


Customer Loyalty Programmes in South Africa: Past, Present and Future Trajectories

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ABSTRACT

The study examines customer attitudes towards fast moving consumer goods (FMCG) retail outlets based on customer engagement, loyalty programmes, customer satisfaction and customer loyalty towards customer repurchasing decisions. More specifically, this study investigates the past, present, and future trajectories of loyalty programmes in South Africa. This study followed a descriptive and a quantitative research method. A non-probability sampling method was implemented using quota and convenience sampling. The study included a sample of 272 FMCG members that participated in the study. An adapted questionnaire was used as the data collection instrument in the study. This instrument contained 59 items on demography, behavioural, and psychographic customer relationship management (CRM) based variables. The data was collected through web-based questionnaires using Google Forms. Using SPSS 28 and AMOS 28, the data analysis included both descriptive and inferential analyses tools such as factor analysis, regression analysis, cluster analysis, and structural equation modelling.

KEYWORDS

Customer Engagement, Customer Loyalty, Customer Relationship Marketing, Customer Repurchasing Decision, Customer Satisfaction, Loyalty Card, Loyalty Programme

INTRODUCTION

Retailers use relationship marketing instruments such as loyalty programmes as part of their marketing strategy to maximise customer satisfaction (Abror et al., 2019, p. 2). Loyalty programmes are integral customer relationship management (CRM) techniques useful for retaining and attracting new customers. As a result, marketers have become more interested in offering loyalty programmes such as ClicksClub, Checkers Xtra Savings, Pick n Pay Smartshopper Card, Dis-Chem Rewards and Woolworths Rewards (Subburaj et al., 2021, p. 252). Stathopoulou and Balabanis (2016, pp. 4–5) say that loyalty programmes offer customers intangible value-added benefits, such as privileged treatment

DOI: 10.4018/IJCRMM.325789

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and membership status and tangible value-added benefits, such as savings, prizes and perks as a reward for their repeat purchases. For example, airlines reward customers that travel frequently and accumulate travel miles through the purchase of airline tickets. These travel miles can be redeemed by customers through offers such as free travelling flights, and hotels offer customers free nights' accommodation after a minimum night stay has been booked. The objective of this article is to equip service providers and retailers with a solid CRM strategy by providing sustainable incentives to attract customers and retain their existing customers—all to increase their market share and profit margins.

BACKGROUND

This study was motivated by the increased loss of competitive advantage facing South African fast-moving consumer goods (FMCGs) retailers due to increased competition from major FMCGs retailers (Hirt & Willmott, 2014, p. 4). South Africa has many FMCGs retailers, such as Checkers, Pick n Pay, Spar, Woolworths, Clicks and Dis-Chem (Prajapati, 2020, p. 264), and FMCGs is one of the largest industries worldwide. FMCGs retailer product offerings are often nearly identical, and that increases competition, and for this reason, retailers use marketing and other techniques to establish loyalty towards the retailer (KPMG, 2021, p. 8). Increased competition also leads to a decrease in market share, loss in sales and reduction in profits (Hirt & Willmott, 2014, p. 4). To avoid losing customers, retailers implement loyalty programmes to increase customer repurchasing decisions and to deter their customer base from defecting to their competitors (Zakaria et al., 2014, p. 23). Yusoff et al. (2015, p. 2) assure that easy access to products through the advancement of technology has put the marketing department of retailers under pressure to find more effective ways to attract and retain existing customers. Therefore, retailers must be aware of consumers' attitudes towards the retailer and customers' changing needs due to the change in the economic environment and its impact on customer purchasing decisions. Furthermore, it is important that loyalty programmes offer sustainable benefits that are of value to customers and provide a competitive advantage to enhance customer repurchasing decisions.

This study focused on examining customer attitudes towards FMCGs retailers that influence customer repurchasing decisions and provide sustainable loyalty programme benefits to attract and retain customers. An extensive review of the literature also indicated a gap in the body of knowledge related to the paucity of studies that link customer engagement, loyalty programme benefits, customer satisfaction and customer loyalty towards customer repurchasing decisions at South African FMCGs retailers. Therefore, this study aims to: i) examine customer attitudes towards FMCGs retailers and their effect on customer repurchasing decisions; ii) identify the benefits that customers expect in a loyalty programme and iii) measure the effect of loyalty programme benefits on customer repurchasing decisions.

This study's theoretical grounding was based on the services-profit chain model (fig 1), which is regarded as a great outcome of this study, as profitability and productivity are the indices of an organisation's success. The services-profit chain model was developed by Axcell et al. (2015, p. 34) and is designed to reflect the close interrelationships between internal service quality, employee satisfaction, employee retention and productivity and the value of the services provided to the customer. It further reflects how the model of interdependence relates to customer variables of satisfaction and loyalty and the ultimate impact on revenue growth and the profitability of FMCGs retailers. This model indicates that meeting the demands of the marketplace and the demand for efficient distribution of resources within the organisation and between members of society has a significant impact on the profitability and productivity of an organisation. The services-profit model variables consist of internal service quality, employee satisfaction, employee loyalty and retention, employee productivity, external service value, customer satisfaction, customer loyalty and revenue growth and profitability.

Regarding internal service quality, employees play a significant role, as this is where the service delivery starts. The frontline employees work directly with the customers, and it is, therefore, necessary

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