



THE DESIGN OF A MODEL TO OUTLINE RELATIONSHIPS BETWEEN LOYALTY PROGRAMME MEMBERS AND THE RETAILERS THAT OFFER THEM

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Abstract

The purpose of this presentation is to report on the development of a model that outlines relationships between members of loyalty programmes and the retailer concerned. The model was expected to incorporate the three main elements that make up relationship quality namely trust, satisfaction and commitment, as well as customer loyalty. Loyalty programmes are categorised according to the perceived benefits that they might offer in the South African fast moving consumer goods (FMCG) marketplace. These are identified as consumeristic, altruistic and egoistic.

A loyalty programme is designed in order to increase profit through the recognition of good customers through the offering of benefits and/or rewards in response to their ongoing patronage. Past literature suggests that research into various forms of programmes could be helpful to businesses when deciding which benefits should be part of the programme. This study considered some of the more prevalent benefits offered in South African programmes. A large number of retailers are making use of loyalty programmes and the customer uptake has been substantial over the past ten years or so.

At the beginning of the study, a conceptual model was designed that outlined the constructs that would be considered for the study. Three independent variables were identified in terms of perceived benefits, namely altruistic, consumeristic and egoistic benefits. These were combined with the three dependent variables, namely the relationship quality components of trust, satisfaction and commitment, and one related to customer loyalty.

The research design was an exploratory sequential mixed methods approach. Qualitative data was collected by means of two in-depth interviews with major retailers and two focus groups with loyalty programme members. This was followed by a quantitative survey that was hosted on the internet. The population for the quantitative study was made up of members of loyalty programmes within the FMCG sector. The database constituted of at least 500,000 South African economically active consumers. The questionnaire was made up of groups of questions designed to collect responses connected to the independent and dependent variables. The desired sample size was 500. In the end, 559 usable replies were received which was more than adequate.

Structural equation modeling revealed that trust and satisfaction ought to be treated as a single construct, namely trust/satisfaction. Egoistic benefits were also absorbed into consumeristic benefits and were, therefore, no longer considered to be an independent item. Perceived consumeristic and altruistic benefits still displayed positive and significant relationships with the new construct of trust and satisfaction. It was interesting to note that although altruistic

benefits demonstrated a significant relationship with commitment, consumeristic benefits did not. It was also interesting to note that neither consumeristic nor altruistic benefits were directly related to loyalty. However, an alternative path was established where loyalty can be achieved through the constructs of trust/satisfaction and commitment. As a result of these findings, a new model was developed.

This presentation contributes towards both theoretical and practical areas in the field of loyalty programmes, particularly that of the South African FMCG marketplace. It should be noted that although altruistic and consumeristic benefits do not exhibit a direct pathway to loyalty, loyalty can still be achieved if trust/satisfaction is accomplished. This highlights the importance of loyalty programme offerings being designed in a way that are both transparent and user-friendly, allowing for a positive outcome of trust and satisfaction.

Keywords: Customer Loyalty, Relationship Quality, Loyalty Programmes.
