INFLUENCES OF CONSUMER LOYALTY CARDS ON STORE LOYALTY: THE CASE OF UCHUMI AND NAKUMATT SUPERMARKETS IN NAIROBI

BY

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DECLARATION

This research proposal is my original work and has not been presented for a degree or diploma in any other university.

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MARGRET OMBOK (MRS.)

DEDICATION

This research is dedicated to my mum for her unfailing love and for giving me a life that I could never have imagined.

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ABSTRACT

The management of customer relationship as a source of competitive advantage has become a vital component in success of firms. The firms have realized the need to develop such long-term relationships to guarantee constant streams of revenues and profitability. Of the strategies that firms have employed in influencing store loyalty has been the use of loyalty cards. The use of loyalty cards as a knowledge tool has become so critical that retailers are offering customers rewards in return for continuous use. The main question has been whether loyalty cards really influence store loyalty. This study empirically researched on the influence of loyalty card on store loyalty.

To achieve this objective, a descriptive survey was performed. The research targeted a sample of 200 of which 200 responses were received. This represented a 100% response survey rate. Primary data was collected using a semi-structured questionnaire and data analyzed using percentages and mean scores. Research assistants were trained on the administration of questionnaire and follow up conducted as a control tool.

The comparative findings demonstrate that loyalty card do indeed influence store loyalty. The study confirmed that most consumers viewed the loyalty cards as useful and were willing to provide personal information to the firms. The study however noted that loyalty cards cannot work in isolation as the only factor that influence customer's store loyalty development. Results of this study show that customers also focus heavily on the everyday low price, assortment of items, customer service, convenient, location and quality of merchandise as their top factors for developing store loyalty. Therefore, companies have to take the whole package into consideration. Firms need to communicate the value additions that arise from using loyalty cards. *

It is the recommendation of this study that firms address the issues of rewards obtained from the use of loyalty cards. The current consumer perception is that the

value proposition is not enough and firms need to better communicate this value proposition. Further research should be conducted to determine the effect that number of loyalty cards that consumer have in influencing their store loyalty.

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CHAPTER ONE

INTRODUCTION

1.1 Background

As the world converges into one global village, powerful competitive forces are transforming markets and dramatically changing ways organizations are doing business (Craig, 1999). Global companies are looking for new and expanded markets in environments that are characterized by low operational costs in trying to exploit firms-specific advantages. As such, local companies are finding themselves having to compete with global companies for these declining markets. They need to adapt and rethink strategies to respond to these environmental forces, charting direction for future growth, realigning operations in the light of emerging markets and competitor dynamics.

Consumers on the other hand, are faced with a myriad of choices on where to buy products as well as services. They are constantly being bombarded by discounts and other promotions and have access to an ever-widening range of competitive alternatives in nearly every shopping category and have a growing number of shopping options including the internet. They are seeking the best offers and are highly skeptical about those that do not provide clear value. As such they have become very choosy in terms of where and how they make most of their purchases. Research done by McKinsey (1999) into consumers retail purchasing decisions highlights this challenge. They found out that 80% of customers buying apparel and 70% purchasing groceries are always seeking alternatives to their current retailers.

With this change in consumer behavior, organizations have to refocus their strategies not only on customer retention but also their acquisition. They have to shift their focus from purely satisfying consumers to creating loyalty and trust through mutually beneficial long-term relationships (Galbreath, 2002). They have to continuously exceed consumer expectations to enhance they survival as well as profitability.

Understanding how to establish and maintain such buyer-seller relationships is becoming increasingly paramount for managers. This in turn has meant that marketing and advertisement are more being done based on customer needs with the belief that this will result in customer retention if the value proposition is done in customized and unique ways. Retailers are finding it necessary to have access to an increasing range and depth of expertise relating to their consumers.

In order to adequately manage these relationships, supermarkets are turning to loyalty cards with the purpose of influencing repeat purchases as well as cutting down on operational costs. Its adoption has being fuelled by recognition that long-term relationships with customers are one of the most important assets of an organization success criterion. It is typically more cost-effective to retain existing customers than to recruit new customers to replace lapsed ones (Christopher et al., 1991; Webster, 1992). This basically wipes out the investment cost associated with acquisition of new customers. It has also been noted that companies can increase their profits by almost 100% by increasing their customer retention rate by just 5% (Reichheld and Sasser, 1990) and that two thirds of companies' profits actually are derived from existing customers. This shift to loyalty appears to be a worthwhile change in strategy to most firms because firms understand the profit impact of having loyal customer base (Reichheld, 1996). This study is meant to examine whether loyalty cards influence store loyalty.

1.1.1 The Concept of loyalty cards

Loyalty cards exist in two forms (KPMG, 2005). Firstly, as payment cards which primarily provide a mechanism for customers to pay retailers and are sometimes known as store cards. Secondly, there are reward cards which primarily provide a mechanism for retailers to reward customers. These are sometimes called bonus cards or club cards. These cards were first pioneered by American and British firms in the 1990s and have continued to grow steadily to other parts of the world since then. The airline industry were the first to use loyalty strategies with the frequent flyer points (FFP), now there are programs offered by supermarkets, financial institutions and all sorts of retailers.

The loyalty card is a dominant tool in many retailers' loyalty programs (Sharp and Sharp, 1997). From a retailer's perspective, the loyalty card is the prime interface between the retailer's database and the customer whereas from a customer's perspective, the card is a tool that generates extra rewards. They have become an increasingly sophisticated marketing strategy in recent years and provide a clear signal of the great thirst for customer knowledge, a critical link between large global strategies and local marketing actions, and a strong support for customer relationship management (Deighton, Peppers and Rogers, 1994).

Loyalty cards are currently available in many consumer markets, including supermarkets, shopping malls, gas stations and airlines and do provide members with rewards and additional value, making them popular among consumers (Liebermann, 1999). Retailers have invested huge sums of money in the introduction of loyalty cards programs with the objective of attaining higher customer retention rates (Reinartz and Kumar, 2002).

Companies should use the knowledge acquired through loyalty cards to strengthen store loyalty and to build stronger consumer relationships. The basic idea behind these efforts is that a firm's performance in terms of revenues and profits is related more to the loyalty of existing customers than to the mere number of customers. If firms are able to build intimate relationships with customers, their performance is guaranteed. However, research shows that the effectiveness of the customer loyalty cards on store loyalty has not been empirically supported. Therefore it is imperative to test whether customer loyalty cards actually influence store loyalty.

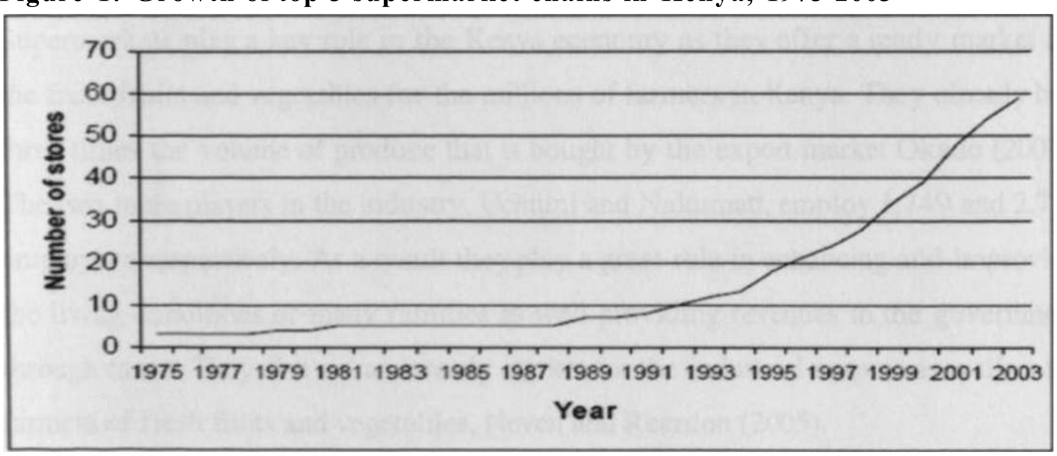
1.1.2 Supermarkets in Kenya

According to the Kenyan branch of the international retail auditor AC Nielsen (2002), supermarkets can be defined as "self-service stores handling predominantly food and drug fast moving consumer goods (FMCG) with at least 150m2 (1,625 sq.ft) of floor space". In the recent years, Kenya has witnessed a rapid increase in supermarkets brought about by strong forces of globalization and urbanization. Urban population has grown from 13% in 1975 (when Uchumi, Kenya largest supermarkets was established) to 36% in 2000 (UN statistics). The growth of supermarkets has been at rate of 18% per year and they have increased from a niche in the mid 1990s to 20% of the urban food market in 2003. Kenya has over 206 supermarkets and 10 hypermarkets (Weatherspoon and Reardon, 2002).

There are at least four Kenyan owned supermarkets, including Uchumi (which is the largest), Nakumatt, Tusker Mattresses, and Ukwala Group which is the smallest. Uchumi and Nakumatt, the two dominant chains account for 70% of the market share (Weatherspoon et al, 2003) with the smaller ones combining to make 25% of the remaining market share. Two South African supermarkets, Metro Cash & Carry and Woolworths have also had interests in Kenya.

The economic reforms of 1993 and stabilization policies had a great effect on the growth supermarkets. Import licensing removal implying more imports and market liberalization led to a dramatic increase in product variety and shifted the retail market from a sellers' to a buyers' market in which retailers had to fight for the consumers. Price liberalization has also played into the hands of the supermarkets rise because it facilitated the low margin-high turnover strategy that has been the core of most of the supermarket growth around the world. There was also a mild and short-lived recovery of the economy in 1995/6, with annual real GDP growth in the 4% range which gave consumers the buying power to try all the new products that supermarkets were marketing to them.

Figure 1: Growth of top 5 supermarket chains in Kenya, 1975-2003



Source: Neven and Reardon - National supermarkets survey, 2005, pg 4

The relative saturation of Nairobi and opportunities elsewhere has driven supermarket investments to spill over into other major towns. Uchumi and Nakumatt have diversified and are now operating in Tanzania and Uganda. This has been largely been influenced by the need to broaden their annual turnover and to exploit new markets. Coupled with these expansion strategies, has been the use of loyalty cards. Uchumi introduced the U-Club card in 2005 in partnership with R&R Ltd. This card has a membership of 50,000 who shop at partner outlets with the company targeting a growth of more than 250,000 by the end of the year. Nakumatt has the CyberCash card introduced in August 2003 and has a card membership of over 300,000 spread across 137 countries (Daily Nation, February 13, 2006). Of this membership, 85% of this number are active members i.e. those participating in any outlet once a month.

Since the supermarket industry is a cluttered environment, it is imperative that supermarket chains differentiate from local competitors. One of the primary methods involves relationship marketing or one-to-one marketing. Not only does relationship marketing allow for a lucrative customer base with a high lifetime value to the company, it also provides a customer database from which the company can make important managerial decisions regarding future offerings and sales promotions. Different loyalty programs strategies have been used to enhance relationship marketing but paramount in this study is the use loyalty cards influence store loyalty.

1.2 Statement of the problem

Supermarkets play a key role in the Kenya economy as they offer a ready market for the fresh fruits and vegetables for the millions of farmers in Kenya. They already buy three times the volume of produce that is bought by the export market Okado (2001). The two main players in the industry, Uchumi and Nakumatt, employ 1,749 and 2,750 employees respectively. As a result they play a great role in enhancing and improving the living conditions of many families as well providing revenues to the government through taxes. They also act as a ready market for the industrial outputs as well as for farmers of fresh fruits and vegetables, Neven and Reardon (2005).

Although the supermarket industry has not experienced much activity as far as foreign domestic investments to encourage foreign versus local competition, there has been intense inter-chains competition (Neven and Reardon, 2005). The rivalry between leading chains Uchumi and Nakumatt has become an important growth driver; a new strategy by one chain forces imitation and/or a counter strategy by its competitor. For example, Nakumatt's introduction of large-format stores in 1995 led to the introduction of hypermarkets by Uchumi in 1997.

Such competition led Uchumi to embark on an ambitious five-year expansion plan, key features of which included an increase in the number of stores from 17 to 50, an expansion into the regional market (Uganda, Tanzania), the construction of a new distribution centre in Nairobi and the installation of a satellite-based IT system linking all its stores to this new centre. However, a combination of high-interest short-term financing tools and investments outpacing sales growth led to the first annual loss in the company's history (2003). The subsequent backlash from worried investors led to the decision to put the 5-year expansion plan on hold. Metro Cash & Carry has also experienced its own share of problems and recently closed down as a result of failure to cope with intense competition from local retailers.

One of the strategies that have been employed by supermarkets to cope with these threats as well as explore new opportunities is the enhancement of relationships between them and consumers through the implementation of loyalty cards. They have relied on these cards to improve on their customer retention as well as customer requisition. Indeed customer loyalty and retention are recognized as an increasingly important aspect of organizational survival and a key element in developing a sustainable competitive advantage. Consequently, the task of managing loyalty has emerged as a major managerial challenge (Chow and Holden, 1997).

Despite the growing popularity of loyalty cards, questions have also been raised about their effectiveness for creating a sustainable competitive advantage (Ehrenberg et al., 1990). Ehrenberg (1990) argued that the most effective method of building a market share is through increasing penetration and that loyalty is a by-product of having a large market share. Moreover, diminishing effectiveness can occur as a sector becomes saturated with loyalty programs, thereby giving no differential advantage to firms that have one (Gilbert and Karabeyekian, 1995).

Academic research on loyalty cards has also largely focused on the European and North America markets (KPMG. 2005 and Kearney, 1990). Studies do not exist in the Kenyan context to confirm whether loyalty cards really influence customer retention and more specifically how consumers respond to such cards. Other considerable research exists on Kenya supermarkets, most of it has dealt on issues such as; Influence of Product Assortment on Consumer Preference in Store Selection: A Case of Supermarkets in Nairobi (Okwany, 2003), A Study of Relationship Marketing Strategy by Supermarkets in Nairobi, (Njuguna, 2003) the rise of Kenyan supermarkets and the evolution of their fresh fruits and vegetables procurement systems (Neven and Reardon, 2003), supermarkets and consumers in Africa: the case of Nairobi (Neven et al, 2005) and farm-level perspectives on the impact of domestic supermarkets on Kenya's fresh fruits and vegetables supply system. This research intends to answer the question "Do customers remain loyal to supermarkets as a result of them having loyalty cards?"

1.3 Research objective

The objective of the study was to determine whether the use of consumer loyalty cards influences customers' loyalty to the supermarkets in Nairobi.

1.4 Importance of the study

The importance of customer-centered databases and systems as a source of difficult-to-imitate resources is of significant interest within both the academic and business communities as they try and understand the influences of consumer loyalty cards on store loyalty in supermarkets.

The results of the study may be of use to:

i. Supermarkets to give them confidence to invest in the more research on consumer loyalty cards.
ii. Other stores, both retail and wholesale to empirically facilitate in development of more targeted loyalty programs and identify the true strategic nature of their current loyalty scheme in terms its of long-term profitability or long-term loss.
iii. As for researchers and other scholars, it will act as a source of reference in subject matters related to loyalty cards and store loyalty.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In an industry where change has become the norm, companies must learn to constantly adapt (Prahalad and Ramaswamy, 2004). They must differentiate themselves within such an environment that continues to experience seismic shifts driven by increased flow of information and consumer behavior. In order to do this, companies must gain increased customer insight in order to compete effectively in their chosen markets. Using this insight to inform strategic choices and to tailor customer interactions to the needs and expectations of unique customer segments is key to their success. Consumers now have access to the information they need to make informed choices, assess value on their own terms, influence the expectations of other consumers, and decide for themselves how they want to transact with the company.

Customer relationship management has become an important phenomenon in today's business when loyal customers are regarded as an essential determinant of an organization's success and as a source of long-term profitability. It is a fundamental concept in marketing and its pursuit an important goal for businesses (Leavitt, 1983; Webster, 1994). Indeed, businesses of all sorts now devote considerable energies on tracking customer satisfaction. Leading satisfaction researchers argue, "customer satisfaction drives future profitability. It is a vital measure of performance for firms, industries, and national economies" (Anderson et al., 1994).

2.2 Consumer loyalty

Firms operate in an environment where the demands on business are so much greater than ever before (Kandampully, 1997). No business, unless it is a state monopoly, can stay in business without satisfied customers. Just as people cannot live without eating, corporations cannot continue to exist without satisfied customers. (Gould, 1995).

Moreover, due to the fact that customer expectations are constantly increasing, corporations are now required to go beyond their primary need of satisfying the customers, to exceed their expectations. (Kandampully, 1997) Corporations therefore have to shift their customer focus from purely satisfying customers to create loyalty and trust through mutually beneficial, long-term relationships (Galbreath, 2002).

Customer loyalty is a concept gaining more and more attention in today's business when loyal customers are considered as essential components to organizational success. Loyal customers tend to purchase more often, spend more money and usually enhance a positive word-of-mouth. Consequently, corporations of today strive to identify and manage effective methods of actively enhancing loyalty, including customer loyalty programs (Susanna and Larsson, 2004). Customer loyalty has been at the centre of much interest among academics and practitioners for nearly six decades (Jacoby and Kyner 1973; Sharp and Wright 2000). Since this time there has been a great deal of interest in the definition of loyalty, in measuring the concept and in its impact on profitability and growth.

The concept customer loyalty can be defined and measured in a number of ways (Zins, 2001), but has traditionally been used to describe fidelity and commitment to a country or an individual. Loyalty has been defined as the state of 'being faithful' or 'steadfast in allegiance' to another party (Oliver, 1997). In a business context however, loyalty has come to describe a customer's commitment to do business with a particular organization, purchasing their goods and services repeatedly, and recommending the services and products to friends and associates (Mcllroy et al, 2000). Shoemaker & Lewis (1999) suggest that "loyalty occurs when the customer feels so strongly that you can best meet his or her relevant needs that your competition is virtually excluded from the consideration set and the customer buys almost exclusively from you".

Oliver (1997) extended this definition of customer loyalty to: "a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviour". He further explores in more detail about store satisfaction as "pleasurable fulfillment": that is, the consumer senses that consumption fulfils some need, desire, goals or so forth and that this fulfillment is pleasurable. Therefore, a retailer wishing to nurture a loyal customer base must instil complete trust and confidence (SopanenS., 1996).

Novo (2002) has described customer loyalty as customers' tendency to choose one business or product over another for a particular need. Customer loyalty moreover, embraces many different concepts, for instance customer relationship management, customer retention marketing and one-to-one marketing. These concepts are concerned with customer loyalty because of the benefits of retaining customers as well as the activities it involves, which aim at developing long-term relationships (Duffy, 2003). Managers need to realize that all relationships are based on trust, which is hard to win but easy to destroy. It is earned and does not occur within a single moment, instead it requires many interactions over a long period of time. Furthermore, most importantly for businesses, trust is a necessary condition for loyalty (Galbreath, 2002)

The link between customer loyalty and profitability has become increasingly recognized in marketing strategy, and the increasing interest in customer loyalty programs is a result of the recognition that generating more business from existing customers usually are cheaper and more effective than just trying to attract new ones. (Wright & Sparks, 1999)

2.3 Categories of loyalty

Over the years there have been fifty three different operational definitions of loyalty which have been developed in the hundreds of studies now available on the topic (Jacoby and Chestnut 1978). A range of researchers however, have proposed that there are two main types of loyalty, attitudinal loyalty and behavioural loyalty (Nordhoffet al, 2004).

The attitudinal measures of loyalty are based solely on statements of preference, commitment or intentions to behave and generally involve asking customers or potential customers their attitude towards a brand and their intended purchasing behaviour (Jacoby and Chestnut 1978). It represents a psychological disposition toward a certain retailer but does not necessarily translate into hard cash.

Behavioural measures of loyalty that explore actual purchases observed over a period of time have been the form of measurement that has dominated marketing literature (Mellens. Dekimpe and Steenkamp 1996). It represents more of what retailers are aiming for, as it has to do with customer habits. Customers exhibiting behavioral loyalty spend more of their shopping budget at stores whose loyalty cards they hold. Behavioural loyalty does not explain why repeat buying usually occurs and can be influenced by different situational factors. Within this perspective three main classes of measures have evolved: proportion of purchase, sequence of purchase, and probability of purchase. In order to assess these aspects of loyalty, data concerning customers purchase history is estimated.

When combining these perspectives four different categories of loyalty can be distinguished: no loyalty, spurious loyalty, latent loyalty and loyalty (Magi, 1999).

Figure 2: Categories of loyalty

		Repeat Purchase Behavior: **High**	Repeat Purchase Behavior: **Low**
Relative Attitude	**High**	**LOYALTY**	**LATENT LOYALTY**
	Low	**SPURIOUS LOYALTY**	**NO LOYALTY**

Source: Adapted from Magi (1999),"Store Loyalty - An Empirical Study of Grocery Shopping", p. 13

The existence of true loyalty is when the customer regularly purchases from a specific corporation due to strong preferences. Consequently, this category is the most preferable. Managers should focus on maintaining and strengthening customer attitudes, which might imply maintaining price advantages as well as offering additional services that are valuable for the customers.

Latent loyal customers are characterized by having a relatively high attitude towards the corporation or the brand, however this is not apparent in term of purchase behavior. These customers' choices are usually affected by supplier location, stock situation or the influence of other people. In such situations, managers should remove the behavioral obstacles of repeat purchase, for instance through extending retail networks and credit accounts.

Spurious loyalty is very similar to the concepts of inactivity and apathy, due to the fact that the customer does not believe that the alternatives are differentiated. The repeat purchase pattern can be based on special offers, convenience, availability of deals and recommendation of others. Consequently, customers might only be loyal occasionally and can very easily switch to competitors. The aim for managers should be to influence these customers in order to make them loyal, which can be done by affecting the customers' attitude toward the brand, for instance through communicating specific advantages. Furthermore, an augmentation of switching costs, which imply that it will be costly for the customers to switch to another competitive brand, might also be an alternative method in order to retain these customers.

In situations where the customer's relative attitude as well as the repeat purchase behavior is low, there is an absence of customer loyalty. Customers belonging to this category, make purchases based on convenience rather than loyalty. Corporations should not spend unnecessary resources on customers that are not loyal. However, if these customers have potential for becoming loyal in the future, corporations should try to influence their attitude and behavior.

Other scholars have also extended the literature classification of loyalty based on status. Kotler (2003) for instance, has developed a four group mechanism of segmenting consumers according to the degree of consumer loyalty to a product or service brand. Firstly, there are the hard core loyals who are consumers with undivided loyalty to one brand. Secondly, there are the soft core loyals who are consumers with divided loyalty between two or more brands. Thirdly are the shifting loyalties who normally switch brand and lastly, the switchers who demonstrate no brand loyalty.

However, this classification is closely correlated to the aforementioned one and hence for the sake of this study any is applicable.

2.4 Determinants of customer loyalty

The relationship between consumer loyalty and a firm's profitability has become important as far as crafting organizational strategy is concerned. This has come about through the realization that generating more business from existing customer is cheaper and effective than acquiring new customers (Wright & Sparks, 1999). Retailers should consider loyalty programs as an opportunity not only to strengthen their customer relationships and raise profits, but also to reinforce their value proposition and brand and to gain access to important customer information.

As a way of achieving consumer loyalty, companies must constantly exceed the customers' expectations. Otherwise they may switch to other retailers and even the communication of the goodwill of the company products and services to other customers may be lost. However, exceeding customers' expectations does not imply exceeding them on every dimension, instead to selectively reward customers with items that are important to them (Gould, 1995).

Another critical determinant of customer loyalty has been the overall perceived quality of products and services. Perceived service quality has been conceptualized and measured as a form of attitude (Bolton and Drew 1991a; Parasuraman, et al. 1988). Recently, researchers have demonstrated that service quality is determined by customer satisfaction/dissatisfaction with service experiences (Bitner 1990; Bolton and Drew 1991) and that service quality, in turn, affects service loyalty (Bitner 1990).

Corporate image as also been cited a key determinant of consumer loyalty, because it highly associated with how customers perceive the company and its offering in terms of products and services. Physical characteristics such as location and convenience are also important in customers choosing their shopping preferences but satisfaction is should accompany this in order to gain consumer loyalty (Magi, 1999).

Consumers are known to try and establish a sense of belonging to a corporation or brand which highly influences consumer loyalty. Consumers gain comfort in knowing that they share the same values and beliefs with such organizations. As result, companies that are able to exploit such feelings do most likely succeed in achieving consumer loyalty (Cartwright, 2000).

Another key determinant of consumer loyalty has been the promotions and advertisement that accompany company's product and services. These activities are meant at influencing retailers' choice as well as consumer loyalty and can affect the purchasing volumes of loyal consumers or increase the consumer base. Successful implementation of a consumer loyalty program is an important method of enhancing consumer loyalty. However such programs depend on the company's investments and the effectiveness of implementation and the associated value that the consumers perceive.

2.5 Consumer loyalty programs

Over the years, firms have experienced a shift from product oriented marketing to one of customer orientation. The emergence of customer relationship marketing has come about as a result of change in firm's mentality. The customer orientation should be essential to the future of a firm since companies moved away from customer in the last 50 years (Lars and Christophe, 2001). This distance has been brought about by economic deceleration, product trivialization and an increase in customer requirements combined with a logical decrease of loyalty. By devoting themselves to product improvement and operational procedures firms ended up losing focus of the fact that paramount in their goodwill are the customers. However, firms have realised this and have developed mechanism aimed at addressing customers related issues in a more enthusiastic and passionate manner. Hence customer retention has become both a marketing concern and also a strategic objective. Firms have hence resulted in implementing loyalty programs to achieve these objectives.

The development of loyalty programs during the 1990s has been widely documented in the academic and practitioner articles (Gilbert and Karabeyekian, 1995; Beenstock, 1999). Sharp and Sharp (1997) define a loyalty program as a supplier's structural effort to increase customers' attitudinal and behavioural commitment to the supplier's market offering. Consumers perceive this loyalty program as an organised marketing activity which offers the customers additional rewards or benefits (De Wulf et al., **2003).**

It can also be defined as a set of actions devised so as to stimulate and keep up with some customers, and so as to minimise loss, namely the rate of lost customers, and increase the amount of purchases. Such programs lie within the scope of rather defensive strategies aimed at keeping customers (De Souza, 1992; Reichheld, 1993; Vavra, 1993; Jones and Sasser, 1995) and rely on a double belief that keeping a customer is less costly than gaining a new one, and that the best customers are the most profitable ones. The popularity of these programs is based on the argument that profits can be increased significantly by achieving either of these aims. However customer loyalty programs usually have many other peripheral goals for instance to encourage further cross selling, create databases, aid trade relations as well as establishing alliances. These programs often consist in issuing loyalty cards.

Many retailers see loyalty programs as a valuable marketing vehicle connecting them more closely to their customers and offering their customers attractive benefits and have been viewed as long-term path to profitability. As a result of advancement in information technology, companies have invested in these programs as way of developing relationship between their business and the consumers they serve (Uncles, Dowling & Hammond, 2003). These relationships are about creating long-term loyalty and can only be achieved by exploring opportunities to study each customer as an individual (Wright & Sparks, 1999).

Since loyalty programs are a dynamic tool of marketing management, they must respond, like all other tools, to a changing environment. An organization may initiate a loyalty program in order to gain a competitive advantage among segments of its customers who are attracted by the benefits offered by such programs. However, such advantages can easily be copied and sustainable advantage can only occur if the company is able to differentiate its product and thus make it hard for other companies to copy cat their strategies. In fact the excessive use of financial incentives to create loyalty may put a firm at a cost disadvantage in a market where cost leadership is important (Porter, 1980), while securing little underlying affective loyalty.

From existing loyalty programs there are two great types of pursued strategies, corresponding to a dual model of the competition (Lars and Christophe, 2001). A more traditional, transactional marketing orientated one, pursuing the strategy of differentiation and seeking to obtain the consumer's choice with rather offensive objectives (increase penetration and purchases).The other rather defensive strategy seeks to maintain and lock the customers by setting up exit barriers and by isolating the customers from the competitive pressures. The target is to prohibit to some extent the free choice (Benavent, 2000). Loyalty programs fall under this second option of strategy although in some instances, it can play a role in the differentiation policy.

Hence, the principal strategies pursued by loyalty programs are, firstly the customer relationship management with the general objective of increasing or maintaining the business level and secondly the customer heterogeneousness management in order to better manage the customer diversity and their needs. In the second option case the loyalty program is an instrument of discrimination. Very often the strategies are combined.

There are different requirements that a program must have for it to qualify as a loyalty program. While mere consumer participation in a loyalty program is no guarantee for consumers to become active program users and to show a stronger commitment to the program's provider (Cigliano et al„ 2000; Shaver, 2000), getting a significant number of consumers to enrol is the necessary first step in realizing customer loyalty and ensuring the program's cost effectiveness. Secondly, a loyalty program must provide rewards, discounts, or services based on customer's spending patterns and lastly, it must communicate benefits and value customers can receive from specific purchasing behaviours (Jim Cigliano et al).

Loyalty programs are usually delivered in a number of ways. There is the use of frequent-shopper card without credit linkages. This is the most common one especially with retail outlets in Kenya. Consumers can scan card at the time of purchase to get real time discounts and reward points. Loyalty cards can also occur as a store credit card with tiered membership benefits i.e. rewards and incentives encourage or reward higher spending levels. Lastly they can be delivered in the form of co-branded credit cards for example the Visa, MasterCard etc with accrued rewards and other benefits based on spending.

2.6 Objectives of loyalty programs

More and more companies resort to loyalty programs within the framework of a defensive marketing strategy (Dawkins and Reichheld, 1990). The result is an increase in programs with the objective of making the relationship with consumers last. They can therefore be distinguished from ordinary sales promotions by defensive orientation and their longer term nature. When the promotion ends, there is nothing to stop consumers from reverting to their previous behaviour patterns. This is what appears to happen (Ehrenberg and al., 1994). Loyalty programs aim to lock customers in, through the equity the customers build in it, with points collection or other promotional techniques. In fact, loyalty programs are acting like a long term promotion, that is, they could increase market share by a substantial gain in penetration. But in most cases they more increase the repeat purchase loyalty without an increase in penetration (Sharp and Sharp, 1997).

Loyalty programs have become important strategies in management and marketing circles. According to industry sources, worldwide loyalty program related investments reached $23 billion in 2000, and are expected to reach $76.3 billion in 2005 (Weidlich, 2001). Such investments are often made to foster different types of customer loyalty with the hope of bringing about store loyalty. This focus on loyalty is in part due to the many claims made about the dramatic effect loyalty can have on a firm's market share and profits (Reichheld, 1996; Colgate, 2001; Rosenberg, 1983).

Firstly, loyalty programs provide retailers with a constant turnover basis. By keeping one's customers and hence preserving the firm's market share through repeat purchases, the margin and profit levels can as well be maintained. To a firm, customer loyalty means a guaranteed future profit and the life-time value indicators can easily be calculated.

Secondly, it is typically more cost-effective to retain existing customers than to recruit new customers to replace lapsed ones (Christopher et al., 1991; Webster, 1992). In the sense that it wipes out the investment cost associated with acquisition of new customers. Reichheld and Sasser (1990) noted that companies can increase their profits by almost 100% by increasing their customer retention rate by just 5% and that two thirds of companies' profits actually are derived from existing customers.

Another frequently cited reason for their development is the opportunity they provide for understanding more about consumers' behaviour at an individual rather than an aggregate level (Treacy and Weirsema, 1993; Dick and Basu, 1994). Loyalty cards make that individual purchase history information available enabling sophisticated segmentation that can lead to precise targeting and building of strong customer relations (Mauri, 2003). The company can also use this information obtained from those profiles to find new markets. This in turn means that customer needs can be addressed in a more specific manner hence increasing customer loyalty. Although business managers understand these findings, very few know the impact of this in their own businesses.

In addition, loyalty programs make customers to increase or consolidate their spending in one store. Studies show that most of the companies that employ these cards experience a 1-4% increase in sales revenue (The Guardian, 2003). Moreover, Kotler (2001) extended the Pareto principle to indicate that the top 20% customers generate 80% of the profits while the bottom 30% eat up *50%* of the profits the others produce. Companies can give better treatment to that twenty per cent in order to increase more profits. They can also test different kind of strategies over the twenty per cent and see which one get the best benefit.

It has also been shown that, a company's most loyal customers are also its most profitable (Reichheld and Sasser Jr., 1990).With each additional year of a relationship, customers become less costly to serve, they become less price sensitive, and as loyalty cycle plays out, loyal customers even become business builders: buying more, paying premium prices, and bringing in new customers through referrals. It also costs less to influence an existing customer to purchase again than to entice a new customer to do business with the organization.

Loyal customers do lead to increased revenues for the corporation, resulting in predictable sales and profit streams, and are more likely to purchase additional goods and services (Gremler and Brown, 1998). What is more, companies can highly eliminate costs associated with advertising, direct mail, research costs and many others sales strategies because they now understanding the consumer behavior better. Cartwright & Green (1997) has argued that it costs considerably more to gain a new customer than to retain an existing.

Results from a study (McKinsey, 1999) on the impact of improvements in a number of customer-based metrics on the value of internet companies, the metrics were divided into three categories: customer attraction, customer conversion, and customer retention. It showed that the greatest leverage comes from investments in retention. If revenues from repeat customers, the percentage of customers who repeat purchase, and the customer churn rate each improves by 10%, the company value was found to increase by 5.8%, 9.5%, and 6.7% respectively.

The expectation with loyalty cards is that, when customers acquire them, they will continuously use them every time they shop. Only when this happen, can the cards be effective as a tool of knowledge management and information-driven customer relationship management. But results of some empirical research give a different picture: according to the research done by Wright and Sparks (1999), 23% of the cards are not used every time a purchase is made, 13% of cards have not been used in the last three months, and consumers tend not to use the card when they pay cash in small amounts.

Although companies have realized opportunities of implementing loyalty programs, it has its own accompanying problems (Wright and Sparks, 1999). Most consumers for instance possess more than one loyalty card further complicating their shopping patterns. Moreover the application of loyalty cards at times is a long process and most consumers either don't have the time or are finding it cumbersome. Others consumers do not see the cards as bringing more value while others see them as been intrusive into their private lives as most information they might see as being confidential and are fearing for their misuse (Wright and Sparks, 1999)

Loyalty programs as aforementioned require considerable investments in resources to implement. The top 16 retailers in the European markets spent over $1 billion in customer loyalty cards and other initiatives (Reinartz and Kumar, 2002). However, despite the vast sums of money being spent, there is little hard evidence about whether such strategies actually work. Even less information is available on how they work.

There has also been the complexity of differentiating loyal from non-loyal consumers. Some loyalty programs have failed on measuring consumer loyalty and instead are measuring repeat purchases (Soerlund, 2001). In addition, consumers may not just be loyal based on the fact that they possess these cards and in fact may be attracted by other physical characteristics such as quality, price and even convenience which may affect their shopping preferences. Other companies measure customer satisfaction, and hope that if the satisfaction scores are good, the customers will stay with the firm. But the truth is that even satisfied customers leave for the temptation of competitors' offers (Mittal and Lassar, 1998).

There is no empirical research that has been carried out to prove that loyal customers pass on favourable comments to other buyers to encourage them to shop in the selected outlets (Dowling and Uncles, 1997). The key question has been whether it is only the loyal customers or those in loyalty programs that can pass this favourable message or simply any satisfied customers. Hence if satisfaction is the driver, then any satisfied customer will pass on the good message. The only way a loyalty program can give extra leverage to a company's word-of-mouth marketing is if the loyal customers offer substantially more, or more effective comments (Dowling and Uncles, 1997).

There have also been some arguments against the fact that it is less costly to service a loyal customer. (Dowling and Uncles, 1997) have indicated that the key variables that drive costs are repeat purchase, size and type of order, special versus standard order and not whether consumers are loyal or not. They have also expressed strong sentiments on whether loyal customers spend more with their company. They argue that this could be influenced by the product category and as such it is the weight of the product that matters and not necessarily the consumer loyalty. Finally on- whether loyal consumers are less price sensitive, (Dowling and Uncles, 1997), argue that it is the brand value that drives price insensitivity rather than brand loyalty.

There is widely cited literature written by scholars, who have concentrated on the empirical evidence of the economic benefits of customer loyalty and on the related issue of loyalty management. However little has been done on the effectiveness of such cards on the profitability of retail industry specifically related to third world countries. Such countries are characterized by limited spending power of many consumers and whose shopping patterns can only be described as uncertain hence the need to approach it differently as compared to the developed countries. Existing research has not answered whether there is a relationship between the spending power of consumers and the respective use of loyalty cards.

2.7 Summary of Literature review

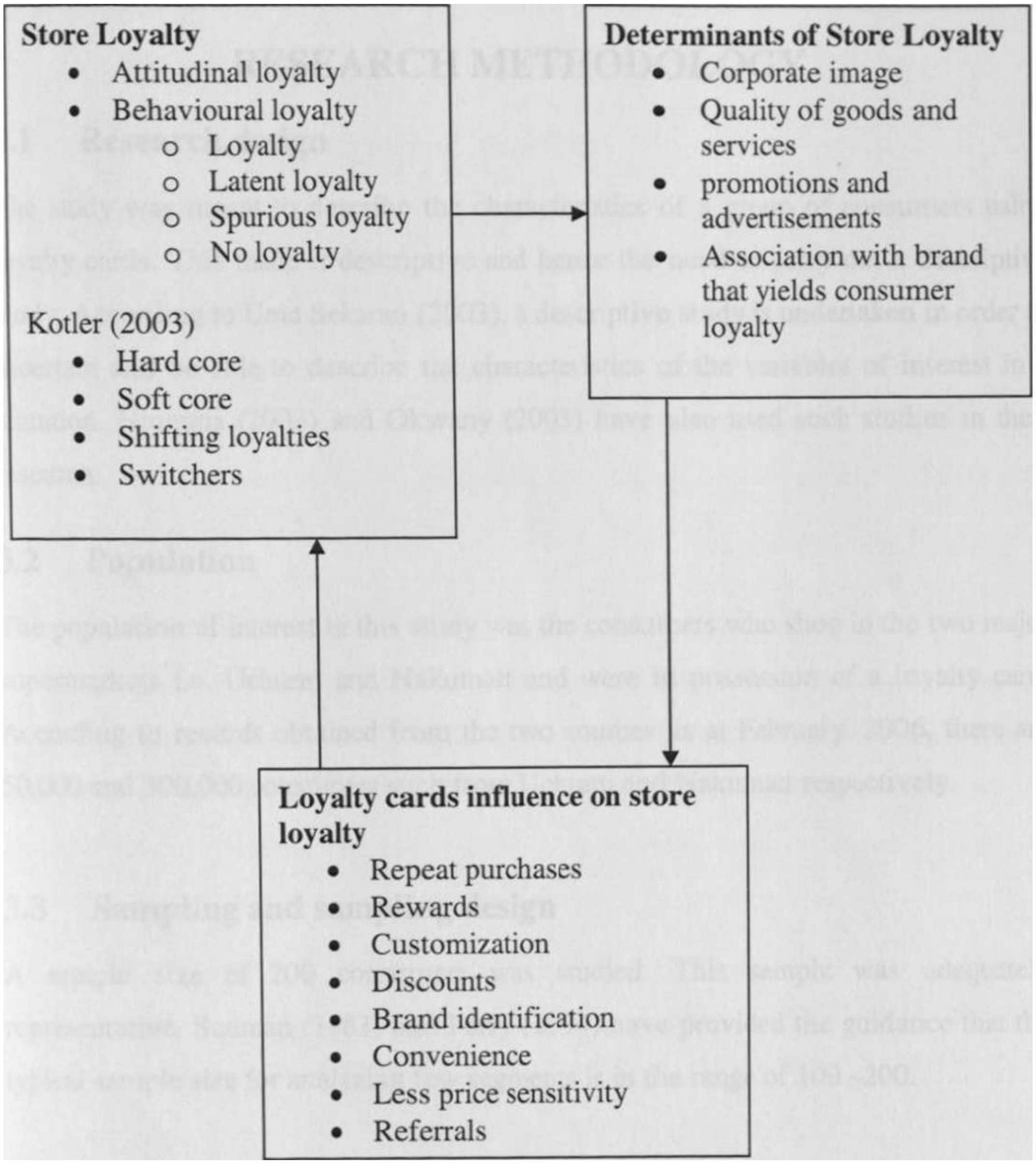
In order to give the reader an understanding of the concept of store loyalty and loyalty cards, underlying information was introduced. Within this section definitions and notions to the concept of customer loyalty and loyalty programs were displayed and moreover benefits as well as affecting determinants were presented. These factors included corporate image, perceived quality of firms products and services, promotions and advertisements that accompany a firms products and services and lastly the association with the firms brand that influences consumer loyalty. Information was then presented on the both attitudinal and behavioural categories of loyalty which was further broken down into loyalty, latent, spurious and no loyalty.

The importance that loyalty plays towards the profitability of firms has also being cited which include; encouraging repeat purchases, reduction in investment cost of consumers from the notion that it is typically more cost-effective to retain existing customers than to recruit new customers to replace lapsed ones. Existing consumers are also less price sensitive and can spread a good word to potential consumers about the firm and its products. However, short comings of loyalty cards have also been cited such as: complexity of differentiating loyal from non-loyal consumers, consumers possession of more than one loyalty card from different retailers and some consumers view loyalty cards as being intrusive into their private lives as most information they consider as being confidential. In addition, methods of deliver of loyalty programs have also been discussed that include, frequent shopper cards, store credit card and as co-branded credit cards.

Finally the two strategies of loyalty programs have been illustrated. These are the of differentiation and seeking to obtain the consumer's choice through offensive strategy and the defensive strategy which seeks to maintain and lock the customers by setting up exit barriers and by isolating the customers from the competitive pressures. The theories within this part of the literature review are based on the studies from several authors; however the main principles are derived from Magi (1999), O^Malley (1998), Strauss et al. (2001) as well as Uncles et al. (2003). The reason why4h(£osIng these authors' ideas was because of their extensive work within the area.

In response to the above-mentioned gaps in marketing literature, this study has an objective to recognize whether loyalty cards influence store loyalty specifically to supermarkets in Nairobi. This has been summarized in the figure 2.2.

Figure 3: Summary of literature review



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research design

The study was meant to describe the characteristics of a group of consumers using loyalty cards. This made it descriptive and hence the need to carry out a descriptive study. According to Uma Sekaran (2003), a descriptive study is undertaken in order to ascertain and be able to describe the characteristics of the variables of interest in a situation. Njuguna (2003) and Okwany (2003) have also used such studies in their research.

3.2 Population

The population of interest in this study was the consumers who shop in the two major supermarkets i.e. Uchumi and Nakumatt and were in possession of a loyalty card. According to records obtained from the two sources as at February, 2006, there are 50,000 and 300,000 consumers such from Uchumi and Nakumatt respectively.

3.3 Sampling and sampling design

A sample size of 200 consumers was studied. This sample was adequately representative. Sudman (1983) and Perry (1994) have provided the guidance that the typical sample size for analyzing few segments is in the range of 100-200.

Purposive sampling was employed since the sample was specific in nature since the consumers use loyalty cards for their purchases. Specifically, judgment sampling was employed. This is because such consumers were advantageously placed to provide the required information

3.4 Data Collection

According to Leedy and Ormrod (2001), "Research is a viable approach to a problem only when there are data to support it". Primary data was collected using a semi-structured questionnaire. Research assistants were used to collect information from the target respondents and were situated in the locality of the two major supermarkets.

The questionnaire was divided into two parts; Pan A had general information about respondents while Part B solicited information about the influence of loyalty cards on store loyalty.

3.5 Operational definition of variables

The following broad dimensions were studied: factors that may affect store loyalty, influence of loyalty cards on store loyalty and consumers perception of loyalty card information use. This operational definition and measurement of variables on store loyalty is found in Appendix 1. Liken scale was used to measure how strongly subjects agreed or disagreed with the statements being measured on a 5-point scale. Ranking questions were also used since they provided information on both the choices and the reasons for the choices.

3.6 Data Analysis Technique

Since the study was descriptive in nature, descriptive statistics were used to analyze the data. Frequency tables and percentages were used to analyze data from Part A of the questionnaire. For Part B. in an effort to better understand the nature of the relationship between loyalty cards and store loyalty, mean scores and standard deviation.

CHAPTER FOUR

FINDINGS AND ANALYSIS

4.1 Introduction

This research studied the influence of loyalty cards on consumer store loyalty in Nakumatt and Uchumi supermarkets in Nairobi. It consisted of a survey in the form of a semi-structured questionnaire applied on potential customers. The research targeted a sample size of 200 of which 200 responses were received. This provided a 100% usable survey return rate. This is considered ideal for the research analysis.

The primary data used to perform this research was collected in Nairobi using personal interviews that were administered in the vicinity of two major retailing stores. The population eligible for inclusion was expected to be in possession of a loyalty card; interviewers approached the shopper and asked him/her to participate. The process aspired to include as many cardholders as possible.

A five-point scale was used to measure the degree of agreement that respondents had in regard to the factors influencing store loyalty as shown below.

Label	**Range of means**
Strongly agree	4.500 - 5.000
Agree	3.500-4.490
Neutral	2.500 - 3.490
Disagree	1.500 - 2.490
Strongly disagree	1.000 - 1.490

4.2 Demographic profiles of respondents

Frequency tables and percentages were used to analyze demographic profiles. This data consisted of gender, age. education level, income levels and marital status.

4.2.1. Gender

Respondents were asked to indicate their gender and the results are presented in Table 1 below.

Table 1: Gender respondents

Gender	Frequency	Percent
Female	117	58.5
Male	83	41.5
Total	**200**	**100.0**

Source: Research data (2006)

Of the 200 respondents, 119 were women and 86 were men giving a percentage representation of 58% and 42% respectively. This shows that there majority of the respondents were women.

4.2.2. Age

The research divided the age categories into five groups. The results are presented in Table 2 below.

Table 2: Age respondents

Age	Frequency	Percent
18-30	52	26.0
31-45	108	54.0
46-60	38	19.0
Over 60	1	.5
Total	**200**	**100.0**

Source: Research data (2006)

The research found out that 26% were in the age bracket of 18-30, 54% were in the range of 31-45, 19% were in the range of 46-60 and 0.5% of the respondents were over 60. This showed that the majority of our respondents were between the ages of 31 and 45. Studies by Mason (1996) indicated that people in upper age groups were least loyal. The findings of this research on the same are presented in Table below.

4.2.3. Age and respondents shopping behaviour

The research also sought to determine whether there was any correlation between the age of the respondents and their shopping patterns. The research findings are presented in Table 3 below.

Table 3: Age and respondents shopping behaviour

Respondents shopping behaviour	Age of respondents					
	18-30		31-45		46-60	
	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation
I shop more often in stores where I have a loyalty card	4.250	0.682	4.120	0.839	4.132	1.095
I spend more money in stores where I have a loyalty card	4.115	0.878	4.352	0.868	4.263	1.083

Source: Research data (2006)

On the issue of whether respondents shopped more often in stores in which they had a loyalty card, in the age group between 18 and 30, respondents agreed with a mean of 4.250 with no variation in the responses as indicated by a standard deviation of 0.682. In the 31-45 age category, respondents also agreed to a large extent with a mean of 4.120 and a standard deviation of 0.839. There was no variation in the responses. In the older category of 46-60, although the respondents agreed as indicated by a mean of 4.132, there was a huge discrepancy in the responses as shown by a standard deviation of 1.095, this implies that there was a high level of disagreement among the respondents.

Respondent were also asked to indicate whether they spent more in stores where they had a loyalty card, in the age group between 18 and 30 respondents agreed with a mean of 4.115 with no variation in the responses as indicated by a standard deviation of 0.878. In the 31 -45 age category, similar results were realized with a mean of 4.352 and a standard deviation of 0.868. In the older category of 46-60, although the respondents agreed as indicated by a mean of 4.263, there was a huge discrepancy in the responses from a standard deviation of 1.083. This implies that although the older respondents indicated store loyalty, there was a huge variation in the responses in this age category.

4.2.4. Income levels

The research also categorized the respondents according to their income levels. Findings are presented in Table 3 below.

Table 4: Income levels

Income levels	Frequency	Percent
Below 15,000	29	14.5
Between 15,000-50,000	113	56.5
50,001-100,000	49	24.5
Over 100,001	6	3.0
Total	**200**	**100.0**

Source: Research data (2006)

Of the 200 respondents, 14.5% of the respondents earned below 15,000, 56.5% earned between 15,001 and 50,000, and 24.5% of the respondents were in the range of 50,001-100,000 and 3.0% earned over 100,000. This indicated that majority of the respondents earned between 15,001 and 50,000.

4.2.5. Income levels and respondents shopping behaviour

Recent study by McGoldrick and Andre (1997) found that loyal shoppers tended to have larger incomes. The findings of the research on this are presented in Table 5 below.

Table 5: Income levels and respondents shopping behaviour

Respondents shopping behaviour	Income levels							
	Below 15,000		Between 15,000-50,000		50,001-100,000		Over 100,001	
	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation
I shop more often in stores where I have a loyalty card	3.965	0.626	4.204	0.825	4.327	0.774	3.167	1.722
I spend more money in stores where I have a loyalty card	4.103	0.673	4.336	0.809	4.510	0.8196	2.500	1.643

Source: Research data (2006)

Respondents were first asked how often they shopped in stores in which they had a loyalty card. Of the 200 respondents, it is evident that with the rise in income levels, respondents agreed that they shopped more often in stores in which they had a loyalty card. Of those earning below 15,000, there was moderate agreement among the respondents with a mean of 3.965 and a standard deviation of 0.626. In the 15,000-50,000 category there was a higher agreement as represented by a mean of 4.204 and a standard deviation of 0.825. Among the respondents who earned between 50,001 and 100,000, respondents agreed that they shopped more often in outlets in which they had a loyalty card as revealed by a mean of 4.327 and a standard deviation of 0.774. However, this trend was not consistent with the respondents earning over 100,001. These respondents did not agree as represented by a mean of 3.167 and a standard deviation of 1.722. This could be explained by the fact that only 6 respondents of the overall 200 fell in this category implying inadequate representation of this category.

Respondents were also asked to indicate if they spent more in shops in which they had a loyalty card. The research findings were consistent with the aforementioned on how much time respondents spent in stores in which they had a loyalty card. With the rise in income levels, respondents agreed that the spent more money in stores in which they had a loyalty card. Of those earning below 15,000, there was moderate agreement with a mean of 4.103 and a standard deviation of 0.673. In the 15,000-50.000 category there was a higher agreement as represented by a mean of 4.336 and a standard deviation of 0.809. Among the respondents who earned between 50,001 and 100,000, respondents agreed that they shopped more often in outlets in which they had a loyalty card as revealed by a mean of 4.510 and a standard deviation of 0.8196. However, as indicated earlier, this trend was not consistent with the respondents earning over 100,001. These respondents disagreed as represented by a mean of 2.500 and a high variation in the responses as indicated by a standard deviation of 1.643. This too could be explained by the fact that only 6 respondents of the overall 200 fell in this category implying inadequate representation of this category. This study hence agrees with the studies done by McGoIdrick and Andre (1997).

4.2.6. Marital status

The research also analyzed respondents based on their marital status and the Table 4 below represents the tabulation of the results.

Table 6: Marital Status respondents

Marital Status	Frequency	Percent
Divorced	4	2.0
Married	115	57.5
Single	68	36.0
Widowed	9	4.5
Total	**200**	**100.0**

Source: Research data (2006)

Of the 200 respondents 2.0% were divorced, 57.5% indicated were married, 36.0% were single and 4.5% were widowed. The results show that the majority of the respondents were married with the minority being widowed.

4.2.7. Educational level

The respondents were asked to indicate their education levels. Table 5 indicates the frequency and percent of this tabulation.

Table 7: Educational level respondents

Educational level	Frequency	Percent
Secondary	17	8.5
College	91	45.5
University	91	45.5
Other	1	.5
Total	**200**	**100.0**

Source: Research data (2006)

Of the 200 respondents, 17 (8.5%) were secondary, 91 (45.5%) had college education, 91 (45.5%) had university education and 1 (0.5%) had listed as other. This shows that most of the respondents were in possession of university education and also college level. This is line with the fact that the study was conducted in a highly metropolitan city as 91.0% of the respondents had either college or university education.

4.3 Loyalty card possession

The research also wanted to find out from which supermarkets the respondents had loyalty cards. Research findings are presented in Table 8 below.

Table 8: Loyalty card possessed by consumers

Loyalty card	Frequency	Percent
Both	85	41.5
Nakumatt	87	42.4
Uchumi	33	16.1
Total	**200**	**100.0**

Source: Research data (2006)

Of the 200 respondents, 87 (42.4%) had Nakumatt loyalty cards, 33 (16.1%) had Uchumi loyalty cards while 85 (41.5%) were in possession of both. Table 7 shows the frequency and percent of the number of loyalty cards that each respondent had.

Table 9: Number of loyalty cards possessed by consumers

Loyalty cards	Frequency	Percent
1	120	58.5
2	79	38.5
3	5	2.4
Total	**200**	**100.0**

Source: Research data (2006)

Of the 200 respondents, 58.5% had one loyalty card, 38.5% had two loyalty cards while 2.4% had three loyalty cards. This shows that most of the respondents were in possession of one loyalty card.

4.3.1 Frequency of loyalty card use

Loyal consumers exhibit a high frequency of use of the loyalty cards. The research also sought to measure this frequency. Table 10 below presents the study findings.

Table 10: Frequency of loyalty card use

Loyalty card use	Frequency	Percent
Always	147	71.7
Rarely	11	5.4
Sometimes	47	22.9
Total	**200**	**100.0**

Source: Research data (2006)

Of the 200 respondents, 71.7% used the loyalty cards always, 5.4% used them rarely and 22.9% indicated 'sometimes' as their usage. This implies that the majority of the respondents used the cards every time they conducted their shopping.

4.3.2 Points redemption

The research also set out to determine how respondents redeemed their loyalty points and their preferred mode of redemption and the data is shown in Table 11.

Table 11: Points redemption

Points redemption	Frequency	Percent
Points for cash	53	25.9
Family	39	19.0
Partners Benefit	42	20.5
Never redeem	38	18.5
Other	31	15.1
Total	**200**	**100.0**

Source: Research data (2006)

Of the 200 respondents, 53 (25.9%) indicated they redeemed it for cash, 39 (19.0%) for family, 42 (20.5%) from partners benefit, 138 (8.5%) did not redeem while 15.1% preferred other forms of redemption which included redeeming for shopping and also for back to school special offers.

4.3.3 Most attractive benefits

Respondents were also asked to indicate the most attractive benefits of redeeming points from the use of loyalty card. Table 12 below represents the findings of the research.

Table 12: Most attractive benefits of redeeming points

Most attractive benefits	Frequency	Percent
Points for cash	73	35.6
Family	42	20.5
Partners Benefit	40	19.5
Never redeem	22	10.7
Other	25	12.2
Total	**200**	**100.0**

Source: Research data (2006)

Of the 200 respondents, 35.6% indicated they preferred redeeming for cash, 20.5% redeemed for family, 19.5% from partners benefit, 10.7% did not redeem while 12.2% preferred other forms of redemption which included redeeming for shopping and for back to school items on offer . This showed that the majority of the respondents preferred points for cash.

4.4 Factors that may impact store loyalty

The study sought to determine how respondents ranked other factors that may affect store loyalty compared to loyalty cards. Among the factors included in the research included: everyday low price, assortment of items, customer service, convenient, location and quality of merchandise.

4.4.1 Factors that may impact store loyalty versus loyalty cards

Respondents were also asked to rank the following items: loyalty programs, everyday low price, assortment of items, customer service, convenient, location and quality of merchandise starting from the most important to the least important. Table 13 below shows the results.

Table 13: Factors that may impact store loyalty

Factors that may impact store loyalty	Frequency	Percent
Convenient Location	43	21.03
Customer Service	42	20.56
Loyalty Programs	37	18.19
Assortment of Items	30	14.40
Quality of Merchandise	27	13.03
Everyday Low Price	26	12.78
Total	**200**	**100**

Source: Research data (2006)

From the responses received, 43 (21.03%) of the respondents preferred convenient location, 42 (20.56%) selected customer service, 37 (18.19%) preferred loyalty programs, 30 (14.4%) opted for assortment of items, 27 (13.03%) preferred quality of merchandise while 26 (12.78%) preferred everyday low price. This implies that consumers preferred stores with convenient locations as compared to other loyalty factors.

Respondents were also asked to indicate the preference of other factors affecting store loyalty against loyalty cards/schemes. Research findings are presented in the table below.

Table 14: Store loyalty factors

Store loyalty factors	Mean	Std. Deviation
Product price influence where I shop and not loyalty schemes	2.830	1.057
Other consumers influence where I shop and not loyalty schemes	2.395	.8321
Company image influences where I shop and not loyalty schemes	2.934	1.023
Store location influences where I shop and not loyalty schemes	3.709	1.082
Store convenience influences where I shop and not loyalty schemes	3.551	0.881
Store stocking influences where I shop and not loyalty schemes	3.274	0.786
I prefer special offers to loyalty points	3.636	0.928
I prefer discounts to loyalty points	3.649	0.981
I prefer quality to loyalty points	3.619	0.822
Good customer service influences where I shop and not loyalty schemes	3.970	0.976

Source: Research data (2006)

When inquired about other factors that have an impact on store loyalty and how they compared it to loyalty cards/schemes, respondents had various responses. On price, most respondents' favoured loyalty schemes to price as evident from the mean of 2.830. This is supported by earlier findings that ranked price well below loyalty cards. However, there was significant variation in the responses on the influence of price as illustrated by a standard deviation of 1.057. This implied that there was high disagreement among the respondents.

Respondents were also asked to indicate to what extent other consumers influenced where they shopped as compared to loyalty cards. The research findings indicate that majority of the respondents disagreed with this statement. This is supported by a mean of 2.395 and standard variation of 0.8321 which showed that there was no variation in the responses of the target sample.

The research also sought to study the effect of company image on store loyalty as compared to loyalty schemes. From the research findings, most respondents were not sure whether company image or loyalty cards influenced their shopping behaviours. This is based on a mean of 2.934 and a standard deviation of 1.023. From the standard deviation, it implies that there was a high variation in the responses received from the respondents. On whether store location influences where respondents shopped and not loyalty schemes. Majority of the consumers agreed that they preferred company image to loyalty cards. A mean of 3.709 represents these findings. However, with a standard deviation of 1.082, a high variation in terms of consumer responses was evident.

When inquired about the effect that store convenience had on store loyalty as compared to loyalty cards, one again consumers tended to prefer store convenience as illustrated by a mean of 3.551 and a standard deviation of 0.881. There was no variation in the responses of the respondents. Similar results were also observer when respondents were asked to rank store stocking to loyalty cards. There was moderate agreement that most respondents preferred store stocking to loyalty cards. This is supported by a mean of 3.274and a standard deviation of 0.786 showing no discrepancies in the responses.

Respondents were inquired to indicate whether they preferred special offers to loyalty cards in terms of influencing store loyalty. Again, there was moderate agreement that consumers tended to prefer special offers to loyalty points. This was indicated by a mean of 3.636 and a standard deviation of 0.928 implying no variation in the responses. Similar results were observed when respondents were asked to compare discounts to loyalty points. A mean of 3.649 and a standard deviation 0.981 indicated that moderate majority of the respondents preferred discounts to loyalty points with no significant variation in the responses.

Respondents were also asked to indicate whether they preferred quality to loyalty points. A mean of 3.619 and a standard deviation of 0.822 indicated that majority of the respondents preferred discounts to loyalty points with no variations in the responses. Lastly respondents were asked to indicate if they preferred good customer service to loyalty points, with a mean of 3.970 and a standard deviation of 0.976 showing again that there was no significant variation in the responses of the respondents.

In conclusion although majority of the respondents seem to prefer other store loyalty factors to loyalty points, its worth noting that the degree of preference was to a small extent with the exception of price and other consumers influence in which loyalty points were preferred.

4.5 Influence of loyalty cards 011 store loyalty

Customers exhibiting store loyalty spend more of their shopping budget at stores whose loyalty cards they hold. Other factors that were studied to test for store loyalty arising from the use of the loyalty card were: whether the respondents found the loyalty card useful, whether the respondents spent more time in stores that had loyalty card, whether the loyalty card influenced where they shopped, whether the respondents used the card every time they shopped and whether they would only shop in stores that had a loyalty scheme. This is characterized by repeat purchases, sequence of purchase and probability of purchase. The findings of the research are presented in Table 15 below.

Table 15: Loyalty card use indicate factors

Loyalty card use indicate factors	Mean	Std. Deviation
I find the loyalty card USEFUL	4.420	0.859
I spend more money in stores where I have a loyalty card	4.270	0.917
My loyalty card influences where I shop	4.060	0.895
I use my loyalty card every time I make a purchase	4.355	0.885
I shop more often in stores where I have a loyalty card	4.155	0.857
I will only shop in a store that has a loyalty scheme	3.595	1.071
I buy products if there are extra loyalty points offered on them	3.839	0.923

Source: Research data (2006)

When inquired to indicate if the respondents found the loyalty card useful, majority were in affirmation, with a mean of 4.420 and a standard deviation of 0.859 implying no variation in the responses.

4.5.1 Proportion of purchase

Based on the proportion of purchase, it is evident that consumers spend more money in shops where they have a loyalty card with data showing a mean of 4.270 and a standard of 0.917. There were also no discrepancies in the responses from the consumers. This can be explained as an existence of store loyalty among the studied consumers who were in possession of a loyalty card. When respondents were asked to indicate if they bought products if extra points were awarded, there was a majority agreement among the respondents that this was this case. This was evident based on a mean of 3.839 and a standard deviation of 0.923 showing that there was no deviation in the responses.

4.5.2 Sequence of purchase

To study the sequence of purchase, respondents were asked to indicate if the loyalty card influenced where they shopped, majority of the consumers agreed, with a mean of 4.155 and a standard deviation of 0.895 which further showed that there was no significant variation in terms of responses. This means that the possession of a loyalty card affected the number of times consumers shopped from a particular outlet.

4.5.3 Probability of purchase

On probability of purchase, respondents were asked to state if they shopped more often in stores where they had a loyalty card. From the analysis it is evident that this is true as represented by a mean of 4.1366 and a standard deviation of .88055. This implies a high degree of repeat purchase in a particular shopping outlet in which they had a loyalty card. However when respondents were asked to indicate if they would only shop in stores that had a loyalty scheme, although majority agreed as shown by a mean of 3.595 there was a wide variation in the respondents' answers as shown by a standard deviation of 1.071 implying a moderate disagreement.

4.5.4 Consumer referrals

Loyal customers tend to purchase more often, spend more money and usually enhance a positive word-of-mouth (Susanna and Larsson, 2004). To study this, respondents were asked whether they would recommend their loyalty scheme to friends and family and the following data was received. There was a moderate agreement that consumers were willing to recommend their store loyalty scheme to other consumers as evident from a mean of 3.50 and a standard deviation of .90991 showing no significant disparity from the consumer responses.

4.6 Consumer perception of loyalty card information use

The process of acquiring a loyalty card requires the consumer to supply personal information to the supermarket. Such personal information includes first name, last name, telephone, email and physical address. This information may or may not be used by the firms in future. Respondents were asked to indicate how they perceived the usage of the personal information they provide. Research findings are presented in Table 25.

Table 16: Consumer perception of loyalty card information use

Consumer perception of loyalty card information use	Mean	Std. Deviation
I feel secure when I provide my information to the firm	3.522	0.871
I don't care about how the organization uses the personal information I give	2.010	1.101
I think the firms are truthful about what they do with the data they collect	3.503	0.834
I think a loyalty scheme is worthwhile and I am willing to give personal details about myself for this	3.802	0.747

Source: Research data (2006)

With a mean of 3.522, there was a common agreement that respondents felt secure providing information to a firm with a loyalty scheme. There was also no significant variation in terms of consumer responses as evident from the standard variation of .871. However, respondents were mindful about how the organization used their personal information. With a mean of 2.010, this showed a disagreement with the statement. In addition, there was a significant variation in the responses of the respondents with a standard deviation of 1.101 implying that there was variation in the responses with some respondents highly disagreeing while others agreeing.

There was a common agreement that respondents believed that the firms were truthful about what they did with the data they collected. This was evident based on the mean of 3.503 with a standard deviation of .834. This showed that there was no significant variation in consumer responses. In addition, respondents felt that the loyalty schemes were worthwhile and were willing to provide personal information about themselves. This was supported by a mean of 3.8020 and a standard deviation of .747 showing that respondents had no significant variations in responses.

4.6.1 Information on loyalty cards and gender of respondents

Consumer perception of information collected was also cross-tabulated against the gender of respondents. The findings of the research are shown in Table 26 below.

Table 17: Information on loyalty cards and gender of respondents

Loyalty cards and gender of respondents	**GENDER**			
	Female		**Male**	
	Mean	**Std. Deviation**	**Mean**	**Std. Deviation**
I feel secure when I provide my information to the firm	3.491	0.807	3.561	0.957
I think a loyalty scheme is worthwhile and I am willing to give personal details about myself for this	3.739	0.714	3.890	0.786
I don't care about how the organization uses the personal information I give	2.007	1.115	2.012	1.088
I think the firms are truthful about what they do with the data they collect	3.509	0.839	3.494	0.832

Source: Research data (2006)

From the research it is evident that both male and female respondents agreed that they felt secure providing personal information to the supermarkets with no huge discrepancies in the results as indicated by a mean of 3.491 and standard deviation of 0.806 for female and a mean of 3.561 and standard deviation of 0.957 for the male. The same was true when respondents were asked whether they viewed the loyalty scheme has useful and that they were willing to provide their information. Similar findings were received when respondents were asked whether they were concerned on how the supermarkets used their personal information still with no discrepancies in the responses. However, in both instances, there was a huge variation in the responses as indicated by standard deviation of 1.115 and 1.088 in female and male respectively. In both genders, there was agreement that they believed that the firms were truthful about the information they collected. This overall implies that as far as the perception on the use of loyalty card information is concerned, there was uniform agreement on the responses.

CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This final chapter evaluates the results of this study, draws some general conclusions, and makes some recommendations for further research. It consists of three parts: the first part discusses the overview of the study and its comparison to literature review presented in chapter two. The second part evaluates the conclusions that can be derived from this research. Finally, in the third part some recommendations for future research are presented.

5.2 Discussion

The objective of the study was to determine whether the use of consumer loyalty cards influences customers' loyalty to the supermarkets in Nairobi. To achieve this, three specific operational dimensions were realized. Firstly, the research sought to study how respondents ranked loyalty cards against other factors that may affect store loyalty. Among the factors that the study observed included everyday low price, assortment of items, customer service, convenient location and quality of merchandise. Secondly, the study sought to find the indicative factors that loyal consumers exhibit based on the use of loyalty cards. Lastly, the research investigated how consumers responded to how firms used the personal information collected.

Consumers may not just be loyal based on the fact that they possess loyalty cards and in fact they may be attracted by other physical characteristics such as quality, price and even convenience which may affect their shopping preferences (Soerlund, 2001). When loyalty card was measured collectively against such factors influencing store loyalty, only convenient location and customer service were better preferred. However, when placed individually against each of the factors, loyalty cards were least preferred. This however was not to a large extent. In fact, loyalty cards were preferred to product price, influence of other consumers and the company image. On store location, most consumers agreed that they preferred this to loyalty schemes. However, there was there was considerable disagreement among the respondents in the responses as evident from the variations in the responses. This may be explained by the fact that there were extreme responses of respondents who preferred loyalty schemes to store location.

On the preference of quality of merchandise to loyalty points, majority of the respondents opted for quality as compared to earning loyalty points. The study also agreed with Soerlund (2001) on store convenience with most respondents preferring store convenience to loyalty points. Respondents however prefer loyalty points to product price. This study therefore agrees on the findings of Soerlund (2001) on store convenience and quality but not on product price.

Corporate image has been cited as a key determinant of consumer loyalty (Magi, 1999). From the research findings, there was a common agreement that this was not the case, in fact only 29.8% agreed with this. 34.5% of the respondents indicated that company image did not have an effect on their shopping behaviour with an addition 35% of the respondents indicating that they preferred loyalty cards.

In a business context however, loyalty has come to describe a customer's commitment to do business with a particular organization, purchasing their goods and services repeatedly, and recommending the services and products to friends and associates (Mcllroy et al, 2000). Data concerning customers purchase behaviour was collected to analyze this. Firstly, on the item of consumers spending more of their shopping budget at stores where they had loyalty cards, of the 200 respondents received, 79.5% agreed with this statement. This is consistent with the arguments by Mellens, Dekimpe and Steenkamp in 1996, which showed that for loyalty to exists, consumers must spend more money in shops that they had loyalty cards. The study also agreed with studies published in The Guardian, 2003 that loyalty cards make customers to increase or consolidate their spending in one store. These studies in the Guardian showed that most of the companies that employ these cards experience a 1-4% increase in sales revenue.

This study agreed on the definition of customer loyalty by Oliver (1997) that it comprises of "a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future....". 86% of the respondents agreed that they spent more time in shopping outlets where they had a loyalty card which is consistent with the probability of purchase from a certain outlet. This is also in agreement with the fact that loyal customers do lead to increased revenues for the corporation, resulting in predictable sales and profit streams, and are more likely to purchase additional goods and services (Gremler and Brown, 1998). Available data also proved that possession of a loyalty card influenced where consumers did their shopping with a mean of 4.137 and a less than one standard deviation indicating respondents agreed widely on this issue.

A large extent of the consumers (63.0%) considered themselves loyal to one loyalty scheme indicating a strong indication of their purchasing behaviour. This is supported by studies by Jacoby and Chestnut in 1978, who discussed ways of studying such behaviours in consumers including statements of preference, commitment or intentions to behave towards a certain brand. It was also evident that a similar moderate extent (49.5%) of the consumers was likely to recommend their loyalty scheme to other consumers.

According to the research done by Wright and Sparks (1999), 23% of the cards are not used every time a purchase is made, 13% of cards have not been used in the last three months, and consumers tend not to use the card when they pay cash in small amounts. This however does not concur with the results from the study. On the issue of frequency of card use, the results showed that 71.7% of the respondents used their loyalty cards every time they did their shopping with no significant variation of responses from the respondents. Of the 200 respondents, 85.4% had a common agreement that they used their loyalty cards every time they did their shopping regardless of the amounts spent. This further contrasted the findings of Wright and Sparks. Although 53.9% of the respondents agree that they use their loyalty cards now but never used to with 35.8% disagreeing, there was a high discrepancy among respondents as evident by a standard deviation of 1.5. This in essence implied that there was a high degree of disparity between respondents who agreed and the ones who disagreed.

There has not been previous empirical research that has been carried out to prove that .oval customers pass on favourable comments to other buyers to encourage them to shop in the selected outlets (Dowling and Uncles, 1997). This study sought out to investigate this. 49.7% of the respondents indicated that they would recommend their loyalty scheme to other consumers, a partly 14.2% disagreed with a further 36.1% of the respondents were not sure about the subject. There were no significant variations in the responses received and it can be concluded that most respondents would recommend their loyalty schemes to other consumers.

Research has also expressed strong sentiments on whether loyal customers spend more with their company (Dowling and Uncles, 1997). This study has confirmed the contrary with 85.4% of the respondents agreeing that they spent more in shops in which they had a loyalty card. Indeed, there were no significant variations in the responses and this was an indication that majority of the respondents agreed. On whether loyal consumers are less price sensitive, (Dowling and Uncles, 1997), argue that it is the brand value that drives price insensitivity rather than brand loyalty. On this issue, the study set out to compare whether respondents preferred price to quality. The results showed that that everyday price low price was least among factors that may affect store loyalty. There was however a large discrepancy of variations in terms of their responses indicating extreme agreements and disagreements. It can hence be concluded that consumers prefer earning loyalty points to getting everyday low prices. This study hence agrees with the findings of Dowling and Uncles.

According to research conducted by Wright and Sparks (1999), they suggested that consumers do not see loyalty cards as bringing more value and others see them as been intrusive into their private lives. They add that consumers view most information as confidential and feared for its misuse. Research from this study confirms the contrary, of the 200 respondents, 68.8% believed that the loyalty schemes are worthwhile and consumers were willing to provide their personal details with only 3% disagreeing. In addition, 52.7% feel secure proving personal information with only 9.4% disagreeing. However, most respondents agreed (68.8%) that they cared about what the firms did with their personal information collected with only 11.8% disagreeing. Of the 200 respondents, 48.5% believe that the firms are truthful about

•iie information they collect and 7.3% disagreeing while 44.1% remaining impartial about the item. This study hence does not concur with the findings of Wright and Sparks.

53 Conclusions

With the increasing competition among the two major supermarkets in attracting consumers, the firms must device ways and means of enhancing their relationship with consumers' to increase firm's profitability. Loyalty cards are quite an important component in a whole program of effort designed to increase consumer commitment to a store. Retailers should consider loyalty programs as an opportunity not only to strengthen their customer relationships and raise profits, but also to reinforce their value proposition and brand and to gain access to important customer information.

Loyalty cards cannot work in isolation as the only factor that influence customer's store loyalty development. Results of this study show that customers also focus heavily on the everyday low price, assortment of items, customer service, convenient, location and quality of merchandise as their top factors for developing store loyalty. Therefore, companies must have to take the whole package into consideration.

There is a strong indication that consumers value loyalty cards as evident by their high rate of use. One factor that could explain why loyalty cards faired badly when compared to other factors that influence store loyalty, was the low perception of the rewards gained from using the loyalty cards. Majority of the study respondents felt that the rewards accompanying the points did not measure up to the points earned. Supermarkets must provide a unique benefit to the consumer to keep them coming back to the same store over and over again; this could be in the form of a cumulative reward system.

From the research it is highly evident that loyalty cards actually influenced where consumers did their shopping. Of 200 respondents, 163 (79.5%) agreed with this statement. This confirms that the objective of the study to determine if loyalty cards influenced store loyalty was met. The findings of the research are useful to supermarkets and other retail outlets in helping them craft strategies that will allow *'em 10 § am opportunities not only to strengthen their customer relationships and :';Ae Profits, but also to reinforce their value proposition and brand and to gain access to important customer information. This in turn should have a direct effect on the tams' revenues and profits.

3.4 Recommendations

The study has established that loyalty cards actually influence store loyalty. By exploiting this advantage, firms can use them as a tool of knowledge management and information-driven customer relationship management. Loyalty cards will make individual consumer purchase history information available enabling sophisticated segmentation that can lead to precise targeting and building of strong customer relations. This in turn means that customer needs can be addressed in a more specific manner hence increasing customer loyalty.

It also vital for firms to address the issues of rewards, as observed earlier, current consumer perception of rewards offered by loyalty schemes is that their value proposition is not adequate and this may lead to consumers abandoning the schemes. In fact, majority of the respondents (80%) indicated that they were not satisfied by the rewards offered by the loyalty cards. This consumer perception of rewards is supported by research findings of Gould, 1995 that as a way of achieving consumer loyalty, companies must constantly exceed the customers' expectations. Otherwise, they may switch to other retailers and even the communication of the goodwill of the company products and services to other customers may be lost. However, exceeding customers' expectations does not imply exceeding them on every dimension, instead to selectively reward customers with items that are important to them.

5.5 Suggestions for further study

From the study it is evident that most respondents were in possession of more than one loyalty card. Further research should be carried out to determine if this has an effect on consumers shopping patterns. This research was also targeted to only the two major supermarkets i.e. Uchumi and Nakumatt; this should not only be extended :o other medium and small supermarkets but also to other outlets that use loyalty cards which include: gas stations and restaurants. In addition, studies should be carried out to find out why loyalty point ranked better than price and quality when compared collectively with other items like convenience, store location and assortment of items but ranked less when compared individually to these items.

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APPENDICES

Appendix i - Loyalty cards in Kenya

Retail outlet	**Loyalty card**
Uchumi supermarket	U-Club card
Nakumatt supermarket	CyberCash card
Sarit Centre	Value card plus
Chandarana supermarket	Smart bonus card
Ukwala supermarket	Zawadi card
R&R Ltd	R&R card

Source: Daily Nation, Feb 13, 2006

Appendix ii: Operational dimensions and measurement of variables of store loyalty

Broad dimensions of store loyalty	Expanded dimensions	Relevant questions
Factors that may affect store loyalty	• Convenient Location • Customer Service • Loyalty Programs • Assortment of Items • Quality of Merchandise • Everyday Low Price • Discounts	**vii, xii ,xiii, xiv, xv, xvi, xvii, xviii, xix, xx, xxi, xxii**
Influence of loyalty cards on store loyalty	• Proportion of purchase • Repeat purchases • Probability of purchase • Consumer referrals • Brand identification • Less price sensitivity	**i, ii, iii, iv, v, vi, vii, viii, ix, x, xi, xxii, xxiii, xxiv**
Information	• Use of cards to store consumer information • Consumer perception of information use	**xxv, xxvi, xxvii, xxviii, xxix**

Appendix iii: Cover letter

Naftali Kennedy Kamau
School of Business
Depanment of Business Administration
University of Nairobi
P. O Box 30197
Nairobi
April, 2004

Dear Sir/Madam,

I am a postgraduate student at the University of Nairobi, School of Business. In partial fulfillment of the Masters of Business Administration degree, I have chosen a descriptive study on loyalty cards. The objective of the study is to determine the influence of loyalty cards on store loyalty specifically to supermarkets in Nairobi.

After careful analysis, you have been selected to participate in this study. You are kindly requested to participate in the study by filling the accompanying questionnaire. Your participation in this study is voluntary. Your response will be confidential and your identity will not be revealed at anytime to anyone. I request you to answer all the questions truthfully. I am enclosing the questionnaire, which I hope you will take a few minutes to complete.

Thank you for taking time to participate in this study.

Sincerely,

Naftali Kennedy Kamau
MBA student

Mrs. Margaret Ombok
Supervisor and **Lecturer**

Appendix iv - The Questionnaire

SECTION 1

1. Gender

    Male •

    Female •

2. Marital Status

    Married •

    Single •

    Widowed •

    Divorced CD

3. Age

    18-30 •

    31-45 •

    46-60 •

    Over 60 •

4. What is your salary range?

    Below 15,000

    15.001 -50,000

    50,001-100,000

    Over 100,001

5. Education Level

    Secondary

    College

    University

    Other (Specify)

SECTION 2

Consumer loyalty describes a customer's commitment to do business with a particular organization, purchasing their goods and services repeatedly, and recommending the services and products to friends and associate. One of the strategies that organizations use to encourage store loyalty is through the use of loyalty cards. A loyalty card is a form of reward card which primarily provide a mechanism for retailers to reward customer. This study is meant to determine the influence of loyalty cards on store loyalty.

i. Which loyalty card do you have?

Uchumi UClub Card

Nakumatt CyberCash Card

Both

Other (Specify)

ii. How many loyalty cards do you have?

1 ☐

2 ☐

3 ☐

Above 3 ☐

iii. How often do you use loyalty cards?

Always

Sometimes O

Rarely •

iv. What do you like best about supermarket loyalty card? Why?

v. What do you like least about supermarket loyalty card? Why?

vi. What would you like to see changed or added to current supermarket loyalty card? Why?

vii. Please rank the following factors from 1-6, with 1 being the Most Important and 6 the Least Important, when selecting a supermarket.

Loyalty Programs	Q	Everyday Low Price	I I
Assortment of Items	Q	Customer Service	I I
Convenient Location	Q	Quality of Merchandise	O

viii. How do you redeem you points?

Points for cash	•
Redeem for family or friends	I I
Redeem from partners' benefits	•
Never redeem	•
Other (Specify)	

ix. Which is the most attractive benefit?

Points for cash	•
Redeem for family or friends	I I
Redeem from partners' benefits	Q
Never redeem	•
Other (Specify)	

Indicate the extent to which you agree with the following statements on a scale of 1-5 in relation to the influence of loyalty cards on store loyalty, where: (please tick where applicable)

1 - Strongly disagree

2 - Disagree

3 - Neutral

4 - Agree

5 - Strongly agree

tesearch question	1	2	3	4	5
i. I find the loyalty card USEFUL	•	•	•	•	•
ii. My loyalty card influences where I shop	•	•	•	•	•
iii. I consider myself loyal to one loyalty scheme	•	•	•	•	•
iv. I will only shop in a store that has a loyalty scheme	•	•	•	•	•
v. I use my loyalty card every time I make a purchase	•	•	•	•	•
vi. I spend more money in stores where I have a loyalty card	•	•	•	•	•
vii. I shop more often in stores where I have a loyalty card	•	•	•	•	•
viii. I am satisfied with the rewards of the loyalty card	•	•	•	•	•
ix. I am likely to recommend my store loyalty scheme to other consumers	•	•	•	•	•
x. I buy products if there are extra loyalty points offered on them	•	•	•	•	•
xi. I save money by using my loyalty vouchers	•	•	•	•	•

Research question	1	2	3	4	5
xii. Product price influence where I shop and not loyalty schemes	●	●	●	●	●
xiii. Other consumers influence where I shop and not loyalty schemes	●	●	●	●	●
xiv. Company image influences where I shop and not loyalty schemes	u	u		●	
xv. Store location influences where I shop and not loyalty schemes	u	u			u
xvi. Store convenience influences where I shop and not loyalty schemes	u	u	u	●	
xvii. Store stocking influences where I shop and not loyalty schemes	u	●		u	
xviii. I prefer special offers to loyalty points	u	u	u	●	●
xix. I prefer discounts to loyalty points	u	u		u	●
xx. I prefer quality to loyalty points	u	u		u	
xxi. Good customer service influences where I shop and not loyalty schemes	u	u	u	●	●
xxii. It does not take long to get a loyalty card	u	u	u	u	
xxiii. It does not take long to earn points	u	u			

Research question	1	2	3	4	5
xxiv. I think a loyalty scheme is worthwhile and I am willing to give personal details about myself for this	u	1	u		
xxv. I feel secure when I provide my information to the firm	u	u			u
xxvi. I don't care about how the organization uses the personal information I give	u	u	u		u
xxvii. I don't think loyalty schemes are for company's benefit only	u	u	u		
xxviii. I think the firms are truthful about what they do with the data they collect	I				
xxix. I use my loyalty carc now but I never used to	u			u	u

Thank you very much.