: Research Objectives' Conclusions		
Objective	Conclusion reached	Context
1. To understand how consumers perceive the value of loyalty programme benefits.	The respondents have a very narrow understanding of the benefits when it comes to coffee shops' loyalty programmes. It is mostly associated with monetary savings (utilitarian).	Their narrow understanding could be leveraged, as it would limit expenses and allow The LightHub to focus on getting the basics in place, before expanding into a more complex system.
2. To determine whether consumers distinguish between the different types of benefits or not.	The respondents were able to distinguish between the different types of benefits but had limited interest in benefits other than monetary savings.	As mentioned, monetary savings must be included in the loyalty programme, since all respondents perceived it as the most valuable.
3. To explore which benefits consumers value most, and which holds the least value to them.	Utilitarian benefits are most valued, followed by symbolic and then hedonic. However, symbolic and hedonic benefits only have value if utilitarian are also present.	Although the value of e.g. convenience is high, the research does not think it would be most beneficial for the company, and suggests focussing on social and exploration benefits, but only once monetary savings have been implemented.

5.1.4. Implication of the findings

This study aimed to identify which benefits are perceived as most valuable in an attempt to help with the development of The LightHub's loyalty programme. The data exhibited various interesting findings, but most notably one that relates to Herzberg's theory of motivation and whether hygiene factors are present or not (Wärnich *et al.*,

2018:255). Without hygiene factors, customers won't be satisfied with the service and product they receive, and a loyalty programme has no power in changing their perception.

Consequently, the researcher suggests that The LightHub, first determine what the hygiene factors are for their customers. Second ensure that they are all present and thirdly, only after the hygiene factors are implemented, invest in a loyalty programme that focuses on monetary savings (utilitarian) and social (symbolic) benefits. If needed, entertainment (hedonic) benefits could also be included, but only if monetary savings are also a benefit.

5.2. ETHICAL CONSIDERATIONS, LIMITATIONS AND HEURISTIC VALUE

5.2.1. Ethical Considerations

Ethical issues taken into consideration relates to both the respondents and the researcher (du Plooy-Cilliers *et al.*, 2014:263). Firstly, regarding the concerns of participants, all respondents was made aware that they were participating in the study. By signing a two consent forms (a copy is attached as Addendum C), respondents were informed as to what the study consists of and what is expected of them. No respondents refused to sign the form and therefor all 6 respondents were interviewed and recorded. All the participants that agreed to participate in the study, were assured that neither their identity nor their responses would be made known to anyone except the researcher (who also conducted the interviews).

Fortunately, the nature of the study made it relatively easy to stay clear of sensitive or personal information, and the questions was also cleared by an ethics committee to ensure this. No children were interviewed, and therefore, ethical concerns relating to dealing with minors is not applicable.

Moving on to the ethics concerning the researcher, the first matter regards the researcher's bias. Given the pure nature of the study, i.e., taking an interpretive approach and using personal interviews as a data-collection method, bias is inevitable (du Plooy-Cilliers *et al.*, 2014:26). However, the researcher's data-analysis was overseen by a supervisor who did not pick up on any obvious bias or misinterpreted data that could lead to a bias analysis. The researcher also continually reminded

themselves to refrain from bias. As a supervisor oversaw the whole research process, it also minimised the chance of bias, falsified information, distorted results, or the inappropriate use of research methods (Malone, Nicholl & Tracey, 2014).

5.2.2. Limitations

The researcher identified three main limitations that should be taken into consideration when reviewing the analyses. Firstly, the relatively small sample size (i.e., six persons) could decrease the relevance of the study's findings, as well as its ability to be generalised (Mishra, Pandey & Singh, 2018). However, fewer data could also prove to be useful, since the researcher will be able to extensively analyse the six interviews, compared to only deducting top-layer themes (Hedge, Powell & Sumner, 2018).

Continuing on the topic of the sample: since the study is focused on the perceptions of individuals residing in Cape Town's northern suburbs, the insights gained from the research are confined to the perceptions of these specific individuals. Although the purpose of the study was not to generalise the findings, the results might have a limited reach due to the narrow investigation sample. Given that the study was conducted for a specific purpose, the researcher has accepted the limited reach of the study, since it was still able to serve its purpose regardless of the extended reach.

Lastly, the chosen data-collection method (i.e., interviews) could have produced bias data due to the lack of anonymity or by asking leading questions (du Plooy-Cilliers *et al.*, 2014:151). Since this data-collection method required participants to report their behaviour and perceptions, the recorded answers also might not have been objective. The researcher, however, tried to combat bias with the following methods: (i) encouraging participants to answer truthfully, making them aware of social-desirability bias and (ii) using semi-structured interviews to minimise the chances of leading questions since it has been screened beforehand.

5.2.3. Heuristic Value

Although the purpose of this study was not to revolutionise the loyalty industry, it was, however, able to add to the body of knowledge – even if it was ever so slightly. By using the Mimouni-Chaabane and Volle's (2010) model of loyalty benefits, this study has once again proved its relevance. Considering that the researcher did not intentionally set plan to use Mimouni-Chaabane and Volle's (2010) model and still the

data analyses was perfectly aligned, eliminate any suspicion of bias to prove the model.

REFERENCES

- Adam, M., Ibrahim, M., Ikramuddin, I. & Syahputra, H. 2020. The Role of Digital Marketing Platforms on Supply Chain Management for Customer Satisfaction and Loyalty in Small and Medium Enterprises (SMEs) at Indonesia. *International Journal of Supply Chain Management*, 9(3):1210-1220.
- Alshurideh, M., Gasaymeh, A., Ahmed, G., Alzoubi, H., & Kurd, B.A. 2020. Loyalty program effectiveness: Theoretical reviews and practical proofs. *Uncertain Supply Chain Management*, 8(3):599-612.
- Asgarpour, R., Hamid, A. & Sulaiman, Z. 2015. A Review on Customer Perceived Value and Its Main Components. *Global Journal of Business and Social Science Review*, 1(2):632-640.
- Ashley, C., E.A., G. & Noble, S. 2016. The effect of loyalty program fees on program perceptions and engagement. *Journal of Business Research*, 69(2):964-973.
- Babin, B. & Zikmund, W. 2016. *Exploring Marketing Research*. 11th ed. Boston: Cengage Learning.
- Braun, V. & Clarke, V. 2006. Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3(2):77–101.
- Chen, J. 2021. Loyalty Program. [Online] Available at: <https://www.investopedia.com/terms/l/loyalty-program.asp> [Accessed 15 November 2021]
- Chen, Y., Mandler, T. & Meyer-Waarden, L. 2021. Three decades of research on loyalty programs: A literature review and future research agenda. *Journal of Business Research*, 124(1):179-197.
- Chun, Y. & Ovchinnikov, A. 2019. Strategic Consumers, Revenue Management, and the Design of Loyalty Programs. *Management Science*, 65(9):3969-3987.
- Colliander, J., Söderlund, M. & Szugalski, S. 2016. Multi-level loyalty program rewards and their effects on top-tier customers and second-tier customers. *Journal of Consumer Marketing*, 33(3):162-171.
- Cromhout, A. & Netto, R. 2020. The 2019/20 South African Loyalty Landscape. *The SA Loyalty Landscape Whitepaper*, 5(1):1-44.

- Danaher, P., Sajtos, L. & Danahera, T. 2020. Tactical use of rewards to enhance loyalty program effectiveness. *International Journal of Research in Marketing*, 37(1):505-520.
- DeJonckheere, M. & Vaughn, L. 2019. Semistructured interviewing in primary care research: a balance of relationship and rigour. *Family Medicine and Community Health*. 7:e000057.
- du Plooy-Cilliers, F., Davis, C. & Bezuidenhout, R. 2014. *Research Matters*. 1st ed. Claremont: Juta and Company Ltd.
- El-Adly, M. 2018. Modelling the relationship between hotel perceived value, customer. *Journal of Retailing and Consumer Services satisfaction, and customer loyalty*, 50: 322-332.
- Fisher, R. 1993. Social Desirability Bias and the Validity of Indirect Questioning. *Journal Of Consumer Research*, 20(2):303-315.
- Flint, D. J., Woodruff, R. B., & Gardial, S. F. 2002. Exploring the phenomenon of customers' desired value change in a business-to-business context. *Journal of Marketing*, 66(4):102–117.
- Fourie, S. 2018. Customer perceived benefits and loyalty programme effectiveness in the financial services industry. [Online] Available at: <https://repository.up.ac.za/handle/2263/67303> [Accessed 18 May 2021].
- García-González, J., Forcén, P. & Jimenez-Sanchez, M. 2019. Men and women differ in their perception of gender bias in research institutions. *PLOS One*.
- Gill, P., Stewart, K., Treasure, E. & Chadwick, B. 2008. Methods of data collection in qualitative research: interviews and focus groups. *British Dental Journal*, 204(6): 291-295.
- Golafshani, N. 2003. Understanding Reliability and Validity in Qualitative Research. *The Qualitative Report*, 8(4):597-607.
- Gold, S. 2017. A brief history of customer loyalty. [Online] Available at: <https://martech.org/brief-history-customer-loyalty/#:~:text=The%20early%20days%20of%20loyalty,essentially%20a%20delayed%20discount%20program>. [Accessed 17 May 2021].

- Gorlier, T. & Michel, G. 2020. How special rewards in loyalty programs enrich consumer–brand relationships: The role of self-expansion. *Psychology and Marketing*, 37(4):588-603.
- Guba, E. 1981. Criteria for assessing the trustworthiness of naturalistic inquiries. *Educational Technology Research and Development*, 29: 75-91.
- Hedge, C., Powell, G. & Sumner, P. 2018. The reliability paradox: Why robust cognitive tasks do not produce reliable individual differences. *Behavior Research Methods*, 50(1):1166–1186.
- Heidarzadeh Hanzaee, K. & Esmaeilpour, F. 2017. Effect of restaurant reward programs on customers' loyalty: evidence from Iran. *Journal of Islamic Marketing*, 8(1):140-155.
- Hennig-Thurau, T., Gwinner, K. & Gremler, D. 2002. Understanding relationship marketing outcomes: An integration of relational benefits and relationship quality. *Journal of Service Research*, 4(3):230-247.
- Hiller, J. 2016. Epistemological Foundations of Objectivist and Interpretivist Research. In: n.a., ed. *Books and Book Chapters by University of Dayton Faculty*. Dallas: Barcelona Publishers: 99-107.
- Hwang, Y. & Mattila, A. 2018. Is It My Luck or Loyalty? The Role of Culture on Customer Preferences for Loyalty Reward Types. *Journal of Travel Research*, 57(6):769-778.
- Hyde, K. 2000. Recognising deductive processes in qualitative research. *Qualitative Market Research: An International Journal*, 3(2): 82-89.
- Joppe, M. 2000. The Research Process. Cited in: Golafshani, N. 2003. Understanding Reliability and Validity in Qualitative Research. *The Qualitative Report*, 8(4):597-607.
- Kabir, S. 2016. Methods of Data Collection. In: *Basic Guidelines for Research: An Introductory Approach for All Disciplines*. Bangladesh: Book Zone Publication, Chapter 9: 201-275.
- Kecsmar, Z. 2020. [Guide] How Much Will a Successful Loyalty Program Cost You? [Online] Available at: <https://antavo.com/blog/loyalty-program-cost/> [Accessed 12 June 2021].

- Kecsmar, Z. 2020. Why tiered loyalty programmes are attractive to customers. [Online] Available at: <https://antavo.com/blog/tiered-loyalty-programs#:~:text=What%20is%20a%20Tiered%20Loyalty,benefits%20depending%20on%20their%20rank.&text=Each%20rank%20%E2%80%93%20or%20tier%20%E2%80%93%20is,in%20value%20as%20customers%20progress>. [Accessed 18 May 2021].
- Keller, K. 1993. Conceptualizing, Measuring, and Managing Customer-Based Brand Equity. *Journal of Marketing*, 57(1):1-22.
- Kim, J., Steinhoff, L. & Palmatier, R. 2021. An emerging theory of loyalty program dynamics. *Journal of the Academy of Marketing Science*, 49(1):71–95.
- Lee, S., Kim, S. & Kim, D. 2015. Effect of program type and reward timing on customer loyalty: The role of the sunk cost effect. *Social Behavior and Personality*, 47(11):1-10.
- Leenheer, J., van Heerde, H.J., Bijmolt, T.H.A. and Smidts, A. 2007. Do loyalty programs really enhance behavioral loyalty? An empirical analysis accounting for self-selecting members, *International Journal of Research in Marketing*, 24(1):31-47.
- Li, G., Chen, Y., Wang, W., Dhingra, I., Zhornitsky, S., Tang, X., Li, C.S.R., 2020. Sex Differences in Neural Responses to the Perception of Social Interactions. *Frontiers in Human Neuroscience*, 14:565132.
- Liu, Y. 2007. The long-term impact of loyalty programs on consumer purchase behavior and loyalty, *Journal of Marketing*, 71(4):19-35.
- Malone, H., Nicholl, H. & Tracey, C. 2014. Awareness and minimisation of systematic bias in research. *British Journal of Nursing*, 23(5):279-282.
- Maree, K. 2021. *First Steps in Research*. 3rd ed. Pretoria: Van Schaik Publishers.
- McCall, M. & Voorhees, C. 2010. The drivers of loyalty program success: An organizing framework and research agenda. *Cornell Hospitality Quarterly*, 51(1):35-52.
- merriam-webster.com. [2021]. [Online] Available at: <https://www.merriam-webster.com/dictionary/paradigm> [Accessed 15 May 2021].

- Meyer-Waarden, L. 2007. The effects of loyalty programs on customer lifetime duration and share of wallet. *Journal of Retailing*, 83(2):223-236.
- Mimouni-Chaabane, A. & Volle, P. 2010. Perceived benefits of loyalty programs: Scale development and implications for relational strategies. *Journal of Business Research*, 63(1):32–37.
- Mishra, P., Pandey, C. & Singh, U. 2018. Effect of sample size on research outcomes. *10th Asia Pacific Global Summit on Healthcare*, 6(1):12-14.
- Moreno, F.M., Lafuente, J.G., Carreón F.A., & Moreno S.M. 2017. The Characterization of the Millennials and Their Buying Behavior. *International Journal of Marketing Studies*. 9(5):135-144.
- Muñoz, F. *et al.* 2018. What makes the hedonic experience of a meal in a top restaurant special and retrievable in the long term? Meal-related, social and personality factors. *Appetite*, 125(6):454-465.
- Nastasoia, A. & Vandenbosch, M. 2018. Competing with loyalty: How to design successful customer loyalty reward programs. *Business Horizons*, 62(2):207-214.
- Özkan, M. & Solmaz, B. 2017. Generation Z-The Global Market's New Consumers- And Their Consumption Habits: Generation Z Consumption Scale. *12th International Conference on Social Sciences*. 19-20 May 2017. Amsterdam: European Centre for science education and research.
- Patterson, J. 2017. Female Perception vs. Male Perception. [Online] Available at: <https://www.everydayhealth.com/healthy-living/female-perception-vs-male-perception/> [Accessed 15 June 2021].
- Peacock, L. 2021. Keep Them Coming Back: 7 Innovative Customer Loyalty Programs (And how to Start Yours). [Online] Available at: <https://www.shopify.co.za/blog/loyalty-program> [Accessed 14 June 2021].
- Pérez-Villarreal, H., Martínez-Ruiz, M., Izquierdo-Yusta, A. & Gómez-Cantó, C. 2020. Food Values, Benefits and Their Influence on Attitudes and Purchase Intention: Evidence Obtained at Fast-Food Hamburger Restaurants. *Sustainability*, 12(18):7749.

- Price, S. 2021. How Analytics Is Transforming Customer Loyalty Programs. [Online] Available at: <https://neilpatel.com/blog/analytics-is-transforming-customer-loyalty/> [Accessed 12 June 2021].
- Question Pro, 2021. Non-Probability Sampling: Definition, types, Examples, and advantages. [Online] Available at: <https://www.questionpro.com/blog/non-probability-sampling/> [Accessed 15 June 2021].
- Rintamäki, T., Kanto, A., Kuusela, H. & Spence, M. 2006. Decomposing the value of department store shopping into utilitarian, hedonic and social dimensions: Evidence from Finland. *International Journal of Retail & Distribution*, 34(1):6-24.
- Ritchie, J. & Lewis, J. 2005. *Qualitative Research Practice: A guide for social science students and researchers*. 18th ed. London: Sage Publications.
- Rocereto, J. & Mosca, J. 2012. The differential roles of product brand image and store brand image in retail loyalty: A self-concept image congruity perspective. *Journal of Business & Economics Research*, 10(2):77-96.
- Rosen, E. 2021. 40 years of miles: The history of frequent flyer programs. [Online] Available at: <https://thepointsguy.com/guide/evolution-frequent-flyer-programs/> [Accessed 12 June 2021].
- Ruzeviciute, R. & Kamleitner, B. 2017. Attracting new customers to loyalty programs: The effectiveness of monetary versus nonmonetary loyalty programs. *Journal of Consumer Behavior*, 16(6):113-124.
- Samaha, S., Beck, J. & Palmatier, R. 2014. The Role of Culture in International Relationship Marketing. *Journal of Marketing*, 78(5):87-98.
- Sánchez-Fernández, R., & Iniesta-Bonillo, M. A. 2007. The concept of perceived value: A systematic review of the research. *Marketing Theory*, 7(4):427–451.
- Saunders, M.N.K., Lewis & Thornhill, A. 2019. *Research Methods for Business Students*. 8th ed. Harlow: Pearson Education Limited.
- Shah, J., Qureshi, J. & Samad, A. 2019. Tug of War for Survival and Sustainable Growth: The Race for Services Offered by shopping malls for Consumers' Loyalty. *RADS Journal of Business Management*, 1(1):38-48.

- Smith, J. B., & Colgate, M. 2007. Customer-value creation: A practical framework. *Journal of Marketing Theory and Practice*, 15(1):7–23.
- Steinhoff, L. & Palmatier, R. 2016. Understanding loyalty program effectiveness: managing target and bystander effects. *Journal of the Academy of Marketing Science*, 44(1):88-107.
- Teddlie, C. 2005. Methodological Issues Related to Causal Studies of Leadership. *Educational Management Administration & Leadership*, 33(2):211-227.
- Thanh, N. & Thanh, T. 2015. The Interconnection Between Interpretivist Paradigm and Qualitative Methods in Education. *Political Science*.
- Triandis, H. 1989. The Self and Social Behavior in Differing in Cultural Context. *Psychological Review*, 96(3):506-520.
- Unified Compliance Framework, 2021. The Importance of Defining Terms (part one). [Online] Available at: <https://www.unifiedcompliance.com/education/the-importance-of-defining-terms-part-one/> [Accessed 17 May 2021].
- Vesel: & Zabkar, V. 2009. Managing customer loyalty through the mediating role of satisfaction in the DIY retail loyalty program. *Journal of Retailing and Consumer Services*, 16(5):396-406.
- Viljoen, L. 2018. Beyond the Numbers: Why Qualitative Data Should Not Be Used to Make Quantifying Claims--Understanding the Real Value of Qualitative Research. [Online] Available at: <http://www.dsbsfieldnotes.uct.ac.za/news/beyond-numbers-why-qualitative-data-should-not-be-used-make-quantifying-claims-understanding> [Accessed 17 June 2021].
- Wärnich, S., Carrell, M., Elbert, N. & Hatfield, R. 2018. *Human Resource Management in South Africa*. 6th ed. Hampshire: Cengage Learning.
- Yilmaz, G. & Gültekin, S. 2016. Consumers and Tourists' Restaurant Selections. In: C. Avcikurt, ed. *Global Issues and Trends in Tourism*. Sofia: St. Kliment Ohridski University Press: 217-230.
- Zeithaml, V.A. 1988. Consumer perceptions of price, quality, and value: a means-end model and synthesis of evidence, *Journal of Marketing*, 52(33):2-22.

- Zhang, J. & Breugelmans, E. 2012. The impact of an item-Based loyalty Program on Consumer Purchase Behavior. *Journal of Marketing Research*, 49(2):50-65.
- Zhu, J., Goraya, M. & Cai, Y. 2018. Retailer–Consumer Sustainable Business Environment: How Consumers' Perceived Benefits Are Translated by the Addition of New Retail Channels. *Sustainability*, 10(9):2959.

ADDENDUM 1: Section 1 answers

Here are all the answers to Section 1, from each respondent. A summary and the interpretation thereof can be found in section **Error! Reference source not found.**

Table 10: Answers to section 1		
Question 1.1	Respondent Number	Answer
How often do you visit a coffee shop?	Respondent 1	3 or more times a week
	Respondent 2	3 or more times a week
	Respondent 3	Once or twice a month
	Respondent 4	Once or twice a month
	Respondent 5	Once or twice a month
	Respondent 6	Once a week
Question 1.2	Respondent Number	Answer
To how many loyalty programmes do you belong?	Respondent 1	11+
	Respondent 2	3-5
	Respondent 3	11+
	Respondent 4	3-5
	Respondent 5	3-5
	Respondent 6	3-5
Question 1.3	Respondent Number	Answer
Would paying a membership fee increase or decrease the likelihood of you joining a coffee shop's loyalty programme?	Respondent 1	Depends on the benefits
	Respondent 2	Depends on the benefits
	Respondent 3	Depends on the benefits
	Respondent 4	Decrease
	Respondent 5	Depends on the benefits

	Respondent 6	Decrease
Question 1.4	Respondent Number	Answer
Upon visiting a coffee shop, you see that you can get added benefits if you belong to its loyalty programme. Please rank the following 3 benefits for most to least valuable. (The options that were given, are listed below.)	Respondent 1	ACB
	Respondent 2	CBA
	Respondent 3	BCA
	Respondent 4	CAB
	Respondent 5	BAC
	Respondent 6	BAC
A. Receiving a free cup of coffee on your birthday. B. Free admission to a live entertainment night. C. Gaining access to exclusive coffee blends – only sold to loyalty card members.		
Question 1.5	Respondent Number	Answer
Which of the following types of benefits you would like to receive most?	Respondent 1	To discover and try new products or services while accumulating and exchanging points.
	Respondent 2	To reduce money, time and effort spent on the purchase.
	Respondent 3	To have a special status and to be treated better.
	Respondent 4	To reduce money, time and effort spent on the purchase.
	Respondent 5	To discover and try new products or services while accumulating and exchanging points.
	Respondent 6	To reduce money, time and effort spent on the purchase.

ADDENDUM 2: Questionnaire

Below are the closed questions used in interviews.

- 2.1. Which of the loyalty programmes that you belong to is your favourite?
 - 2.1.1. *What makes you like this programme?*
 - 2.1.2. *What made you join the programme?*
- 2.2. What coffee shops are you most loyal to? Why is that?
- 2.3. If you were to belong to a coffee shop's loyalty programme, what do you expect if you are promised VIP service?
- 2.4. Would the following benefits motivate you to join a coffee shop's loyalty programme? Why or why not?
 - 2.4.1. *A point system that allows you to collect points and progress to higher tiers.*
 - 2.4.2. *An app that allows you to pre-order.*
 - 2.4.3. *Become part of a coffee club for coffee lovers.*
 - 2.4.4. *Exclusive access coffee blends.*
 - 2.4.5. *Receiving a priority status.*
 - 2.4.6. *Receiving access to promotions and discounts.*
- 2.5. Would you be a part of a coffee shop loyalty programme if you received all benefits except...
 - 2.5.1. *... becoming part of a VIP coffee group with additional benefits? Why?*
 - 2.5.2. *... discounts or vouchers for meals or coffee purchased? Why?*
 - 2.5.3. *... exclusive access to special coffee blends or VIP or content? Why?*
- 2.6. What about the following types of benefits do you find attractive and what not?
 - 2.6.1. *Receiving a free reusable cup after your 20th coffee.*
 - 2.6.2. *Being invited to free coffee workshops with other fellow coffee lovers.*
 - 2.6.3. *Being able to buy exclusive merch, such as coffee making accessories.*
- 2.7. Do you feel like you are treated better by companies where you belong to the loyalty programme? If so, which companies?
- 2.8. Do you belong to any paid loyalty programmes? If so, do you think their benefits are more valuable than unpaid programmes?

ADDENDUM 3: Consent Forms

Below is the consent form signed by all respondents to ensure that they know what they are agreeing to and what their answers will be used for. First is the participation consent form, followed by the audio recording consent form.

Participation consent form

Explanatory information sheet and consent form for participants
To whom it may concern, My name is Susan Augustyn, and I am a student at Vega Cape Town. I am currently conducting research under the supervision of Patrick Pirow about loyalty programme benefits. I hope that this research will enhance our understanding of how consumers perceive the value of these rewards. I would like to invite you to participate in my study. In order to explain to you what your participation in my study will involve, I have formulated questions that I will try to fully answer so that you can make an informed decision about whether or not to participate. If you have any additional questions that you feel are not addressed or explained in this information sheet, please do not hesitate to ask me for more information. Once you have read and understood all the information contained in this sheet and are willing to participate, please complete and sign the consent form below.
What will I be doing if I participate in your study?
I would like to invite you to participate in this research because you fit the population parameters. If you decide to participate in this research, I would like to interview you and recording the interview. You can decide whether or not to participate in this research. If you decide to participate, you can choose to withdraw at any time or to decide not to answer particular interview questions.
Are there any risks/ or discomforts involved in participating in this study?
Whether or not you decide to participate in this research, there will be no negative impact on you. There are no direct risks or benefits to you if you participate in this study. You might, however, indirectly find that it is helpful to talk about your loyalty programme benefits. If you find at any stage that you are not comfortable with the line of questioning, you may withdraw or refrain from participating.
Do I have to participate in the study?

- Your inclusion in this study is completely voluntary;
- If you do not wish to participate in this study, you have every right not to do so;
- Even if you agree to participate in this study, you may withdraw at any time without having to provide an explanation for your decision.

Will my identity be protected?

I promise to protect your identity. I will not use your name in any research summaries to come out of this research and I will also make sure that any other details are disguised so that nobody will be able to identify you. I would like to ask your permission to record the interviews, but only my supervisor, I and possibly a professional transcriber (who will sign a confidentiality agreement) will have access to these recordings. Nobody else, including anybody at Vega Cape Town, will have access to your interview information. I would like to use quotes when I discuss the findings of the research, but I will not use any recognisable information in these quotes that can be linked to you.

What will happen to the information that participants provide?

Once I have finished all interviews, I will write summaries to be included in my research report, which is a requirement to complete my BCom Honours in Strategic Brand Management. You may ask me to send you a summary of the research if you are interested in the final outcome of the study.

What happens if I have more questions about the study?

Please feel free to contact me or my supervisor should you have any questions or concerns about this research, or if there is anything you need to know before you decide whether or not to participate.

You should not agree to participate unless you are completely comfortable with the procedures followed.

My contact details are as follows:

Susan Augustyn

██████████

██████████

The contact details of my supervisor are as follows:

Patrick Pirow

██████████

████████████████████

Participant or respondent consent					
I, _____, agree to participate in the research conducted by Susan Augustyn about consumers' perception of value regarding loyalty programme benefits. This research has been explained to me and I understand what participation in this research will involve. I understand that: • I agree to be interviewed for this research. • My confidentiality will be ensured. My name and personal details will be kept private. • 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. • I may choose not to answer any of the questions that are asked during the research interview. • I may be quoted directly when the research is published, but my identity will be protected.					
<table border="1"><tr><td></td><td></td></tr><tr><td>Signature</td><td>Date</td></tr></table>				Signature	Date
Signature	Date				

Audio recording consent form

Consent form for participants	
I, _____, agree to allow Susan Augustyn to audio record my interviews as part of the research about perceptions on loyalty programme benefits. This research has been explained to me and I understand what participation in this research will involve. I understand that: • My confidentiality will be ensured. My name and personal details will be kept private; • The recordings will be stored in a password-protected file on the researcher's computer; and • Only the researcher, the researcher's supervisor and possibly a transcriber (who will sign a confidentiality agreement) will have access to these recordings.	
Signature	Date

ADDENDUM 4: Concept Table

Research purpose/objective	Primary Research Question	Research Rationale	Seminal Authors/Sources	Literature Review/Conceptual Framework	Paradigm	Approach		Data Collection Method(s)	Ethics	Findings	References
The purpose of this study is to explore the perceived value of loyalty programme benefits, i.e., utilitarian, hedonic and symbolic benefits, in the northern suburbs, Cape Town.	How do consumers perceive the value of loyalty programme benefits?	Researcher was approached by a coffee shop owner to help with the development of a LP.	Mimouni-Chaabane & Volle (2010), Perceived benefits of loyalty programs: Scale development and implications for relational strategies	<u>Theme 1:</u> The effectiveness of loyalty programmes <u>Theme 2:</u> The sustainability and design of loyalty programmes <u>Theme 3:</u> Design of a loyalty programme	<u>Paradigm:</u> Interpretivist. <u>Epistemology:</u> Lived experiences of individuals. <u>Ontology:</u> Study perceptions that is relative to each person.	<u>Qualitative approach.</u> <u>Population</u>	1. Unit will be people. 2. Belong to loyalty programmes. 3. Reside in northern suburbs of Cape Town.	Semi-structured, in-depth interview, facilitated by a moderator (interviewer).	1. Consent form was used. 2. No sensitive questions. 3. Researcher admits bias. 4. Supervision minimise chances of bias.	1. Customers weigh the cost to the benefit when joining. 2. Respondents had a very narrow idea of loyalty concerning coffee shops.	1. Chen, Y., Mandler, T. & Meyer-Waarden, L., 2021. Three decades of research on loyalty programs: A literature review and future research agenda. Journal of Business Research, 124(1), pp. 179-197. 2. Kim, J., Steinhoff, L. & Palmatier, R. 2021. An emerging theory of loyalty program dynamics. Journal of the Academy of Marketing Science, 49(1):71–95.
	Secondary Questions/Objective										
	Research Problem	loyalty programme benefits?	Key concepts	Key theories	<u>Theme 4:</u> Impact of culture on loyalty programmes <u>Theme 5:</u> Research methodology imbalance.	<u>Axiology:</u> Bias is admitted – and will probably influence the study.	Sampling	Data Analysis Methods	Limitations	Anticipated contribution	
How consumers perceived the value of the different types of benefits – i.e., utilitarian, hedonic and symbolic benefits.	How do consumers perceive the value of hedonic loyalty programme benefits?	1. Loyalty programmes. 2. Perceived value. 3. Perceived Benefits.	Mimouni-Chaabane & Volle (2010), Perceived benefits of loyalty programs: Scale development and implications for relational strategies			1. Gen Z and Millennials. 2. Belong to three or more loyalty programmes.	<u>Unit:</u> people. <u>Method:</u> Deductive thematic coding.	1. Relatively small sample. 2. Limited insights due to very specific geographic sample. 3. Bias data due to data collection method (interviews).	1. Insights for small coffee shop-loyalty programmes. 2. Help many small businesses in making decisions regarding which types of benefits.		

ADDENDUM 5: Ethical clearance letters

Below is the two-page ethical clearance letter received on the 6th of July 2021.



Date 6th July 2021

Student name: Susan Augustyn
Student number: [REDACTED]
Campus: Vega School Cape Town

Re: Approval of RESE8419 Proposal and Ethics Clearance

HONOURS 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. The researcher(s) will need to obtain informed consent in writing from all of the participants in his/ her sample if the study is not anonymous.
2. The researcher(s) 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. The researcher is 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.
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.

Supervisor name: Patrick Pirow



Signature:

Campus Postgraduate Coordinator (CPC) name: Carol Affleck



Signature:

Vega Ethics checklist: RESE8419/p/w

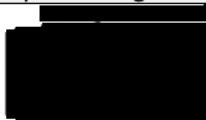
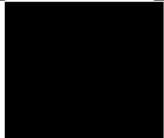
Student Details												
Title	Prof	☐	Dr	☐	Ms	☒	Mrs	☐	Mr	☐	Mx	☐
First name(s)	Susan											
Last name(s)	Augustyn											
Title of study	Exploring the perceived value of loyalty programme benefits in the northern suburbs, Cape Town: an effort to gain an understanding of coffee shop loyalty programmes.											
Qualification	BCom Honours in Strategic Brand Management											

Supervisor Details												
Title	Prof	☐	Dr	☐	Ms	☐	Mrs	☐	Mr	☒	Mx	☐
First and last names	Paddy Pirow											
Co-supervisor Details (if applicable)												
Title	Prof	☐	Dr	☐	Ms	☐	Mrs	☐	Mr	☐	Mx	☐
First and last names	Click or tap here to enter text.											

Explaining your research process						
Philosophical paradigm	Positivism	☐	Interpretivism	☒	Constructivism	☐
	Realism	☐	Objectivism	☐	Pragmatism	☐
	Functionalist	☐	Subjectivism	☐	Humanist	☐
	Other:					
Research design:	Interview	☒	Questionnaire (self administered)	☐	Focus group	☐
	Ethnography/ Observation	☐	Artefact analysis/website/ social media analysis	☐	Action Research	☐
	Case Study	☐	Design Research (Practice based)	☐		☐
	Other (if so, state)	☐	Click or tap here to enter text.			
Brief explanation of the population and number of participants/items	5 males and 5 females between the ages of 18 and 38, that belong to three or more loyalty programmes, from at least two different industries.					
Target sampling group methods/artefact	Purposive	☐	Random	☐	Snowball	☐
	Convenient	☒	Stratified	☐	Census	...
	Explain selection process	Respondents				

(No under 18's or vulnerable groups allowed)		
--	--	--

Ethics		
Documentation submitted with proposal	Gatekeeper's letter (institutional consent)	☐
	Completed Annexure E if you conduct research on IIE sites/students/staff	☐
	Instrument(s) (interview schedule or questionnaire)	☐
	Participant or respondent consent form	☐
	Audio-visual consent form (if applicable)	☐

Campus ethics committee recommendation	
Proposal has been reviewed by the supervisor and necessary ethics considerations have been included. ☒ Accepted as is and provide letter ☐ Accepted with provisions: Nature of provision: e.g. Instrument is not sufficient / included and need to be signed off by the supervisor ☐ Major issues: Student should not continue with fieldwork. Actions to be taken: Click or tap here to enter text.	
Supervisor signature	
	2021/07/06
Co-supervisor/Campus ethics panel member signature	
	2021/07/06