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The mediating influence of loyalty programmes on repeat purchase behaviour in the retail sector

by

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A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Management in Strategic Marketing

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ABSTRACT

While there has been significant research on loyalty programmes in the last two decades, little has been done on the youth market in South Africa. Using the social exchange and relationship marketing theories, the study examines the mediating influence of customer satisfaction, trust and commitment in the relationship between loyalty programmes and repeat purchase behaviour of South African youth.

The methodology involved a self-administrated questionnaire adapted from previous studies. Data was collected from 263 South African youth who are loyalty programme members. The study tested six hypotheses using Structural Equation Modeling. The software used was SPSS 22 for descriptive statistics and IBM Amos 22.

The findings indicate that all six hypotheses are supported. They also suggest the significance of customer satisfaction as a strong mediator of loyalty programmes and repeat purchase behaviour. Moreover, the study reveals that the mediating influence of customer commitment on loyalty programmes and repeat purchase behaviour is the weakest. The findings reveal that by building customer satisfaction and customer trust amongst the youth, marketers can positively impact on the success of loyalty programmes and repeat purchase behaviour.

This study contributes to the literature on loyalty programmes amongst youth within a developing market context. It can assist marketers in developing sound loyalty programmes aimed at the youth market in South Africa. Limitations and future research directions are discussed.

Key words: customer commitment, customer satisfaction, customer trust, loyalty programmes, repeat purchase behaviour

DECLARATION

I, Siphiwe Dlamini, declare that this research report is my own work except as indicated in the reference and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Management in Strategic Marketing in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other University

Siphiwe Dlamini

Signed at…….

On the……day of……20……..

DEDICATION

I should like to dedicate this dissertation and completion of the Master of Management in the field of Strategic Marketing degree to my late mother, Thabile Petronella Dhlamini – thank you for being my strength and biggest supporter. I am the man that I am because of you.

ACKNOWLEDGEMENTS

I am eternally grateful to the people who have been part of my journey in completing this dissertation and the Master of Management in the field of Strategic Marketing degree.

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CHAPTER 1. OVERVIEW OF THE STUDY

1.1 Introduction

This chapter defines the purpose and context of the study. In addition, the problem statement, research objectives and questions are discussed. Furthermore, the significance of the study, as well as the delimitations, assumption, definition of terms and proposed structure are outlined.

1.2 Purpose of the study

The purpose of this study is to examine the mediating influence of customer satisfaction, trust and commitment in the relationship between loyalty programmes and repeat purchase behaviour of South African youth.

This study will follow a quantitative research approach using the following models to test the relationship between constructs. The customer commitment and customer satisfaction items will be adapted from a study by Bridson, Evans and Hickman (2008). In addition, the customer trust items will be adapted from a study by Agudo, Crespo and Rodriquez del Bosque (2010). Furthermore, loyalty programme items will be adapted from a study by Evanschitzky, Ramaseshan, Woisetchlager, Richelsen, Blut and Backhaus (2012). Lastly, repeat purchase behaviour items will be adapted from a study by Gomez, Arranz and Chillan (2006). The constructs will be measured using a seven-point Likert scale by means of a self-administrated questionnaire and analysed using Structural Equation Modeling (SEM). A sample of 263 research participants in the age group of 15-24 is used in this study.

1.3 Context of the study

Customer retention and loyalty are at the core of marketing goals to be realised by marketers, as there is an increase in knowledgeable customers who are increasingly aware of product and service options (Agudo, Crespo & del Bosque, 2010). Building customer loyalty ensures that companies can sustain themselves and become more

competitive (Amine, 1998). Reinartz, Krafft and Hoyer (2004) suggest that companies are transitioning away from a product-oriented strategy towards a more customer-oriented strategy. A customer-oriented strategy enables companies to achieve high financial performance (Aktepe, Ersoz, & Toklu, 2015).

Today, an increasing number of companies aim to build and maintain committed customers who do not only generate repeat purchases but also become profitable in the long term (Ofek, 2002). These visible market shifts have propelled companies to rethink the relationships with their customers; thus to continuously explore tools that have the capability to assist them in building and sustaining loyal customers (Kreis & Mafae, 2014). These companies have created loyalty programmes to achieve their goals of customer retention and acquisition (Omar, Aziz & Nazri, 2011). Lee, Capella, Taylor, Luo and Gabler (2014) assert that loyalty programmes appear to be a coherent response to the competitive situation of several companies with the undertaking to attract, retain, and increase relationships with consumers. There has been a significant growth in loyalty programmes globally and a keen interest from both practitioners and professionals on this topic (Sharp & Sharp, 1997; Dorotic, Bijmolt & Verhoef, 2012). Undoubtedly, loyalty programmes have become a strategic marketing tool to encourage behavioural customer loyalty (Evanschitzky. Iyer, Plassmann, Niessing and Meffert, 2012; Agudo et al., 2010; Leenheer, Van Heerde, Bijmolt & Smidts, 2007). Omar and Musa (2009) assert that loyalty programmes are a systematic process of recruiting, selecting, maintaining and capitalising on customers. The intended purpose of loyalty programmes is for companies to reward loyal customers and influence their purchase behaviour (Dorotic, et al, 2012; Omar & Musa, 2009).

Agudo et al (2010) suggest that superior service qualities have a critical influence on purchase choice; and at the same time, they assert that there is a correlation between customer loyalty programmes and customer trust, albeit the fact that if there is no trust, the customer is likely to seek an alternative solution. Customers who are continuously committed are loyal to the brand and company (Bridson, Evans & Hickman, 2008). Consequently, the attitude customers have towards the brand drives store commitment (Bridson, et al., 2008). Evanschitzky, et al. (2012) postulate that company loyalty has a considerable amount of impact on satisfaction, trust, and

commitment. In addition, the loyalty programme benefits are strong drivers of satisfaction (Omar & Musa, 2008). Commitment can be created using loyalty programmes to strengthen customer loyalty (Leenheer, et al., 2007). Repeat purchase behaviour may be reliant on satisfaction (Meyer-Waarden & Benavent, 2008).

Customer satisfaction and loyalty are influenced by trust (Sigh & Sirdeshmukh, 2000). However, Fullerton (2007) suggests that customers do business with companies they trust. According to Robinson (2011), loyalty programmes require customers to buy more goods, more frequently. Wagner, et al. (2009) argue that loyalty programmes give incentives to customers who are elite to the programme. Loyalty programmes seem to be beneficial for customers with high household expenditure (Yi & Jeon, 2003). As Van Heerde and Bijmolt (2005) point out, it separates customers into the 'haves' and 'have nots' based on their expenditure. Loyalty programmes have the ability to change purchase behaviour (Sharp & Sharp, 1997). Robinson (2011) acknowledges that loyalty programme members should be repeat purchasers. However, Berman (2006) emphasizes that loyalty programme membership does not necessarily guarantee customer loyalty and retention.

At the core of loyalty programmes is the belief of corroboration whereby it is assumed that purchase behaviours which are rewarded are likely to be repeated (Bridson, 2008). Meyer-Waarden and Benavant (2008) support that loyalty programmes have a slight impact on behaviour immediately after a customer joins and it is not likely to increase repeat purchase. Repeat purchase might be reinforced by other factors, such as the customers' satisfaction and comfort levels (Meyer-Waarden & Benavant, 2008). A loyalty programme is a predictor of purchase behaviour (Evanschitzky, et al., 2012). Repeat purchase is critical for the survival of many brands and companies (Chiu, Wang, Fang & Yi Huang, 2014).

This study examines the influence of customer satisfaction, customer trust and customer commitment on loyalty programmes and repeat purchase behaviour from the perspective of South African youth.

1.4 Problem statement

A substantial amount of research has been completed on loyalty programmes and repeat purchase (Evanschitzky et al., 2012; Zhang & Breugelmans., 2012; Agudo et al., 2010; Meyer-Waarden & Benavent, 2008; Sharp & Sharp, 1997). Zhang and Breugelmans (2012) conducted an empirical study on an item based retail loyalty programme to examine various customer purchase behaviours using a reward point promotion. They found that customers were more reactive to a reward point programmes more than a price discount loyalty programme, as a result they increased their purchasing frequency. Sharp and Sharp (1997) investigated the possibility of repeat purchase being altered by loyalty programmes using panel data to develop Dirichlet estimates. It was found that a weak level of excess loyalty existed and consequently, non members observed repeat purchase loyalty (Sharp & Sharp, 1997).

In an experimental study in branded items, an incentive offered through a loyalty programme has an impact on its success or failure at building brand loyalty (Roehm, et al., 2003). Agudo, et al. (2012) examine the drivers that prove the value of loyalty programmes to produce behavioural change in purchase; they found that the customers' loyalty to the store and attitude towards the loyalty programme, influenced the change in behaviour. Agudo, et al. (2010) suggest that the trust customers have on a brand might be as a result of the effectiveness of a loyalty programme. However, trust does not play a noticeable role in developed countries (Agudo, et al., 2010).

In their study, Liang and Wang (2004) conceptualised and tested a model to investigate the connection between customer trust, commitment, satisfaction and behaviour in relationship marketing management within the Taiwanese financial service industry using a self administrated questionnaire. The perceived relationship investments on customer trust, satisfaction and commitment have a major consequence on behavioural loyalty (Liang & Wang, 2004). Ndubisi, et al. (2009) empirically and theoretically examine customer loyalty, relationship marketing and customer satisfaction within the financial services industry using a questionnaire. The findings show that customer satisfaction has a direct impact on disagreement handling and communication of customer loyalty (Ndubisi, et al., 2009).

Bridson, et al. (2008), in their study using a structured questionnaire, established that a loyalty programme as a mediator validated a noteworthy discrepancy in store satisfaction and store loyalty. Omar and Musa (2009) investigate how the benefits of a Malaysian supermarket loyalty programme can drive customer satisfaction, trust and commitment on the programme using a store intercept. It was established in their study that a relationship between the rewards of a loyalty programme, satisfaction and that the mediating function of programme commitment and trust are palpable (Omar & Musa, 2009).

Meyer-Waarden and Benavent (2009) studied the consequences of loyalty programmes on repeat purchase behaviour in retail stores and observed that there were insignificant changes in behaviour after customers joined the loyalty programme. Evanschitzky, et al. (2012) assert that a loyalty programme is a key predictor of purchase behaviour and company loyalty influences a customers' choice in a particular product or company, however it does not predict purchase behaviour. On the contrary, Omar and Musa (2008) argue that a few models integrate the relationship between commitment, satisfaction and trust. Clearly, there are gaps in these extant relationship and loyalty programmes literature. This study seeks to address these gaps.

1.4.1 *Main problem*

The problem this study addresses is the limited research on loyalty programmes amongst South African youth. The study focuses on examining the mediating influence of customer satisfaction, trust and commitment in the relationship between loyalty programmes and repeat purchase behaviour of South African youth.

1.4.2 *Sub-problems*

Two sub-problems are identified and stated as follows.

The first sub-problem examines the mediating influence of customer satisfaction, trust and commitment on loyalty programmes of South African youth.

The second sub-problem examines the mediating influence of customer satisfaction, trust and commitment on the repeat purchase behaviour of South African youth.

1.5 Research Objectives

This study hoped to accomplish the subsequent theoretical and empirical research objectives.

1.5.1 *Theoretical objectives*

- To review the literature on loyalty programmes
- To review the literature on customer satisfaction
- To review the literature on customer trust
- To review the literature on customer commitment
- To review the literature on repeat purchase behaviour

1.5.2 *Empirical objectives*

- To assess the mediating influence of loyalty programmes on customer satisfaction of South African youth.
- To assess the mediating influence of loyalty programmes on customer trust of South African youth.
- To assess the mediating influence of loyalty programmes on customer commitment of South African youth.
- To assess the mediating influence of customer satisfaction on the repeat purchase behaviour of South African youth.
- To assess the mediating influence of customer trust on the repeat purchase behaviour of South African youth.
- To assess the mediating influence of customer commitment on the repeat purchase behaviour of South African youth.

1.6 Research Questions

Answers to the subsequent research questions are provided in this study.

1. What is the mediating influence of loyalty programmes on customer satisfaction of South African youth?
2. What is the mediating influence of loyalty programmes on customer trust of the South African youth?
3. What is the mediating influence of loyalty programmes on customer commitment of South African youth?
4. What is the mediating influence of customer satisfaction on the repeat purchase behaviour of South African youth?
5. What is the mediating influence of customer trust on the repeat purchase behaviour of South African youth?
6. What is the mediating influence of customer commitment on the repeat purchase behaviour of South African youth?

To unpack these research questions, the literature on customer satisfaction, customer trust, customer commitment, loyalty programmes and repeat purchase behaviour are reviewed.

1.7 Significance of the study

Notwithstanding the implementation of loyalty programmes globally, their value in driving revenues for companies remains uncertain (Kang, Alejandro & Groza, 2014). Omar and Musa (2009) purport that a significant amount of research into loyalty programmes has been done within the US and UK market, and empirical findings across different settings remain mostly untested. South Africa is an emerging market for loyalty programmes (Olivier, 2007). With such emergence it is surprising that few studies exploring loyalty programmes have been conducted within developing countries.

Prior studies on loyalty programmes have focused on attitudinal and behavioural loyalty of members and non-members (Gomez, et al., 2006), price discounts and reward point promotions of item-based loyalty programme (Zhang & Breugelmans, 2012), service experience for customer retention and value (Bolton, et al., 2000), repeat purchase loyalty patterns (Sharp & Sharp, 1997; Meyer-Waarden & Benavent, 2009), brand loyalty, value perception and programme loyalty (Yi & Jeon,

2003), hierarchal loyalty programmes and demotion (Wagner, Hennig-Thurau & Rudolph, 2009).

The more recent literature looks at the relationship between loyalty programmes and financial impact (Lee, Capella, Taylor, Lao & Gabler, 2014), customer satisfaction and loyalty analysis (Aktepe, Ersoz & Toklu, 2014), loyalty programme reward and store loyalty (Meyer-Waarden, 2015), social and economic rewards (Lee, Tsang & Pan, 2015), customer satisfaction, perceived justice and repatronise intentions (Söderlund & Colliander, 2015), online and offline customer preference dynamic (Lim & Lee, 2015), service quality, relationship quality and loyalty (Ou, Shih, Chen & Wang, 2015), fees and benefits (Eason, Bing & Smothers, 2015) and brand loyalty, word of mouth, share of wallet, share of purchase, and willingness to pay more (So, et al., 2015).

Whilst it appears that scholars are interested in understanding the economic impact of loyalty programmes, there are no prior studies on the mediating influence of customer satisfaction, trust and commitment in the relationship between loyalty programmes and customer's intention to purchase. This study intends to fill in this gap.

In light of this, this study makes the following academic contributions. This study contributes to the limited empirical findings of loyalty programmes and repeat purchase behaviour in developing countries. It also looks at the distinctive relationship involving customer satisfaction, customer trust and customer commitment as mediators between loyalty programmes and repeat purchase behaviour in a single study.

In addition, this study makes these managerial contributions: it enables marketing managers to identify the influence loyalty programmes have on South African youth. In addition, the mediating influence of customer satisfaction, customer commitment and customer trust have on loyalty programmes and repeat purchase behaviour enables management to make better decisions on growing loyalty programmes usage within the South African youth market and consequently gives them insights on which mediator has the strongest influence on the efficiency and success of loyalty programmes.

1.8 Delimitations of the study

The study is limited to examining the influence of loyalty programmes from the youth perspective, as most loyalty programmes are marketed to the working class who have the disposal income to purchase more frequently in return for acquiring points and benefits of the loyalty programmes.

Notwithstanding the various sectors that have implemented loyalty programmes, this study aim to look especially at the retail sector with a view to examining their influence on repeat purchase behaviour amongst the South African youth.

In light of the previous argument, the study is limited to the Youth. Youth is defined according to StatsSA (2015), as young people aged 15-24 years. With a vision to gain insights from registered university students between the ages 18-24, and who have been a loyalty programme member for at least one year. Therefore, limiting the study to registered university students in Johannesburg, South Africa

The study is limited to three mediators, namely customer satisfaction, customer trust and customer commitment. It hopes to understand which of the mediators has the strongest influence to propel the youth to change their purchase behaviour as a result of being a loyalty programme member.

1.9 Definition of terms

The following section defines the terms that are important for this study.

1.9.1 *Loyalty programme*

Consumers receive rewards for being loyal to the company (Omar & Musa, 2009). According to Evanschitzky, et al. (2012) loyal programmes are a marketing tool used to increase sales and retain consumers.

1.9.2 *Customer satisfaction*

A consumer's superior consumption and purchase experience with a company over time (Garbarino & Johnson, 1999). According to Omar, et al. (2011) satisfaction is a

measure of the consumers' expectations being met. Reynolds and Arnold (2000) define customer satisfaction as an emotional reaction to an company or product.

1.9.3 *Customer trust*

Garbarino and Johnson (1999) define customer trust as boldly relying on a company or product to reliably meet the customers' needs

1.9.4 *Customer commitment*

The aspiration to sustain a valuable bond with a company or brand (Yi & La, 2004)

1.9.5 *Repeat purchase*

Sharp and Sharp (1997) define repeat purchase as a behaviour that encourages excess purchases.

1.10 Assumptions

The following assumptions were made on this study.

- Loyalty programme members differ in their purchase behaviour from non-members.
- A sample size of 263 research respondents is representative of the population.
- Students with a valid student card during the research process are registered with the academic institution

1.11 Structure of the study

The structure of the research paper is outlined below. This structure ensures that there is coherent flow of information.

Table 1: Structure of the study

Chapter	Title	Description
1	Overview of the study	Introduction, purpose and context of the study, main problem statement, research objectives and questions, significance of the study delimitations of the study, assumptions of the study, definition of terms, structure of the study and summary.
2	Literature review	Introduction, theoretical grounding, customer satisfaction, trust and commitment, loyalty programmes in South Africa, South African youth overview, repeat purchase behaviour, conceptual model, hypotheses development and summary.
3	Research methodology	Introduction, research paradigm, research design, population and sample, the research instrument, data analysis, validity, reliability and model fit, ethical considerations and summary.

4	Data analysis and presentation of results	Introduction, SPSS Amos 22 presentation of results and summary.
5	Discussion of results	Introduction, discussion of results and summary.
6	Conclusion, recommendation, limitations and future research	Introduction, conclusion, recommendation, implications, limitations and future research.

Source: Own compilation (2015)

1.12 Summary

This chapter discussed the context of the study and outlined the research questions, empirical and theoretical objectives. As with the significance of the study presented, it is evident that this study contributes to the existing knowledge of loyalty programmes, and builds on the few studies that have been done in developing countries pertaining to the mediating influence of customer satisfaction, customer trust and customer commitment in the relationship between loyalty programmes and repeat purchase behaviour of South African youth in the retail sector. Understanding these relationships forms the basis of the literature review in Chapter 2.

CHAPTER 2. LITERATURE REVIEW

2.1 Introduction

This chapter discusses the theoretical grounding. Customer satisfaction, customer trust and customer commitment are discussed in detail. Moreover, loyalty programmes in South Africa, repeat purchase behaviour and overview of the South African youth market are discussed. Also, the conceptual model and hypothesis development are outlined. Lastly, a summary of the chapter is provided.

2.2 Theoretical grounding

The theories that anchor this study are the social exchange and relationship marketing theories; under the latter theory commitment-trust theory is discussed.

2.2.1 *Social exchange theory*

Social exchange theory dates back to the 1950s, borrowed from psychology and sociology (Shiau & Luo, 2012). According to Chao, Yu, Cheng and Chuang (2013) and Gefen and Riding (2002), social exchange theory (SET) is concerned with the interrelationship between the company and its customers from a cost-benefit outlook. It seeks to understand the relationship between partners to explain loyalty (Lee, et al., 2014). SET deals with the trade off between intangible social costs and benefits (Gefen & Riding, 2002; Choi, Lotz & Kim, 2014). When faced with a decision, both partners will subjectively weigh the cost and benefits of the alternatives to get to a decision (Lee, et al., 2014). The company and customer have a level of dependency on each other (Chao, et al., 2013; Young-Ybarra & Wiersema, 1999; Gefen & Riding, 2002). Furthermore, Chao, et al. (2013) mention that the core assumption of SET is that attitudes and behaviours are determined by the benefits and future benefits of the company, and customer relationship. In addition, Gefen and Riding (2002) deduce that an individual takes part in an exchange if there are expected benefits. However, there is no undertaking that the cost invested will yield any benefits (Gefen & Riding, 2002). Thus, there is a point of anticipated trust and belief for both parties

in the exchange (Young-Ybarra & Wiersema, 1999; Gefen & Riding, 2002). Moreover, individuals form perception based on the engagement (Young-Ybarra & Wiersema, 1999)

According to Cropanzano, Prehar and Chen (2002), SET maintains that companies should foster connections with their customers. Young-Ybarra and Wiersema (1999) reiterate that flexibility in relationships has to be understood. Furthermore, strategic alliances have an influence on SET and lead to commitment in the alliance to guide a long term relationship (Young-Ybarra & Wiersema, 1999). In a partial exchange relationship the current overall satisfaction with prior exchanges, cultivates trust amid exchange partners since they consider that they are not oppressed and are not worried about each other's wellbeing in the exchange relationship (Miyamoto & Rexha, 2004). SET envisages that in the future, relationships grow strength by building trust through satisfaction, collaboration and collective values (Lee, et al., 2014). Choi, Lotz and Kim (2014) sum up SET as an exchange of mutual benefits driven by commitment and trust in a long term relationship, and partners can decide with whom they want to engage. Shiau and Luo (2012) and Wu (2012) note that trust is a key element of SET. Commitment is a key element in a relationship (Keh & Xie, 2009). SET is applied in diverse backgrounds such as company commitment, sales performance, adoption decisions, employee volunteerism and more recently social networking (Shiau & Luo, 2012). SET has been applied widely in the business environment (Coulson, MacLaren, McKenzie & O'Gorman, 2014).

Shaiu and Luo (2012) provide an overview of where SET has been applied in various studies and sectors. They take note of Vollmann (2009) who used SET in the relationship area by focusing on trust dependence as a factor based on SET; Flahery and Pappas (2009) utilised SET in their study on sales performance of sales professionals by focusing on trust as a factor based on SET; and Fu, Bolander and Jones (2009) study organisational commitment of sales professionals using SET by focusing on trust and commitment as factors based on SET. Based on the argument above it is evident that trust is an important factor of SET. In addition, it presents an opportunity to further apply SET in a study on loyalty programmes.

According to Eason, Bing and Smothers (2015), the choice to be a member of a loyalty programme can be explained in the construction of SET, which maintains that customers engage in relationships following a subjective cost-benefit scrutiny. The customer weighs the perceived costs of joining a loyalty programme alongside the perceived benefits (Eason, et al., 2015).

Application to this study

SET anchors itself in this study as scholars have observed that trust and commitment in particular, form the factors based on SET. Evidently, companies that implement loyalty programmes find themselves having to ensure that customers are committed and trust the company. The trade off between being a satisfied, committed and trusted company, impacts on how well the loyalty programme is received. Furthermore, from the cost perspective, it plays itself out on the level of customer purchase frequency and regular use of the loyalty programme which benefits the company. As the study aligns itself with the foundation of mutual beneficial relationship between the customers and company, it lands well within SET, therefore, posing the important question for customers, what is in it for me? Consequently, the cost of becoming a loyalty programme member needs to be far less than the expected benefits. This impels marketing managers to ensure customers are continuously satisfied, trust and are committed to the company. In light of the above, the youth want to do business with companies they trust. It is important to examine the relationship marketing theory and its relevance to this study.

2.2.2 *Relationship marketing theory*

Relationship marketing has gained prominence within business circles (Palmatier, Dant, Grewal, & Evans, 2006). Berry recognized the term relationship marketing in 1983. Berry and Parasuraman (1991) defined relationship marketing as the need to attract and develop the relationship between the customer and the company. Recent scholars such as Santouridis and Stoumbou (2015) state that relationship marketing is a customer life cycle that starts with acquisition and ends with retention and takes into account various other stakeholders other than customers. Companies in the 21st century need to use the concept of relationship marketing for customer data

intelligence in order to develop and implement customer-oriented strategies (Santouridis & Stoumbou, 2015). Ndubisi, Malhotra and Wah (2008) identify service quality, customer satisfaction, trust and commitment as the key constructs of relationship marketing. There has been a shift in understanding relationship marketing from a consumer behaviour standpoint, thus the concept has evolved into understanding repeat purchase behaviour and brand loyalty (Sheth, Parvatiyar, & Sinha, 2015). Regardless of the huge interest and significant amount of information on relationship marketing, scholars have not agreed on the conceptual foundation of this topic (Sheth, et al., 2015).

Most scholars emphasise the importance of commitment and trust in theorising relationship marketing (Palmatier, Jarvis, Bechkoff & Kardes, 2009; Morgan & Hunt, 1994). Ballantyne, Christopher and Payne (2003) suggest that the foundation of relationship marketing should be about value exchanged and shared interaction with stakeholders. Relationship marketing should not restrict itself to building relationships between the company and its customers but should look at all the stakeholders (Barroso-Mendez, Galera-Casquet & Valero-Amaro, 2014). The theory of relationships has now grown to be an essential classification principle in marketing (Mckeage & Gulas, 2013). Researchers, Gomez, Arranz and Cillan (2006) identify three components that are important for affective loyalty, satisfaction, trust and commitment. Figure 1 found at the end of this section illustrates the conceptual relationship marketing model.

Barroso-Mendez, et al. (2014) explored relationship marketing theory in the context of partnerships between companies and non-governmental organisations (NGO), and found that commitment was a very important element in the success of the social exchange between companies and NGOs. Palmatier, et al. (2009) in an exploratory study, looked at the customer gratitude using the relationship marketing theory and discovered that gratitude is important for relationship marketing investments such as share of wallet, sales growth and purchase intention. Hart and Hogg (1998) investigated the relationship marketing theory in the legal services sector and pointed out that companies function within co-operation, competition and regulation frameworks. Furthermore, Hart and Hogg (1998) state that relationship marketing tends to focus on value rather than services and goods. Smyth and Fitch

(2008) studied organisational behavioural processes in a procurement led initiative in market governance, using the relationship marketing theory as a starting point and the results led to processes changes that increased collaboration and cross functional communication within the company. Carson, Gilmore and Walsh (2004) used the relationship marketing theory in a retail banking sector to examine the investment transaction and relationship marketing activities, the results found that resource investment in marketing initiatives was unbalanced as resources were not apportioned to marketing initiatives on their importance to transactions and relationship marketing.

Using the relationship marketing theory, Bojei, Julian, Wel and Ahmed (2013) examined the various relationship marketing tools such as loyalty programmes and found that loyalty programmes have a significant impact on customer retention in the retail sector in a developing country context. Ivanauskiene and Auruskeviciene (2015) examined the challenges of loyalty programmes in the retail banking sector by using relationship marketing theories and found that marketers are not informed on the choices of loyalty programme selection by various customers. Yi, Jeon and Choi (2012) examined how perceived uncertainty affects the evaluation of loyalty programmes by customers by looking at previous research on random elements of the relationship marketing theory and the results show that marketers should consider uncertainty in reward scheduling of the loyalty programme design. Kim, Yang and Johnson (2011) examined the interrelationship between relationship marketing theory and three loyalty programme attributes, namely, risk, advantage and perceived complexities and found insights on the development of apparel retail loyalty programmes and customer relationship management.

Application to this study

Relationship marketing theory grounds itself in this study as it aligns to its key characteristics as pertaining to the importance of companies creating a relationship with their customers in order to increase customer satisfaction, customer trust and customer commitment. Moreover, loyalty programmes are deemed to be a strategic tool for relationship marketing and thus to cultivate and retain loyal customers.

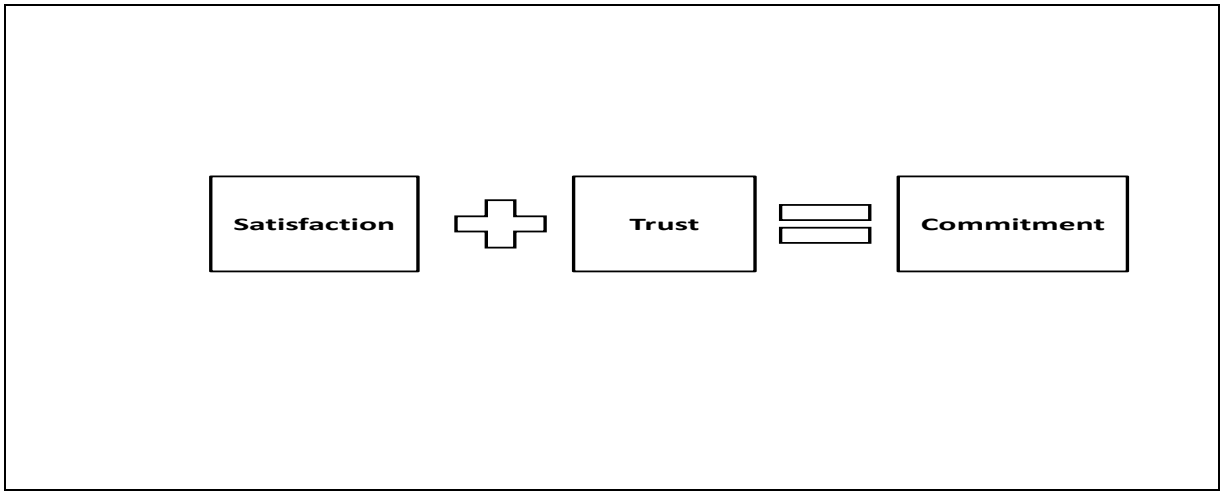


Figure 1: Relationship marketing model

Source: Authors own from literature reviewed (2015)

Morgan and Hunt (1994) conceptualised the basis of commitment-trust theory on relationship marketing.

2.2.3 *Commitment-trust theory*

Morgan and Hunt (1994) developed the commitment-trust theory to warrant the ongoing relationship exchanges; commitment and trust are key drivers of these relationships. Commitment and trust mediates a relationship exchange by creating an encouraging environment between the partners involved in the relationship, helping to oppose attractive small time alternatives and screen potentially high risk behaviour as being sensible (Hashima & Tan, 2015). Trust is conceptualised from the customer and company relationship with benefits of customer relationships derived from product profitability, customer satisfaction and product performance (MacMillan, Money, Money & Downing, 2005). When trust and commitment are there, competence, productivity, and effectiveness of the relationship can be created (Goo & Huang, 2008). MacMillan, et al. (2005) suggest that the relationship between trust and commitment is found in the theoretical framework of long term exchange. Further, MacMillan, et al. (2005) surmise the prophecy that the benefits of a relationship and cancelation costs drive commitment and has its background in exchange theory.

Phelps and Campbell (2011) undertook a study in the library sector by using the commitment-trust theory to assess a fit, as libraries are built around relationships with providers of information built on trust. In the online community, trust can be utilised to control dishonest members who might provide confidential information of members to external parties outside the exchange relationship and consequently, commitment mediates continuous engagement within an online community (Hashima & Tan, 2014). Commitment and trust are interceding factors essential to understanding relational exchange in a family company, with the strategic partner's personal commitment surfacing as a strong success factor and family participation in the company to drive that family commitment (Smith, Hair & Ferguson, 2013). Dwivedi and Johnson (2012) use the commitment-trust framework as a mediator of the service evaluation patronage behaviour relationship in the celebrity endorsement brand equity relationship. The literature denotes a significant relationship between trust and relationship commitment.

According to Morgan and Hunt (1998) commitment and trust are dependent on the antecedents below. The antecedents contribute either positively or negatively to the establishment of commitment and trust.

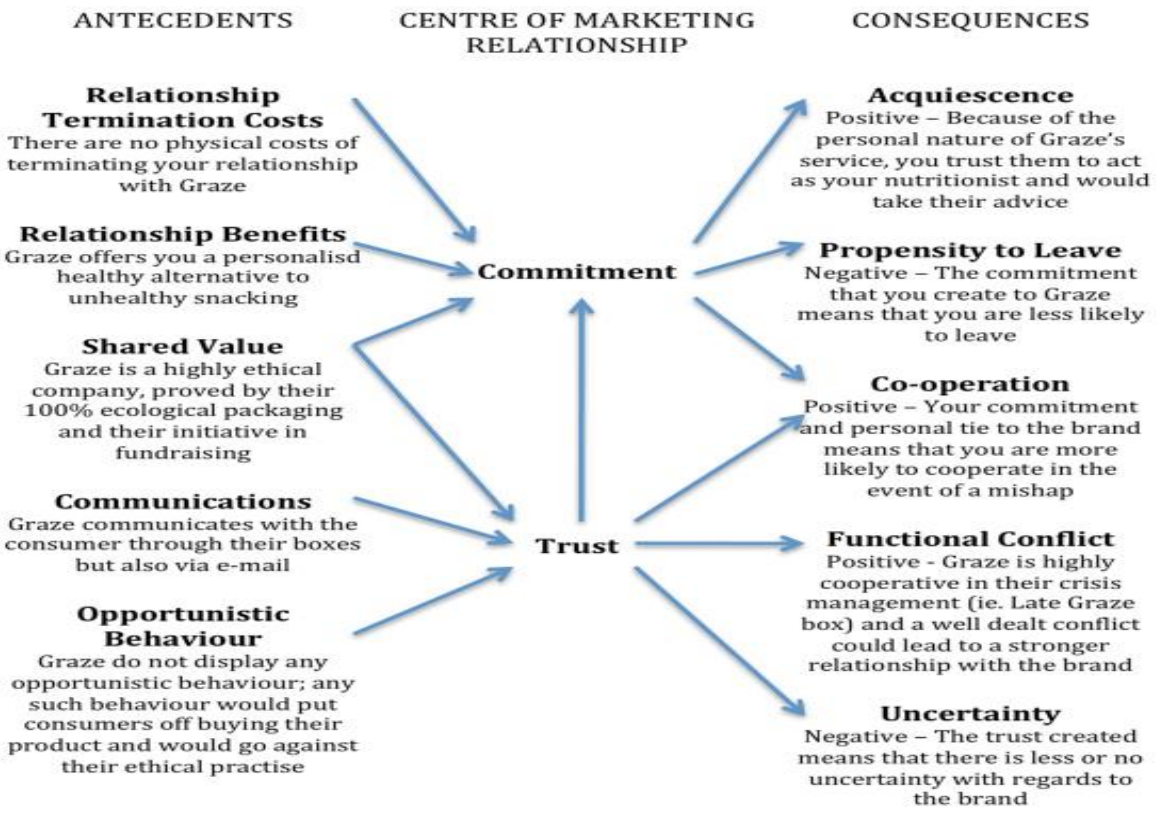


Figure 2: commitment-trust model

Source: Morgan and Hunt (1998)

Application to this study

Commitment-trust theory is suitable for this study in order to facilitate the relationship between loyalty programmes and repeat purchase behaviour of South African youth. Companies make the effort to form bonds with the youth by implementing loyalty programmes. Loyalty programmes support the philosophy of relationship marketing concerning attracting, developing and retaining relationships with its members. With this argument, it is believed that the South African youth would adopt loyalty programmes and change their purchase behaviour if they are committed and trust the retailer. Companies need to be trusted in order to compete successfully (Morgan & Hunt, 1994). Therefore, marketing managers need to ensure the commitment and trust is maintained at the highest level.

Loyalty programmes are a systematic process of recruiting, selecting, maintaining and capitalising on customers which supports the foundation of relationship

marketing (Omar & Musa, 2009). Consequently, customer commitment and trust are critical in the success of relationship marketing (Ahmed, Patterson & Styles, 2015). Based on the commitment-trust theory, the youth can fall into two types of group, those that are committed and trust the loyalty programme and those who are committed and trust the retailer. These groups are not mutually exclusive. However, this study is interested in the latter. Thus, by applying commitment-trust theory to this study, these constructs are integrated and the findings provide insights of its mediating influence on loyalty programmes and repeat purchase behaviour in perspective of the youth market. This forms the basis for how marketing managers develop loyalty programmes to build and develop relationships with the youth.

2.3 Customer satisfaction

Achieving and maintaining customer satisfaction is one of the greatest modern challenges faced by management (Radojevic, Stanisic & Stanic, 2015). Keropyan and Gil-Lafuente (2012) confirm that customer satisfaction is a major objective of marketing and it is important for companies to keep their customers satisfied, when the customer becomes the heart of a company and it grows more satisfied customers (Aktepe, et al., 2015). Customer satisfaction, customer loyalty, internal marketing, and consumer behaviour are vital in customer retention (Roberts-Lombard, 2009). Valuable communication and customer commitment and changing market environment are of immense importance to increase the level of satisfaction and loyalty (Aktepe, et al., 2015). Research has revealed that customer satisfaction has a considerable impact on service usage, customer retention and on share of wallet (Martínez & del Bosque, 2013). Satisfaction needs to be an important goal for companies as this can impact their profitability and sustainability (Petzer & De Meyer, 2011). However, Bowen and Shoemaker (1998) state that satisfied customers are not automatically loyal. Customer satisfaction, switching cost, and trust in a company have impact on customer loyalty (Ningsih, Waseso & Segoro, 2015).

The postulation is that satisfaction or dissatisfaction results from an evaluation of expectations with real performance (Chen, Batchuluun & Batnasan, 2015). Increasing customer satisfaction in any company starts with the evaluation of the

service quality, evaluating customer satisfaction levels according to selected criteria to assess future performance (Aydin, Celik & Gumus, 2015). The evaluations of the individual attributes reflect the weight of these attributes in overall satisfaction. The evaluation of the service features match the relative meaning customers connect to the individual features and classify the composition of satisfaction (Mouwen, 2015). Satisfaction and the profit chain agenda suggests that profits come from customer retention that occurs from high levels of customer satisfaction, which is achieved by delivering quality product or service (Mathe-Souleka, Slevitch, & Dallinger, 2015).

2.3.1 *Conceptualizing customer satisfaction*

Satisfaction is the feeling or attitude customers have after purchasing and consuming a product over time (Evanschitzky, et al., 2012; Garbarino & Johnson, 1999; Omar, Aziz & Nazri, 2011). Customer satisfaction is likely to increase loyalty, as such, it is critical for customer loyalty and retention (Vesel & Zabkar, 2009; Choiu & Droge, 2006), and is a key determinant of loyalty (Omar at al., 2011). Chinomona and Dubihlela (2014) state that customer satisfaction is imperative for companies. Satisfied customers are more motivated to form a long-term relationship with a company (De Meyer & Mosert, 2011). Customer satisfaction assists companies to build long-term relationships with customers and has a major control on purchase behaviour (Shiau & Luo, 2012). According to Chinomona (2013) for satisfaction to occur, the performance must meet the expectations of the customer. Even loyal customers may perhaps defect if they can get superior value somewhere else (Chang, Wang, Chih & Tsai, 2011; Omar et al., 2011; Vesel & Zabkar, 2009).

In addition, Chinomona, Masinge and Sandada (2014) acknowledge that customer satisfaction reinforces positive word of mouth. Porrala and Mangin (2015) note that corporate image is an important driver of customer satisfaction. Increasingly customer satisfaction is reinforced by trust and commitment (Yi & La, 2004). Customer involvement behaviour can improve customer satisfaction by increasing the possibility that needs are met and the benefits the customer wants are truly achieved (Yi, Nataraajan, & Gong, 2011). There is an interrelationship between customer satisfaction and service quality (Vesel & Zabkar, 2009). In a study related to the arts, Garbarino and Johnson (1999) defined customer satisfaction as an

overall evaluation based on the total consumption and purchase experience with a company over time. According to Omar, et al. (2009) customer satisfaction is defined as a measure of how a customer's expectations are met. Customer satisfaction in this study is defined as the company exceeding all expectations and needs of its customers (Terblanche & Boshoff, 2010).

2.3.2 *Perceived quality*

Literature points out that although the complex nature of the relationship between quality and satisfaction is present, quality broadly acts as a noteworthy predictor of satisfaction (Han & Hyun, 2015). The superior the perceived service quality, the superior the level of customer satisfaction is (Terblanche & Boshoff, 2010; Choiu & Droge, 2006). Satisfied customers anticipate being provided with excellent quality (Abdul, Gaur & Peñaloza, 2012). Further, Terblanche and Boshoff (2010) mention that customer satisfaction is based on the judgment of previous service or product quality which consequently influences perceived value. Conversely, Caceres and Paparoidamis (2007) argue that there is a level of elusiveness on perceived quality as a service is intangible. Agudo, et al. (2012) and Leong, Hew, Lee and Ooi (2015) cite security, reliability, empathy, response capacity, and tangibility as the factors of service quality. Customer satisfaction level directly relates to service quality, a customer satisfaction level might no longer merely stand as "good" or "bad" (Barkaoui, Berger & Boukhtouta, 2015). Providing customers with high quality services offers the best opportunity for companies to obtain a sustainable competitive advantage (Petzer & De Meyer, 2011).

Bandaru, Gaur, Deb, Khare, Chougule and Bandyopadhyay (2015) identify the satisfaction measurements consisting of three psychological fundamentals for service experience evaluation: (1) cognitive, measures the actual use of the product or service by the customer, (2) affective, measures the customer's attitude towards the product or service or the company and (3) behavioural, measures the customer's view concerning another product or service from the same company. Service quality motivates repeat purchase behaviour and positive word-of-mouth while retaining customers and securing customer loyalty (Leong, Hew, Lee & Ooi, 2015), given that high-quality services and increasing customer satisfaction are generally recognised

as essential factors that enhance the performance of companies (Radojevic, 2015). A significant relationship between service quality and perceived value exists (Rasheed & Abadi, 2014).

2.3.3 *Perceived value*

According to Bolton, et al. (2000) value pertains to what the customer can get. The customer's expectation will affect perceived value (Hsu, et al., 2014). A loyalty programme strengthens the customers' perception of the company's perceived value (Bolton, et al., 2000). A loyalty programme ought to be perceived as valuable by the customer (So, Danaher & Gupta, 2015; Yi & Jeon, 2003). In contrast, Yi and Jeon (2003) discover that perceived value does not result in programme loyalty. In addition, Evanschitzky, et al. (2012) and Yi and Jeon (2003) propose five fundamentals that validate the perceived value of a loyalty programme namely, convenience, aspirational value, relevance, cash value and redemption choice. Kreis and Mafae (2014) discern between three antecedents of value; psychological, interaction and economic value. More so, the perceived value of a loyalty programme has no influence on product or company loyalty (Dowling & Uncles, 1997). Perceived value is seen as a way that a company can generate customer loyalty (Evanschitzky, et al., 2012). Customers value the significance of the product for which they pay (Abdul, Gaur & Peñaloza, 2012). Perceived value established is the relationship between the consumer's perceived benefits relative to the perceived costs of receiving a good or a service, and represents an optimistic emotional response (Meyer-Waarden, 2015). Chinomona, et al. (2014) and Porrala and Mangin (2015) state that customer perceived value leads to a higher level of satisfied customers.

2.4 Customer trust

Trust has been researched across several environments such as economics, sociology, psychology, political science, management, information technology and also marketing (Abdul et al, 2012). Trust is built when customers have confidence in the company or product (Omar et al., 2010). Chinomona, Mahlangu and Pooe (2013) specify that trust is the belief that a customer can rely on a service or product. Chen

and Quester (2015) define trust from a cognitive and affective outlook. Cognitive trust comes from the consumer's thoughts and examination, thus it is knowledge-driven, reflecting the consumer's confidence or eagerness to rely on the capability and consistency of a company or product (Chen & Quester, 2015). Affective trust is based on feelings of safety towards a specific company, product and the perceived vigour of the relationship between the consumer and the company (Chen & Quester, 2015). Trust is a key enabler when developing sustainable relationships with customers (Omar et al., 2010; Garbarino & Johnson, 1999). Trust is at the core of loyalty (Evanschitzky et al, 2012). Further, Yi and La (2004) and Keh and Xie (2009) mention that trust is the adhesive that holds the relationship between customers and the company together. Trust is developed over time and is reliant on a result of experience with customers (Xiea, Peng & Huan, 2014). Consumers are facing higher security and privacy risks because of the data transaction in an online environment and this affects customer's trust in the company (Nilashi, Ibrahim, Mirabi, Ebrahimi & Zare, 2015).

According to Martínez and del Bosque (2013) trust is conceived as having two factors namely, performance or credibility trust and benevolence trust. Trust plays a decisive role in influencing a customer's purchase decisions and in predicting customer satisfaction with online stores (Wu, 2012). Customers' levels of trust considerably shape their intentions to repeat purchase (Han & Hyun, 2015). Laaksonen Pajunen and Kulmala (2008) differentiate between three types of trust namely, contractual, competence and goodwill. In addition, Chinomona (2013) asserts that trust lowers the chances of uncertainty with a brand. Confidence, integrity and reliability are critical factors of trust (Morgan & Hunt, 1994; Choiu & Droge, 2006; Evanschitzky, et al., 2012; Gomez, et al., 2006; Garbarino & Johnson, 1999). Therefore, Choiu and Droge (2006) affirm that the customers' post purchase satisfaction of high involvement products is influenced by trust. Financial rewards also reinforce trust and commitment and are, for the most part, successful in establishing a primary relationship with customers (Lee, et al., 2015). Trust has a critical responsibility in human behaviour and is also mandatory to tie the relationships of companies and consumers (Shiau & Luo, 2012). Trust itself is dependent on three variables: shared values, communication and opportunistic behaviour (Keh & Xie, 2009). Chen and Quester (2015) define trust from a cognitive

and affective outlook. Cognitive trust comes from the consumer's thoughts and examination, thus it is knowledge-driven, reflecting the consumer's confidence or eagerness to rely on the capability and consistency of a company or product (Chen & Quester, 2015). Agudo, et al. (2012) define trust as the creation and maintenance of profitable relationships. Customer trust in this study is seen as confidently believing in the honesty and sincerity of the company (Morgan & Hunt, 1994).

2.4.1 *Trust and commitment relationship*

A relationship built on trust enables customers to be devoted to that relationship (Morgan & Hunt, 1994), and thus creates customer loyalty (Caceres & Paparoidamis, 2007). A loyalty programme enables a relationship between the customer and company to be built to reinforce the concept of trust and commitment (Gomez, et al., 2006). Furthermore, it is possible for trust and commitment to reflect a level of customer satisfaction (Caceres & Paparoidamis, 2007). A loyalty programme favours the customer's trust and commitment to the company (Gomez, et al., 2006). Therefore, trust is a major precursor of commitment (Keh & Xie, 2009; Caceres & Paparoidamis, 2007; Morgan & Hunt, 1994). In addition, Morgan and Hunt (1994) identify the five factors of trust and commitment namely, relationship benefits, communication, opportunistic behaviour, shared value and relationship termination cost.

According to Caceres and Paparoidamis (2007) commitment and trust encourage the following:

- To oppose attractive inferior substitutes in support of the superior expected benefits of a continuous relationship with current stakeholders.
- To observe risky behaviour more positively since they deem that their stakeholders will not react selfishly.
- To build towards maintaining the investments of the relationship by collaborating with stakeholders.

2.5 Customer commitment

2.5.1 *Commitment consistency*

As with trust, commitment is important for building and maintaining sustainable relationships with customers (Garbarino & Johnson, 1999; Evanschitzky, et al., 2012), and consequently commitment is deepened when trust increases (Omar, et al., 2010). Commitment and trust are key intermediaries in a thriving company and customer relationship (Garbarino & Johnson, 1999). Garnefeld, Eggert, Helm, and Tax (2012) propose that a commitment consistency principle applies to the persons who desire to be consistent with a behaviour or attitude. Loyalty is a deeply held commitment (Evanschitzky, et al., 2012). Thus, it is the role of commitment that underlines the effectiveness of loyalty programmes (Garnefeld, et al., 2012). Consequently, the type of incentive usually does not influence consumers' commitment intensity (Noble, Esmark & Noble, 2013). The level of commitment is based on the relationship investments, relationship benefits, and possible termination costs (Chang, et al., 2011). In a study related to psychology, Yi and La (2004) define customer commitment as a desire to maintain a valued relationship. Fullerton (2007) defines customer commitment as a link between the customer and company. For this study, customer commitment is defined as a customer having a close bond with a company (Amine, 1998).

2.5.2 *Components of commitment*

Jointly, affective and continuance commitment influence the customer's behaviour on a loyalty programme (Mattila, 2006).

Affective commitment

According to Fullerton (2004) and Sanchez and Iniesta (2004) developing a social connection between the company and its customers is vital for commitment. Customers develop affective commitments to companies to which they have an emotional bond (Chinomona, Mashiloane & Pooe, 2013; Mattila, 2006; Fullerton, 2004). A relationship that is built on affective commitment is maintained by the customers, as they identify with the company (Fullerton, 2004). Companies can

create customer affective commitment through affirmation and attachment, which occur from regular constructive interactions and satisfied customer expectations (Chang, et al., 2011). Marketing scholars have acknowledged that there is an interrelationship between affective commitment and customer retention (Fullerton, 2004). In addition, Mattila (2006) acknowledges that affective commitment has an influence on a loyalty programme through the shared emotional ties. Erciş, Ünal, Candan, and Yıldırım (2012) posit that customer satisfaction has an effect on affective commitment.

Continuance commitment

Service quality drives continuance commitment in the relationship (Fullerton, 2004). On the other side of continuance commitment is the ability of customer being able to pay more and be less sensitive to prices (Yi & La, 2004) and be advocates for the brand and company (Fullerton, 2004). Financial rewards lead to continuance commitment since loyalty programme members fear the loss of rewards (Lee, et al., 2015). However, Lee, et al. (2015) argue that social rewards drive affective commitment more powerfully than economic rewards. On the contrary, customers maintain the relationship in the face of high costs and in loyalty programmes, customers reflect continuance commitment behaviour (Mattila, 2006). Moreover, Chinomona et al (2013) mention that continuance commitment indicates the costs of leaving a company. Once committed the customer stays to avoid switching costs and is emotionally connected to the company and product to not even consider the competitor (Kao, 2015). Also, commitment is largely based on the customer's perception and beliefs (Sanchez & Iniesta, 2004).

There is shift from customer commitment towards customer intimacy, the key to sustaining a high level of commitment is to create a high level of passion and intimacy (Bugel, Verhoef & Buunk, 2010). Commitment indicates that a customer's trade-off between the short-term sacrifices and the long term benefits turned toward an inclination for the long-term progress as the expected advantages of the long term relationship (Ritter & Andersen, 2014).

2.6 Loyalty programmes in South Africa

Despite the high interest of loyalty programmes, little academic research has been done in respect of how customers perceive the benefits offered by loyalty programmes (Terblance, 2015). Loyalty programmes are a defensive marketing tactic, which focuses on retaining existing customers and getting more value out of them in order to gain sales and market share (Sharp & Sharp, 1997). Yi and Jeon (2003) define loyalty programmes as a marketing programme that drives customer loyalty and rewards profitable customers. Consumers receive rewards for being loyal to the company (Omar & Musa, 2009). According to Evanschitzky, et al. (2012) loyal programs are a marketing tool used to increase sales and retain consumers. Loyalty programmes have attracted huge interest from both scholars and professionals, however it is still unclear if they change the customers' purchase behaviour, increase loyalty and ultimately improve the company's bottom line (Eason, et al., 2015).

Loyalty programmes are immensely popular globally with 90% of European and U.S customers being a member of at least one loyalty programme (Meyer-Waarden, 2015). In the U.S alone, there are 2.1 billion loyalty programme memberships growing at 16% annually (Meyer-Waarden, 2015). According to So, Danaher and Gupta (2015) an efficient loyalty programme can generate revenue for a company, Tesco's has 13.5 million loyalty programme members and generates US$200 million annually in extra sales for the company. Söderlund and Colliander (2015) argue that it does not come as a surprise that many companies attempt to develop customer loyalty, and one of the most popular solutions to do so is by implementing loyalty programmes. Loyalty programmes function as an imperative factor of a company's relationship management strategy (Terblance, 2015). Lemon Rust and Zeithaml (2001) propose that loyalty programmes form part of any company's retention equity driver as depicted in figure 1.

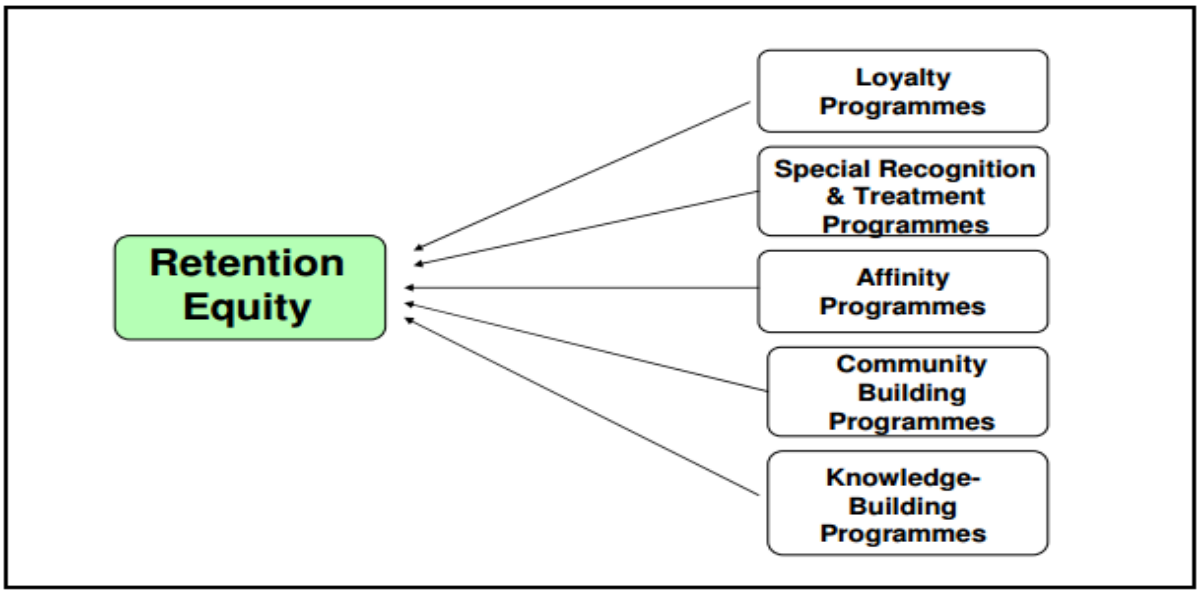


Figure 3: Retention equity drivers

Source: Lemon, et al. (2001)

However, customers are not all profitable and companies treat the most profitable customers better (Söderlund & Colliander, 2015). Notably, Meyer-Waarden (2015) acknowledges prior researcher use of diverse terms such as reward programmes, frequency reward programmes, frequent-shoppers programmes, and frequent-flier programmes. The value of a loyalty programme is dependent upon the customer appreciation of its benefits or rewards (Lee, Tsang & Pan, 2015). Successful loyalty programmes can be implemented as long as clear company goals are established, along with suitable systems for implementation and measurement (Lee, et al., 2014).

According to Uncles, Dowling and Hammond (2002) and Zhang and Breugelmans (2012) due to the information technology advances, companies have established a CRM tool to adopt customer loyalty programmes. Notably, the foremost value of a loyalty programme is to increase sales and retain valued customers (Bolton, et al, 2000; Lee, et al., 2015; Lima & Lee, 2015). Gomez, et al. (2006) believe that companies use loyalty programmes as a marketing strategy to secure customer loyalty. A successful loyalty programmes signifies the company's investments to the long-term beneficial relationship with its customers (So, Danaher & Gupta, 2015). Loyalty programmes form part of a key strategic responsibility by attracting and retaining customers (Noble, Esmark & Noble, 2014). When the programme is

striking, customers may perhaps come to develop a relationship with the programme rather than the company or brand (Lee, et al., 2015).

Yi and Jeon (2003) conclude that loyalty programmes have the following propositions, customers want an intimate bond with the products that they purchase, these customers demonstrate a behaviour of being loyal, are a profitable segment and are loyalty to the programme. Companies want to have strong bonds with their customers (Beneke, et al., 2015). Further, Dowling and Uncles (1997) deduce that loyalty programmes are beneficial for the following reasons, serving loyal customers is cost effective, they are less price sensitive, more profitable, loyal and become advocates for company. Customers are members of more than one loyalty programme (Berman, 2006; Dorotic, et al., 2010). Loyalty programmes no longer determine a company's competitive advantage, as they lack a unique value proposition. More importantly, the main objective of customer loyalty programmes is to cultivate customer retention, increase satisfaction and drive value for customers (Beneke, et al., 2015). The success of a loyalty programme lies on condition that customers obtain specific rewards (Zakaria, Rahman, Othman, Yunus, Dzulkipli, & Osman, 2013). The perceived benefits are the key drivers of a loyalty programme in that the rewards encourage customer loyalty and a long-term relationship with the loyalty programme company (Lee, et al., 2014).

Consequently, loyalty programmes diminish doubt for customers regarding future prices, when consumers purchase a first unit, they are doubtful of the value of a repeat purchase from the same company in the future (Lima & Lee, 2015). Loyalty programmes can offer customers benefits in trade for repeat purchase to a company (Noble, et al., 2014). However, loyalty programmes are no longer a competitive benefit for attracting customer (Pazim, 2015).

Lee, et al. (2014) list five concerns of loyalty programmes.

1. Create barriers to switching in order to diminish customer defection.
2. Rewarding points is successful in creating loyalty and greater share of sales that could be made more frequently.
3. Customer loyalty programmes can create a need that was previously not there.

4. Successful loyalty programmes use the data collected to target certain customers and identify opportunities for various marketing activities.
5. Companies with a wider customer base can create the right reward point to leverage their loyalty programme in relationships with other partners.

Typology of loyalty programmes

Berman (2007) proposes the four widely used loyalty programme structures. The first type gives members extra discount at the cash till point, the second type gives members a free unit when they purchase X number of units, the third type gives members discount or points upon increasing purchases and the fourth type gives members points or price cut based on increasing purchases.

According to Oliver (2007) there are 15 million registered loyalty programme users in South Africa. It is assumed that the number has grown significantly since then. In their study of investigating the different effectiveness between Pick n Pay Smart Shopper and Woolworths Wrewards loyalty programmes from a design perspective, Beneke, et al. (2015) found that accumulated point reward loyalty programmes are influenced by the elements of their design and are related to the customers preference, the elements such as the type of reward, reward design, reward range and the likelihood of achieving rewards are identified as the critical success factors of loyalty programmes. By and large, they found that customers prefer immediate rewards rather than collecting points over long periods (Beneke, et al., 2015).

In 1994, SAA Voyager become the first loyalty programme to be implemented, Clicks ClubCard followed in 1996, Discovery Health Vitality arrived in 1998, in 1999 and 2000 entered MTN MTNcallAwards and FNB eBucks respectively (Olivier, 2007). eBucks enables customers to earn points for daily shopping activities using their bank card (eBucks, 2015). Nedbank Greenbacks Reward launched in 2005. Greenbacks gives points to customer for card spend and allows them to spend points with various partners (Nedbank Greenbacks, 2015). In 2010, Woolworths launched the WRewards loyalty programme based on a tier system according to how much the customer spends annually, customers who spend less than R8 400 fall under the valued tier category, customers who spend between R8 400 and R25 200 fall under the loyal tier category and customers who spend R25 200 and more fall

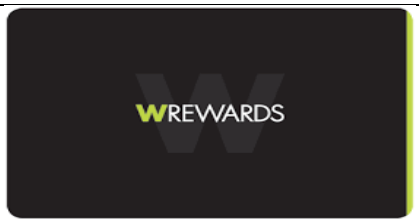
under the VIP tier category (Woolworths, 2015). The year 2011 saw the launch of Pick n Pay Smart Shopper which is designed on a point collection structure and the points collected are redeemable through vouchers that must be used within the supermarket.

In 2013 and 2014, Standard Bank launched UCount Reward and ABSA started ABSA Rewards respectively. In addition, more recently Spar launched My Spar Rewards that is mobile based, which is designed to save customers money through product coupons and gives customers discounts on certain products every week (Spar, 2015). These are just some of the widely known and used loyalty programmes in South Africa. Increasingly there has been a shift in loyalty programmes amongst the youth. Loyalty programmes are no longer just utilised by the older and mature market. Loyalty programme in this study is defined as a strategic marketing tool that offers benefits to loyal customer for purchases (Yi & Jeon, 2002).

Below is a summary of the various top loyalty programmes in South Africa. It is evident that the retailer loyalty programmes are more popularly used and have some level of similarity in acquiring points based on how much the customer spends. This reinforces the huge interested amongst customers. Loyalty programmes date back to 1998.

Table 2. Summary of top loyalty programmes in South Africa

Name of the company	Loyalty programme	Launch date	Benefits	Annual fee
1. Pick n Pay	Pick n Pay Smart Shopper	2011	One point per R1 spent	No
2. Woolworths	WRewards	2010	Tiered system (customers who spend	No

			between R8400-R25200 get promoted to loyalty tier and customer who spend more than R25200 form part of the VIP tier). Members get the first 90 minutes during sales	
3. Clicks	Clicks Clubcard 	1996	A point for every R5 spent and earn cash vouchers when they earn 100 points over three months	No
4. Dis Chem	Dis Chem Loyalty Benefit Programmeme 		Personalised benefits that are specific to the members' interest. R10 earns 15 points. For every 100 points redeemed the customer gets R1 off purchases	No

5. Edgars	Thank U Card 	2012	10 points for every R10 spent	No
6. Discovery	Vitality 	1998	Save cash with various partners ie save 35% on local flights and 25% on car rental. 80% of gym membership	No

Source: Author's own from literature reviewed (2015)

2.7 Repeat purchase behaviour

Repeat purchase is the main source of revenue for companies (Hsu, Chang & Chuang, 2014). Researchers and marketers have labelled customers who repeat purchase as loyal customers (Liu-Thompkins & Tam, 2013), recognising that past purchase behaviour often leads to continued behaviour (Martin, Mortimer & Andrews, 2015). According to Eason, et al. (2015) the revenue generated by loyal customers continues to grow the longer the customers remain loyal to the company, thus, loyal customers will not only pay a premium price for products, they will continue to purchase more over time as long as the loyalty is maintained. Chinomona and Dubihlela (2014) affirm that customers are keen to purchase over longer periods at the same company. In practice, loyalty programmes reward repeat purchase behaviour (Liu, 2007; Jai & King, 2015) which encourage customers to purchase more and remain loyal to the company or brand (Meyer-Waarden & Benavant, 2006).

Bolton, et al. (2000) report that customers make repeat purchases on the basis of prior repeat purchase behaviour and satisfaction. Ayadi, Giraud and Gonzalez (2013) acknowledge impulsive purchases as proving to be lucrative for companies. Loyalty programme should demonstrate an increase in repeat purchase behaviour from its members (Meyer-Waarden & Benavent, 2009). Amine (1998) differentiates the consistent purchase behaviour namely, consistent purchase intention, inertia repurchasing and true brand loyalty. Paul, et al. (2008) propose the characteristics of customer repeat purchase behaviour as mainly consisting of availability, service product, service environment, service delivery, expertise and reliability. Loyalty programmes are ideally the only marketing tool that seeks to bring about repeat purchase behaviour (Sharp & Sharp, 1997). Ou, Shih, Chen, and Wang (2011) maintain that loyal customers are likely to have repeat purchase intention. Repeat purchase behaviour in this study is defined as customers repeatedly purchasing goods and services from a provider (Paul, et al., 2009).

Purchase frequency

Relationship marketing makes less sense if customers purchase less frequently, thus loyalty programmes provide the largest benefit when customers purchase more frequently (Leenheer & Bijmolt, 2008). Customers with high frequency have the potential to drive the success of a loyalty programme (Leenheer & Bijmolt, 2008). In addition, loyalty programme members make a significant number of visits to the provider and purchase far more than customers without memberships (Gomez, 2006).

Attitudinal loyalty

This is a deeply held commitment to repeat purchase the same brand in the future (Liu-Thompkins & Tam, 2013; Caceres & Paparoidamis, 2007). A customer is committed to the brand (Liu-Thompkins & Tam, 2013). Attitudinal loyalty first translates into a strong intention to buy from the brand and repeat purchase behaviour, however not all repeat purchase are as a result of attitudinal loyalty (Liu-Thompkins & Tam, 2013). Clearly, attitudinal behaviour plays a role in repeat purchase behaviour. Meyer-Waarden and Benavent (2009) suggest that loyalty programmes reinforce repeat purchase behaviour rather than influence attitudes and

commitment. A consistent attitude must be strengthened with a positive attitude (Amine, 1998). Repeat purchase is a sign of some typical key factors of attitude, therefore commitment and repeat purchase decision therefore is influenced by the customer's attitude (Rasheed & Abadi, 2014). Tanford (2013) argues that members of loyalty programmes who have attitudinal loyalty, tend to have behavioural tensions. Attitudinal loyalty growth through loyalty programme membership might be directed toward the programme or the company (So, et al., 2015). However, little is recognised about the connection between loyalty programme membership and attitudinal loyalty (So, et al., 2015).

Behavioural loyalty

Continuing to purchase from the same company and increasing the frequency, reinforce the ongoing tendency to buy the same brand (Moore & Sekhon, 2005). Loyalty to the company is as a result of repeated satisfaction (Moore & Sekhon, 2005). Empirical findings support the positive relationship between commitment, repeat purchase and behavioural loyalty (Omar, et al., 2010). Being a loyalty programme member is not a sufficient condition for behavioural loyalty (Demoulin & Zidda, 2008). If the loyalty programme rewards loyalty adequately, repeat purchase behaviour should persist (Meyer-Waarden & Benavent, 2009). The significance of loyalty programme membership on behavioural loyalty measures, share of wallet, purchase frequency and cross-buying quantity is regularly demonstrated in the literature (So et al, 2015).

2.7.1 *Repeat purchase behavioural changes*

The perceived rewards of the loyalty programme ought to drive repeat purchase (Meyer-Waarden & Benavent, 2009). Consequently, Sharp and Sharp (1997) deduce that loyalty programme members have to show the subsequent repeat purchase behavioural changes, mainly to lower the defection to non-loyalty programme companies, increase loyalty programme usage occasion, increase share of split of wishes to the loyalty programme, increase repeat-purchase frequency, larger tendency must be entirely loyal to the company, larger tendency to change between programme and brands, lastly, show a lower tendency to change to a non-loyalty programme company.

2.8 South African youth: overview

According to Brand South Africa (2014) the South African youth are the fastest growing age group in the total population. Youth development is a high priority for the government (BrandSA, 2014). StatsSA (2014) asserts that South Africa has a young population that is made up of 40 percent of the people between the ages 15-35, an increase from 37 percent in 2009 (Makiwane & Kwizera, 2008). This is likely to plateau at these soaring levels for the subsequent 20–30 year (Makiwane & Kwizera, 2008). The United Nations State of the World Population report (2014) reveals that nine out of ten people between the ages 10-24 are from developing countries. The report advocates for youth investments as being critical for the growth of the country. Oosthuizen (2014) states that the labour income of 25 year olds is at a 41.9% peak. In addition, Oosthuizen (2014) found that 14% of 15–24 year olds are employed; South Africa normalised per capita labour income for 24 year olds.
Furthermore, Hart and Nassimbeni (2013) list the major socio economic challenges faced by the South African youth.

- About 42% of young people under the age of 30 are unemployed compared with fewer than 17% of adults over 30.
- Only one in eight working age adults under 25 years of age has a job compared with 40% in most emerging economies.
- 86% of unemployed young people do not have formal further or tertiary education.

Youth is defined, according to StatsSA (2014) as young people aged between 15-24 The National Youth Policy (2015) refers to the youth as young people between the ages 14-35. For this study, the youth is defined as young adults between the ages of 18-24.

2.9 Conceptual model and hypothesis development

Loyalty programmes and customer satisfaction, customer trust and customer commitment

Increasing customer satisfaction in any company starts with the evaluation of the service quality, evaluating customer satisfaction levels according to selected criteria to assess future performance (Aydin, Celik & Gumus, 2015). The evaluation of the service features must match the relative meaning customers connect to the company (Mouwen, 2015). Companies implement loyalty programmes to increase their customer's satisfaction and prevent their customers from defecting to their competitors (Zakaria, et al., 2014). Demoulin and Zidda (2008) found that company loyalty and brand loyalty is driven by customers that are satisfied with the loyalty programme and are less likely to be influenced by the competitors' loyalty programme. Loyalty programmes can raise customer satisfaction (Gomez, et al., 2006). As argued above, It is hypothesised that:

H1. Loyalty programmes have a positive influence on customer satisfaction

Trust is a vital component for creating and maintaining successful relationships (Morgan & Hunt, 1994). A loyalty programme enables a relationship between the customer and company to be built to reinforce the concept of trust and commitment (Gomez, et al., 2006). A loyalty programme favours the customer's trust and commitment to the company (Gomez, et al., 2006). Trust is the level of confidence that the loyalty programme members have on the loyalty programme and that their likely behaviour will translate to a valued outcome with the company (Omar, et al., 2009). Therefore, it is hypothesised that:

H2. Loyalty programmes have a positive influence on customer trust

Empirical research found that loyalty programmes do support customer recognition of switching costs, therefore building customer commitment and retention (Lee, et al., 2015). Lim and Lee (2015) note loyalty programme as the pre-commitment to a low future price by the company. The reward type has an influence on the customer's commitment towards the loyalty programme (Noble, et al., 2014). It is the role of commitment that underlines the effectiveness of loyalty programmes

(Garnefeld, et al., 2012). Loyalty programmes help build customer commitment and it shows that the company is committed to the customer's needs (Liu, 2007; Yi & La, 2004). It is unlikely that a customer is fully committed to a single brand or company, still loyalty programmes can improve commitment and minimise customer defection (Liu, 2007). Loyalty programme rewards produce commitment (Lee, et al., 2015). Furthermore, Liu (2007) believe that customers are committed to a loyalty programme that they trust. Mattila (2006) acknowledges that commitment has an influence on a loyalty programme through the shared emotional ties. Thus, the hypothesis is:

H3. Loyalty programmes have a positive influence on customer commitment

Customer satisfaction, customer trust and customer commitment on repeat purchase behaviour

Satisfaction and the profit chain agenda suggests that profits come from customer retention that occurs from high levels of customer satisfaction, which is achieved by delivering quality product or service (Mathe-Souleka, Slevitch, Dallinger, 2015). Satisfied customers are likely to engage in repeat purchase (Choiu & Droge, 2006; Martínez & del Bosque, 2013). However, Mägi (2003) contrasts that satisfied customers do not necessarily demonstrate high levels of repeat purchase behaviour, which, in most cases, is the desired outcome. Service quality motivates repeat purchase behaviour and secures customer loyalty (Leong, Hew, Lee & Ooi, 2015). Furthermore, Yi and La (2004) dispute that customers with inferior satisfaction thresholds have a superior level of repeat purchase behaviour. Consequently, Gomez, et al. (2006) state that high expectations drive the increase in repeat purchase. Satisfied customers will concentrate a large share of their expenditure on that company (Mägi, 2003). There is a notable interrelationship between customer satisfaction and repeat purchase behaviour (Yi & La, 2004; Mägi, 2003). With this argument, the hypothesis is stated as:

H4. Customer satisfaction has a positive influence on repeat purchase behaviour

Choiu and Droge (2006) suggest that the customers' post purchase satisfaction of high involvement products is influenced by trust. Financial rewards also reinforce trust and commitment and, for the most part, are successful in establishing a primary relationship with customers (Lee, et al., 2015). The prediction of repeat purchase intention put forward that there is an exchange between trust and repeat purchase behaviour (Chiu, Hsu, Lai & Chang, 2012). Some studies reject the significance of trust on repeat purchase behaviour, which is not in line with the mainstream view that there is in fact a relationship between the constructs (Chiu, et al., 2012). With this argument, this study put forward that there is significant relationship between customer trust and repeat purchase behaviour. As such the hypothesis is stated as follows:

H5. Customer trust has a positive influence on repeat purchase behaviour

Commitment is critical for purchase behaviour (Caceres & Paparoidamis, 2007). Customers who consistently repeat purchase are committed to the company (Gomez, et al., 2006). There is a deeply held commitment to repeat purchase the same brand in the future (Liu-Thompkins & Tam, 2013; Caceres & Paparoidamis, 2007). Repeat purchase is a sign of some typical key factors of attitude, therefore commitment and repeat purchase decision are influenced by the customer's attitude (Rasheed & Abadi, 2014). Empirical findings support the positive relationship between commitment, repeat purchase and behavioural loyalty (Omar, et al., 2010). Therefore, the proposed hypothesis is:

H6. Customer commitment has a positive influence on repeat purchase behaviour

Based on the previous argument, this paper examines the mediating influence of customer satisfaction, customer trust and customer commitment in the relationship between loyalty programmes and repeat purchase behaviour (figure 4).

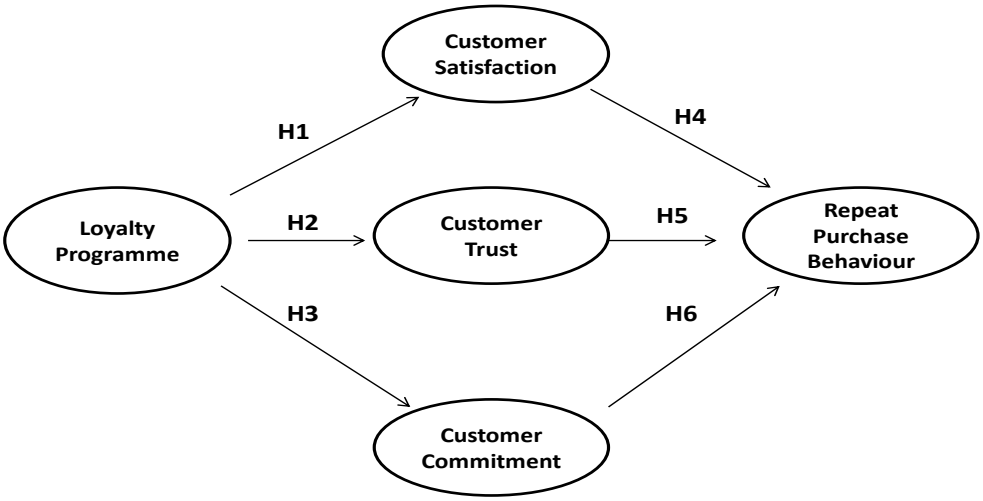


Figure 4: Conceptual model

Source: Authors own after reviewing the literature (2015)

2.10 Summary

In line with the social exchange theory, an organisation needs to have a relationship with its customers and the benefits of the relationship should outweigh the costs. Furthermore, the relationship marketing and commitment trust theories maintains companies should build commitment and trust with their customers. The key literature from prior scholars clearly suggests there is a relationship between loyalty programmes and repeat purchase. Scholars also acknowledge loyalty programmes as a strategic tool to retain and reward loyal customers. Some findings have suggested that customer satisfaction, customer trust and customer commitment may or may not drive repeat purchase behaviour amongst loyal customers. However, it is noted that there may be differences in these relationship in a developed country versus a developing country context. The next chapter discusses the research methodology utilised in this study.

CHAPTER 3. RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research paradigm and research approach that was used in this study. A review of a research design and sample method pertaining to this study is discussed. In addition, this study made use of a suitable self-administrated questionnaire as the research instrument and the procedure of data collection is explained. An overview of the data analyses method is reviewed. Lastly, the chapter looks at the reliability, validity and model fit of this study and takes into account the ethical considerations.

3.2 Research paradigm

According to Collins (2010) research paradigm refers to the progress and nature of knowledge. The theory of the paradigm is essential to the research process in all aspects of study (Mangan, Lalwani & Gardner, 2004). There are three types of research paradigms, namely, pragmatic, constructivist and postpositivist. This study is particularly concerned with testing the knowledge pertaining to the mediating influence of customer satisfaction, trust and commitment in the relationship between loyalty programmes and repeat purchase behaviour. Creswell (2003) points out that the development of knowledge uses a postpositivist paradigm by means of a quantitative approach. Postpositivist researchers examine the causes that influence the outcome to further reduce ideas into smaller ideas, such as the constructs that form the hypothesis development (Creswell, 2003). Furthermore, Creswell (2003) states that postpositivist researchers commence with a theory, collects the data and either accept or disprove the theory. In light of this, postpositivism is the research paradigm location that was used in this study.

Creswell (2003) list key assumptions of postpositivism as follows:

1. Knowledge is abstract, the whole truth can never be established. Thus, empirical findings are always unsatisfactory and weak.

2. Research is the procedure of building claims and then enlightening or discarding some of them for other claims more robustly acceptable.
3. Rational, data and evidence considerations form the knowledge. Traditionally, the researcher collects data on research instruments based on measurements completed by the research respondents
4. Researchers search for the development of relevant factual statements that can provide the explanation to situations that describe the causal relationships between constructs. In quantitative studies, researchers pose those constructs as hypotheses.
5. Objectivity is a critical part of knowledgeable inquiry and researchers must study methods and findings for bias.

3.3 Research strategy

According to Bryman (2012) a research strategy is a common course to perform social research. Neuman (2014) defines research strategy as designing and developing a study to lead a researcher during the research process. Furthermore, Creswell (2014) defines it as the plans and the actions detailing methods of data collection, analysis, and interpretation. Researchers can make use of three research strategies namely, quantitative, qualitative and mixed methods. This study utilised the quantitative research strategy to test the stated hypotheses.

The strength of a quantitative research strategy is that its findings create scientific, reliable data that, more often than not, is generalised to a larger population (Bein, 2009). A researcher using quantitative research seeks to understand the interrelationship between constructs (Taylor, 2000). Quantitative research can be understood as a research strategy that accentuates quantification in the collection and analysis of data (Bryman, 2014). Malhotra (2010) acknowledges it as a research methodology that tends to quantify the data and, usually, applies some form of statistical analysis. Furthermore, Wagner, Kalluwich and Garner (2012) describes quantitative research as a social phenomenon through methodical numerical means, such as the function of mathematical statistical processes. Slife and Melling (2012) list the disadvantages of quantitative research, namely that knowledge is thin, omits significant details on the background and certain variables cannot be translated to

the language of numbers. The Intention of this study was to test or refute the interrelationship between the constructs.

3.4 Research design

A selection of research designs mirrors decisions about the precedence being given to the range of scope of the research process (Bryman, 2012). According to Malhotra and Peterson (2006) research design is the structure for conducting a research detailing the process essential to gathering the data to solve the research problem. According to (Hair, et al., 1998) exploratory research, descriptive research and causal research are the research design used by researchers: exploratory research is utilised when the researcher has limited knowledge about the problem or opportunity, in order to reveal theme, ideas, relationships and patterns; descriptive research is utilised to connect data which pronounces the features of the topic of interest in the research, this design consists of cross-sectional and longitudinal analysis with the former describing the occurrence or event at a specific time and the latter describing the occurrence or event over time; causal research inspects if one occurrence or event influences another. Surveys and experiments are the strategies associated with quantitative research (Creswell, 2003). Surveys encompass longitudinal and cross-sectional studies that use questionnaires as the research instrument for data collection with the purpose of generalising from a small sample to a larger population (Creswell, 2003). Cross sectional is the research design used in this study.

Levin (2006) indicates that cross sectional study is useful when studying the association or relationship between constructs. A cross sectional study is valuable when trying to test hypotheses (Mann, 2003). The research respondents are measured once (Malhotra & Peterson, 2006). Therefore, as described in the theory, it is an appropriate research design to test and refute the relationships between constructs. According to Bryman (2012) a cross sectional design involves the collection of data on more than one situation and at a particular moment in order to collect a body of quantitative or quantifiable data in connection with two or more variables, which are then examined to identify patterns of relations. It embraces any research that views information on a variety of situations at a given point in time

(Neuman, 2014; Babbie, 2015). Questionnaires are the strategies associated with quantitative research (Creswell, 2014). Levin (2006) reflects some advantages to this approach, namely, that it is inexpensive and takes little time to conduct, many constructs can be assessed and can approximate occurrence of the outcome. In addition, Malhotra and Peterson (2006) affirm that it is simple to select a representative sample, whose characteristics of interest are a reflection of the entire population. Levin (2006) also acknowledges the disadvantages such as casual inference are difficult to make and the time frames have differing results.

3.5 Research procedures and methods

3.5.1 *Population*

The identification of the study population is necessary for the formulation and running of any test (Klein & Meyskens, 2001). When defining a target population, a researcher should indicate clearly the characteristics of the target population that apply directly to the study. According to Bryman (2012), Neuman (2014) and Babbie (2015) large target population is the basics from which a sample is to be drawn and findings generalized. It is the basis for the collection of fundamentals that have the information required by the researcher (Malhotra, 2010). The population was the South African youth. All registered students from the University of the Witwatersrand between the ages 18-24 formed part of the sample population.

3.5.2 *Sample and sampling method*

A sampling design should be simple to implement, efficient, and should cover various approaches to measure the sample to be generally applicable (Grafstrom, 2010). The sampling method most appropriate for this research was non-probability sampling, as it provides every unit within the population an equal chance to be sampled (Gaplin, 2011; Daniel, 2011). Researchers can use probability or non-probability as a method of sampling. Five probability sampling methods used for quantitative research are namely; simple random sampling, systematic sampling, stratified sampling, cluster sampling and multi-stage sampling. However, due to the nature of this study, convenient sampling was utilised. Non probability sampling is a

method used in some way not suggested by probability theory (Babbie, 2003). Probability sampling consists of a random procedure with which every person in the target population has the same chance of being selected (Wagner, Kawulich & Garner, 2012). For this study, non-probability sample was used as the population is unknown. The probability of any individual within the research population being chosen is unidentifiable, as the research respondents are selected on the foundation of convenience (Zikmund & Babin, 2006). Convenient sampling is appropriate where the objective is to gain insights and develop hypotheses (Malhotra & Peterson, 2006). Non-random sampling is used based on the ease and convenience of the sample being readily available (Wagner et al, 2012). According to Bryman (2012) and Struwig and Stead (2015) convenient sampling is a sample that is selected due to its availability and access to the researcher. Non random sampling is used based on the ease and convenience of the sample being readily available (Wagner, et al., 2012)

3.5.3 *Sample frame*

A sample frame refers to the researched environment and the subjects used in a study (Yang, et al., 2006). The sample is drawn from a large group of registered university students between the ages of 18-24. 263 research respondents were selected from the population. The sample size was large enough to provide substantial data and conclusive findings. A large sample size is ideal for the data analysis software that was used in this study.

The profiles of respondents are the registered Witwatersrand University students between the ages of 18-24 years. 77.6% of the respondents were female and 22.4% were male, indicating most retail loyalty programme members are female. More than 50% of the respondents were between the ages 18-20 years. 39% of the respondents are in their third year of study. A quarter of the respondents are members of at least two retail loyalty programmes.

3.6 Data collection sources

The data collection technique that was used for purpose of this study included primary and secondary data collection techniques. Primary data refers to data that is collected specifically for the purpose of the investigation at hand (Churchill & Lacobucci, 2002). Secondary data, on the other hand, are statistics not gathered for the immediate study at hand but for some other purpose (Churchill & Lacobucci, 2002). In accordance with Bryman (2012) and Creswell (2014) several of the methods of collecting data cover observation interviews and questionnaires. The following table outlines the primary and secondary data sources used in this study.

Table 3. Primary and secondary data

Primary	**Secondary**
263 questionnaires	StatsSA website
	The United Nations State of the World Population report
	Woolworths website
	Pick n Pay website
	FNB website
	Nedbank website
	ABSA website
	Standard Bank website

	Academic journals

Source: Authors own after reviewing the literature (2015)

3.7 Research instrument and measurement items

A research instrument is a tool containing questions and other forms of items designed to obtain information suitable for analysis (Babbie, 2015). There are two types of data collection instruments: observation and interview schedule. This study utilised an interview schedule. Bryman (2012) defines interview schedule as an assortment of questions designed to be explored by an interviewer.

There are three structures of data collection instrument: unstructured, semi-structured, and fully structured. Fully structured interview schedule is employed in this study. Bryman (2012) states that a research interview occurs regularly in the setting of survey in which all respondents are asked to complete. Interviews are conducted according to an Interview guide that contains the precise wording of all questions to be put to the respondents (Wagner, et al., 2012).

The customer commitment (four measurement items) and satisfaction (four measurement items) items were adapted from a study by Bridson, et al. (2008). In addition, the trust items (four measurement items) were adapted from a study by Agudo, et al. (2010). Furthermore, loyalty programme items (seven measurement items) were adapted from a study by Evanschitzky, et al. (2012). Lastly, repeat purchase items (three measurement items) were adapted from a study by Gomez, et al. (2006).

Section A seeks to understand the demographic profiling of the respondents. This section was interested in the respondents' gender, age, university level, employment, income, leisure spend, number of retail loyalty programme membership and the retail loyalty programme membership category. This section forms part of the demographic profiling of the respondents. Section B tests the specific measurement items of each construct. Loyalty programme has seven measurement items, customer satisfaction has four measurement items, customer trust has four

measurement items, customer commitment has four measurement items and lastly, repeat purchase behaviour has three measurement items. The measurement items were tested using a seven point Likert scale. One being strongly disagree, five neutral and seven strongly agree.

Please see appendix A for the actual research instrument.

3.7.1 *Questionnaire pilot test*

Ten respondents were selected to pre-test the questionnaire. After completion, each respondent was asked to give feedback on the questionnaire and overall experience. The researcher observed the respondents completing the questionnaire. The respondents were timed and, on average, it took them 5-10 minutes to complete the questionnaire. Therefore, on the cover page of the questionnaire it was indicated that it will take the respondents 10 minutes to complete the questionnaire. Eight of the respondents indicated that they understood all the questions, while two of the respondents' wanted clarity on the third measurement item under repeat purchase behaviour. Consequently, the measurement item was re-worded in light of the feedback received. The pilot was important for this study as it allowed the researcher to ensure words were understood and were clear to the respondents. The other benefits included ensuring that respondents understood the instructions and if the questionnaire collects all the necessary information that is relevant for the study. Lastly, it highlighted the importance of having research tools such as enough pens.

3.8 Procedure for data collection

Research respondents were contacted at the University of Witwatersrand and drawn from the students present on campus on that specific day and at that time. 263 self-administrated questionnaires were handed out to the research respondents. However, to ensure data quality, a screening question "do you have a loyalty programme and have you been a member longer than a year?" was used to ensure that loyalty programme members participated in the study. In addition, the research respondents were briefed on what was expected and required from them. The research respondents completed the questionnaires on their own and handed them

back to the researcher to ensure a good response rate. The researcher collected the data on a one-on-one basis to ensure credibility of the data. This resulted in clean 263 questionnaires being collected with no discarded questionnaire.

3.9 Data analysis

There are two distinctive statistics used to interpret quantitative data, namely descriptive and inferential statistics (Wagner, et al., 2012). Descriptive analysis summarises data by means of frequency distributions, averages and percentage distribution (Zikmund, 2003). It allows the researcher to be able to interpret and understand the data. Descriptive analyses were produced and inferential analysis tested completed.

3.9.1 *Descriptive statistics using SPSS 22*

Descriptive analysis was undertaken using SPSS 22. The procedure of using SPSS implements the analysis of univariate and multivariate data (Bryman & Bell, 2015). SPSS output gives specific descriptive analysis (Bryman & Cramer, 2002). Descriptive statistics in this study explored the demographic profiling of the respondents through a representation of bar charts and tables found in the next chapter.

3.9.2 *Inferential statistics using IBM Amos for SEM*

IBM SPSS Amos conducts the common strategy to data analysis recognised as SEM (Arbuckle, 2013).

3.9.3 *Structural equation modelling*

Structural equation modeling (SEM) has become a revered statistical technique to test theory in several fields of knowledge (Hair, Anderson, Tatham, & Black, 1998; Schumacker & Lomax, 2004; Nusair & Hua, 2010). Structural Equation Modeling (SEM) was applied so as to examine the hypothesised relationship in the research model (Liao & Hsieh, 2013). Qureshi and Kang (2015) defined structural equation

modeling as a multivariate statistical technique, primarily engaged when studying relationships between latent variables (or constructs) and observed variables that constitute a model. SEM is a technique of multivariate statistical analysis, with the ability to measure the underlying latent constructs identified by factor analysis, and evaluating the paths of the hypothesised relationships between the constructs.

The study used SPSS 22 and IBM AMOS for Structural Equation Modelling (SEM). According to Suhr (2006) SEM is a statistical approach for the representation, estimation and testing of relationships between constructs, it tests hypothesis amongst measured constructs. Researchers are able to decipher theory into a model that can be tested (Violate & Hecker, 2007). SEM assists researchers to understand patterns of correlations between measured constructs (Suhr, 2006). Furthermore, Violate and Hecker (2007) state that one of the major advantages of SEM over other methods is that it is a confirmatory approach that tests hypothesized relationships between constructs and it is a multivariate technique.

The data was coded in Excel by allocating a number to each measurement item and after data collection, the researcher conducted the data screening process proposed by Malhotra (1993) and Churchill and Lacobucci (2002) which was done to ensure data was cleansed before conducting any additional statistical analysis. Screening the data is the initial stage towards obtaining further insight into the characteristics of the data (Chinomona, 2014). It is crucial to ensure the accuracy of data entries and assessment of outliers, before proceeding to analyse summary statistics for the survey responses. The foremost analytical tasks in the data screening process include questionnaire checking, editing, coding, and tabulation. Using SPSS 22, each data field was tested for mean and standard deviation, so as to identify any typographical errors, possible outliers and any other irregularities in the data collected. After the data cleaning, the data was imported into SPSS 22 and IBM AMOS. Thereafter, descriptive statistics analysis was conducted to understand each variable and Confirmatory Factor Analysis (CFA) was conducted. This course of action required identifying the set of relationships anticipated to be measured and determined how to identify constructs within the theoretical model (Nusair & Hua, 2010). After CFA, path modelling is evaluated. The scores are presented in the next chapter.

3.10 Validity, reliability and model fit

In research, validity and reliability ensures that the constructs measured are in line with the theoretical concepts. Validity and reliability are important in quantitative research (Creswell, 2003). The measurement tool should be able to measure literature concepts against the constructs being measured (Ribons & Wiersema, 2003). Further, Heale and Twycross (2015) define validity as the extent to which a construct is correctly measured in a quantitative study. Validity is measured by convergent and discriminant validity.

3.10.1 *Convergent validity*

Convergent validity demonstrates that a measurement instrument is extremely correlated with instruments measuring related constructs (Heale & Twycross, 2015). Convergent validity was examined using item loading, item to total correlation values and average variance extracted of each construct.

3.10.2 *Discriminant validity*

A measurement item must measure what it is supposed to measure. Discriminant validity was examined to measure inter-construct correlation matrix and shared variance versus Average Variance Extracted (AVE) of each constructs. By and large, all the measurement items are different from one another, therefore there is convergent and discriminant validity when the co-efficient scores are below 0.85 (Chinomona, 2014).

3.10.3 *Reliability*

Heale and Twycross (2015) define reliability as the accurate measure of an instrument and the research instrument consistently has the same results to prior studies (Heale & Twycross, 2015). Further, Rogelberg (2002) acknowledges that reliability is concerned with measurement error. Therefore, to ensure reliability, the study uses research instrument scale items from previous studies. In addition, the study conducted a pilot to test measurement items using a sample of 10 research respondents. The recommended threshold of 0,6 was suggested by Barakat,

Ramsey, Lorenz and Gosling (2015). Therefore, the study must meet Cronbach's Alpha score of 0.6. The Cronbach alpha score and composite reliability score is measured using SPSS and Amos to assess reliability of measurement items.

3.10.4 *Model fit*

Nusair and Hua (2010) assert that model fit is the degree to which the projected theoretical model was authenticated by the collected data. The evaluation considers how well the sample data fits previous models (Hooper, Coughlan & Mullen, 2008). Below are the categories and values that are acceptable for model fit testing (Chinomona, 2014). The model fit was examined using the following indicators.

- Chi-square value< 0.3
- Root mean square error of approximation (RMSEA) <0.08
- Goodness-of-fit index (GFI) >0.90
- Incremental fit index (IFI) >0.90
- Tucker Lewis index (TLI) <0.90
- Normed-fit index (NFI) > 0.90
- Comparative fit index (CFI) >0.90

3.11 Limitations of the study

The study relies on a quantitative research strategy using a self administrated questionnaire. This limited the respondents to a set of prescribed statements that they needed to agree or disagree with. It does not take into account personal insights or view on loyalty programme of which a qualitative research strategy could have possibly unpacked. Information cannot be contextualised to the reality of the respondents. In addition, it is inflexible to change the instruments once the study is in progress.

Furthermore, the study is limited to a specific time frame and does not observe loyalty programme members over a longer period to track purchase behaviour using loyalty programme data intelligence from the retailers. It is a snapshot of what is happening at a point in time.

3.12 Ethical consideration

Bryman (2012) acknowledges dialogues around ethical philosophy in social research, and possibly more purposely transgressions of these, that are inclined to revolve around definite issues that persist in different guises, but they have been helpfully broken down by Diener and Crandall (1978) into four key areas: 1. whether there is harm to respondents 2. Whether there is a lack of informed consent 3. Whether there is an invasion of privacy 4. Whether there is deception involved (Bryman, 2012). In addition, Babbie (2015) states that ethical issues are concerns, dilemmas and conflicts that arise over the proper way to conduct research. Ethics defines what is or is not legitimate to do or what normal research procedure involves. Many ethical issues require a researcher to balance two values, the pursuit of scientific knowledge and the rights of those being studied or of others in society. The researcher must weigh potential benefits such as advancing the understanding of social life, improving decision making or helping research respondents against potential costs such as loss of dignity, self esteem, privacy or democratic freedoms.

According to Rogelberg (2002) ethics focuses on presenting procedures for researchers to ensure ethical research. It was the aim of this research to be ethical at all times to ensure credibility of the data. Therefore, the following ethical considerations relating to this study are stated as follows.

No respondent was harmed or threatened to participate in the study. No physical or emotional harm was displayed by the researcher towards the respondents.

The cover page of the questionnaire ensured that respondents had informed consent to participant in the study by outlining the purpose and their role, and they understood exactly what they are being asked to complete.

Voluntary participation by all respondents was reinforced; there was no deception or coercion. At any point during the study, respondents who no longer wished to participate were excluded from the study. The researcher ensured there was freedom to choose not to participate in the study.

The study did not require any personal information from the respondents. All questionnaires were completed under strict anonymity.

3.13 Summary

This chapter looked at the worldview of a postpositivist researcher, research strategy and design and how it was suitable for the study. The sample and its characteristics were outlined followed by the research instrument adapted from previous studies. Lastly, the limitations and ethical considerations were discussed. The data analysis was also discussed and forms the basis of the next chapter.

CHAPTER 4. DATA ANALYSIS AND PRESENTATION OF RESULTS

4.1 Introduction

This chapter presents and discusses the findings that were obtained through empirical investigation. This chapter presents statistical analysis of data that was collected through a research questionnaire. For purposes of analysing the data, the Statistical Package for the Social Sciences (SPSS 22) was utilised. This chapter presents and explores the findings that were obtained through empirical investigation. To assess the validity of the scales, item to total values were assessed to see if these surpassed the required threshold of 0.5. The shared variance (HSV) was compared to average variance extracted (AVE) in order to observe if the AVE was greater than the HSV to confirm discriminant validity. Confirmatory factor analysis (CFA) and path modeling (PM) was conducted to check for model fit, and to test the hypothesis of the study.

4.2 Descriptive statistics

This section presents the descriptive statistics of measurement items from the research instrument. Descriptive statistics assists the researchers corroborate the ordinariness of the data collected and analysed (Krommenhoek & Galpin, 2013).

4.2.1 *Demographic respondent profile*

This section seek to understand the demographic profile of the respondents by presenting the gender slip between males and females, age distribution, university level, employability, monthly income, leisure spend, number of retail loyalty programmes and retail loyalty programme membership category.

Table 4. Gender distribution

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	59	22.4	22.4	22.4
	Female	204	77.6	77.6	100.0
	Total	263	100.0	100.0	

Source: Calculated from questionnaire results (2015)

The aim of this measure is to understand the male and female split to ascertain the gender distribution of the respondents. It can be observed in table 4 above that males represented 22.4% (59 out of 263) of the total sample as compared to females who represented 77.6% (204 out of 263) of the total sample.

Table 5. Age distribution

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-20 Years	134	51.0	51.0	51.0
	21-23 Years	120	45.6	45.6	96.6
	24 Years	9	3.4	3.4	100.0
	Total	263	100.0	100.0	

Source: Own compilation from questionnaire data (2015)

The aim of this measure is to understand the various age groups (18-20; 21-23; and 24) that the respondents fall in and to gather insights on which age group has the highest and lowest frequency. It can be observed in table 5 above that most of the respondents were represented by the 18 to 20 year old age group this being indicated by 51% (134 out of 263) of the total sample. The smallest age group was

the 24 years and above which was represented by 3.4% (9 out of 263) of the total sample.

Table 6. University level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	First Year Level	81	30.8	30.8	30.8
	Second Year Level	54	20.5	20.5	51.3
	Third Year Level	101	38.4	38.4	89.7
	Postgraduate Level	24	9.1	9.1	98.9
	Other Level of Study	3	1.1	1.1	100.0
	Total	263	100.0	100.0	

Source: Calculated from questionnaire results (2015)

The aim of this measure is to understand the university level of the respondents. The table presents the frequency of the first year, second year, third year, postgraduate level and other level of study. It can be observed in table 6 above that most of the respondents were in their third year of study indicated by 38.4% (101 out of 263) of the total sample. Respondents that stated they were at other levels of study accounted for 1.1% (3 out 263) of the total sample.

Table 7. Employment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Unemployed	225	85.6	85.6	85.6
	Employed (Full Time)	2	.8	.8	86.3
	Employed (Part Time)	36	13.7	13.7	100.0
	Total	263	100.0	100.0	

Source: Calculated from questionnaire results (2015)

This measure seeks to gather the employment states of the respondents by presenting how many of the respondents are unemployed or employed on a full or part time basis. It can be observed in table 7 above that the largest employment group was represented by the unemployed indicated by 85% (225 out of 263) of the total sample. Full time employees represented the smallest employment group indicated by 0.8% (2 out of 263) of the total sample.

Table 8. Monthly income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	R4000 & Less	247	93.9	93.9	93.9
	R4000-R5999	7	2.7	2.7	96.6
	R6000-R7999	4	1.5	1.5	98.1
	R8000-R9999	1	.4	.4	98.5
	R10000 & Above	4	1.5	1.5	100.0
	Total	263	100.0	100.0	

Source: Calculated from questionnaire results (2015)

The aim of this measure is understand the monthly income of the respondents. The income in this context is defined as bursary stipends, allowance from parents and income from formal and informal work. As seen in table 8 above, respondents with a monthly income of R4000 and less had the highest representation indicated 93.9% (247 out of 263) of the total sample. The least represented group was that of respondents who had a monthly income ranging between R8000 and R9999 indicated by (1 out of 263).

Table 9. Leisure spend

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	R999 or Less	180	68.4	68.4	68.4
	R1000-R1999	68	25.9	25.9	94.3
	R2000-R2999	9	3.4	3.4	97.7
	R3000-R3999	3	1.1	1.1	98.9
	R4000 & Above	3	1.1	1.1	100.0
	Total	263	100.0	100.0	

Source: Calculated from questionnaire results (2015)

Based on the income level, this measure seeks to understand how much other income goes towards leisure spend from R999 and less to R4000 and above. As seen in table 9 above the largest group was represented by respondents that spend R999 or less on leisure indicated by 68.4% of (180 out of 263). The smallest groups were represented by that spend R3000 to R3999 and R4000 and above on leisure.

Table 10. Number of retail LP membership

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Only One Loyalty Programmes	71	27.0	27.0	27.0
	Two Loyalty Programmes	74	28.1	28.1	55.1
	Three Loyalty Programmes	53	20.2	20.2	75.3
	Four Loyalty Programmes	31	11.8	11.8	87.1
	Five Loyalty Programmes	21	8.0	8.0	95.1
	Six Loyalty Programmes	3	1.1	1.1	96.2
	Seven Loyalty Programmes	7	2.7	2.7	98.9
	Nine Loyalty Programmes	1	.4	.4	99.2
	Twelve Loyalty Programmes	2	.8	.8	100.0
	Total	263	100.0	100.0	

Source: Calculated from questionnaire results (2015)

At the core of this study is to understand loyalty programmes from the retail sector. The aim of this measure is to see the phenomenon of how many retail loyalty programme memberships each of the respondents has. It can be observed in table 10 above that respondents with two loyalty programme memberships were the most represented, indicated by 28.1% (74 out of 263). Respondents with nine loyalty programme memberships were the least represented indicated by 0.4% (1 out of 263) of the total sample.

Table 11. Retail loyalty programme membership category

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Food Retail LP	81	30.8	30.8	30.8
	Clothing Retail LP	65	24.7	24.7	55.5
	Health & Beauty Retail LP	91	34.6	34.6	90.1
	Other LP	26	9.9	9.9	100.0
	Total	263	100.0	100.0	

Source: Calculated from questionnaire results (2015)

By and large, there are an assortment of retail loyalty programmes and it is pertinent to be able to break them down into simpler categories. Thus, this measure seeks to understand the frequency between the food, clothing, health and beauty and other retail loyalty programmes amongst the respondents. It can be observed in table 11 above that respondents with health and beauty loyalty programme membership were the most represented indicated by 34.6% (91 out of 263). The health and beauty programme membership is followed closely by respondents with food retail loyalty programme membership by 30.8% (81 out of 263). Respondents with other loyalty programme membership were the least represented indicated by 9.9% (26 out of 263) of the total sample.

4.2.2 *Results of measurement items*

This section presents the measurement items of each constructs in order to gauge the frequency across the Likert scale from strongly agree and disagree amongst the respondents. The results pertain to loyalty programmes, customer satisfaction, customer trust, customer commitment and repeat purchase behaviour.

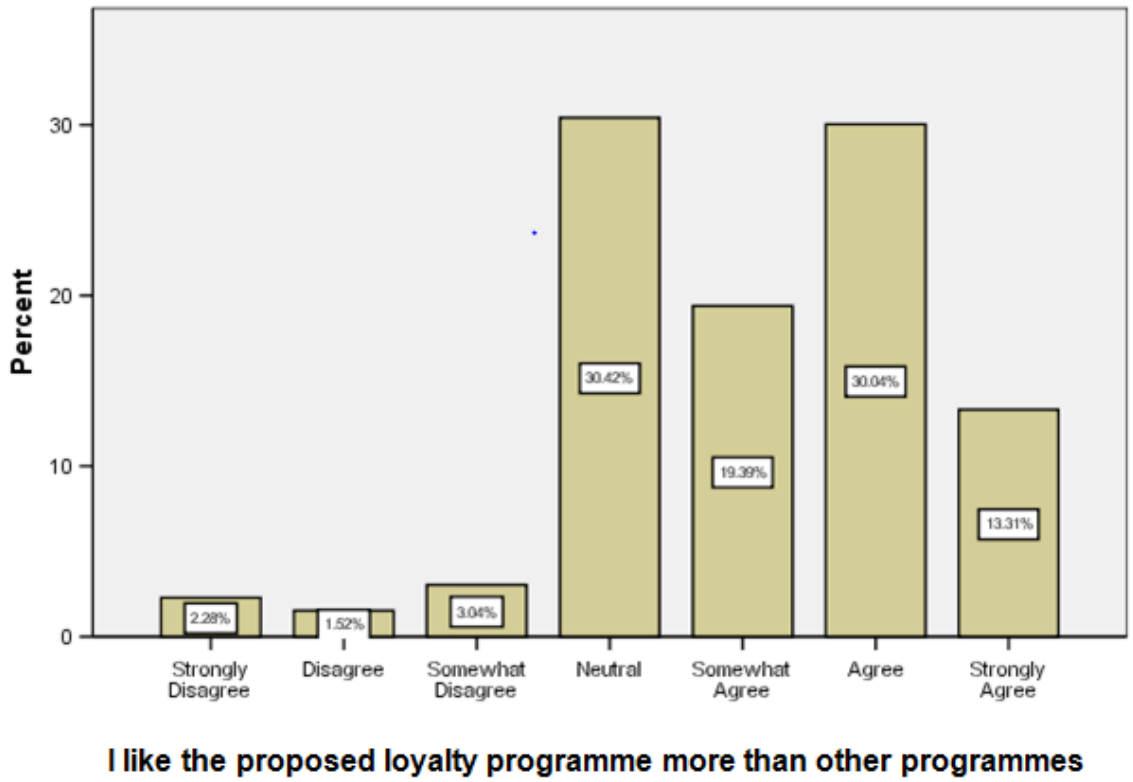


Figure 5. Measurement item LP1

Source: Calculated from questionnaire results (2015)

It can be observed in figure 5 above that most of the respondents are 30.40% neutral and 30.04% agree that they like the proposed loyalty programme more than other programmes. The smallest group represented 1.52% of the respondents and indicated that they disagree with the statement. Thus, indicating their dislike for the loyalty programme.

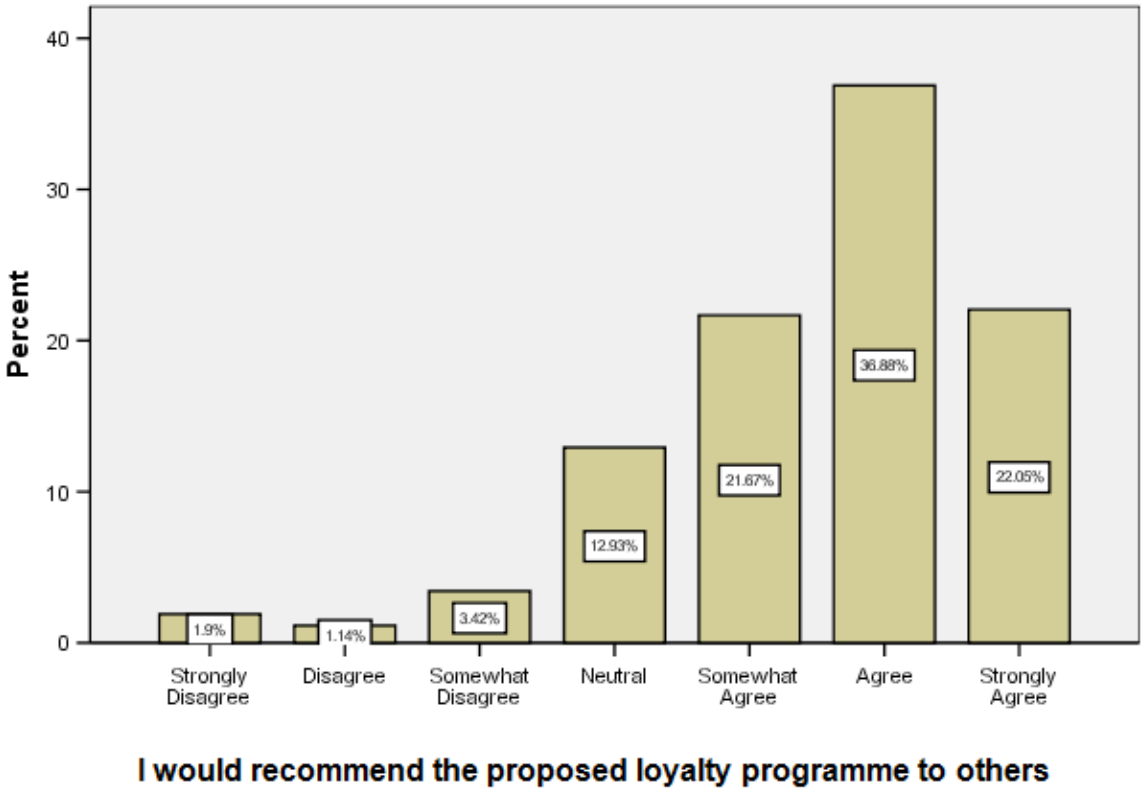


Figure 6. Measurement item LP2

Source: Calculated from questionnaire results (2015)

As seen in figure 6 above, the largest group was represented by 36.88% of the respondents that agree with the statement that they would recommend the proposed loyalty programme to others. The smallest groups which represent 1.14% of the respondents disagree with the proposed statement.

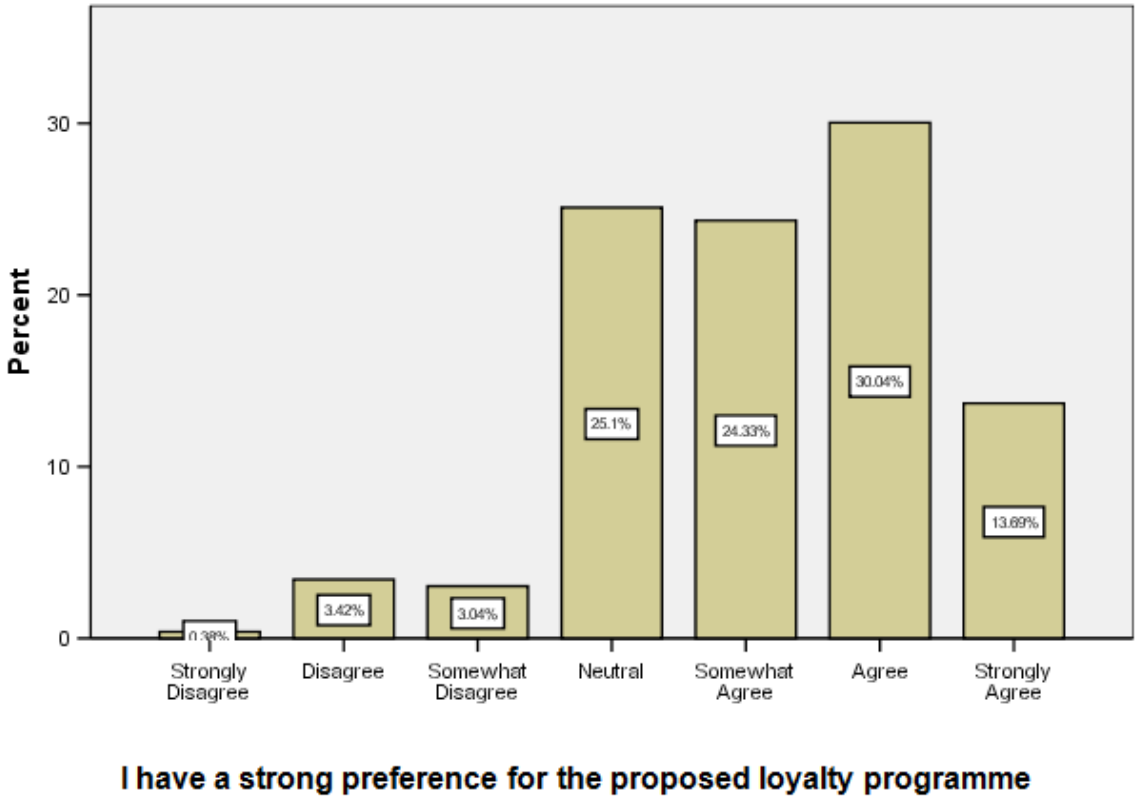


Figure 7. Measurement item LP3

Source: Calculated from questionnaire results (2015)

It can be observed in figure 7 above, 30.04% of the respondents agree that they have strong preference for the proposed loyalty programme. 0.38% of the respondents indicated that they strongly disagree with the preference of the proposed loyalty programme.

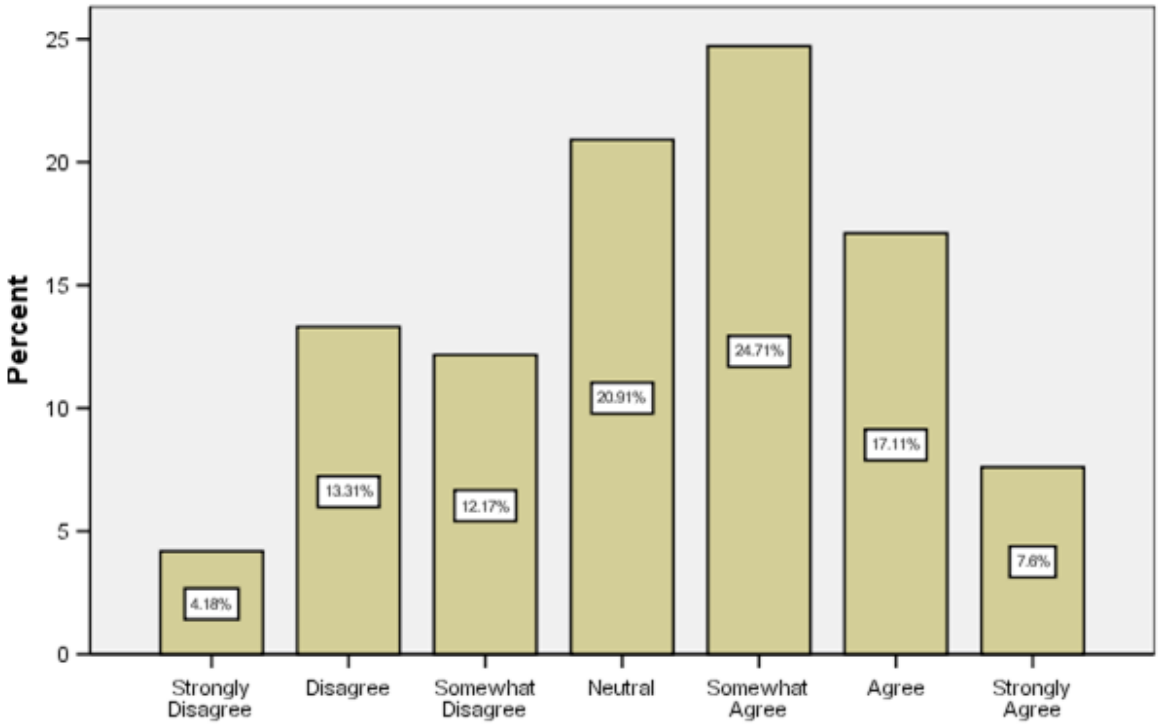


Figure 8. Measurement item LP4

Source: Calculated from questionnaire results (2015)

It can be observed in figure 8 above, that 24.71% of the respondents somewhat agreed that the proposed rewards have high cash value. 4.18% of the respondents indicated that they strongly disagree that the proposed rewards have high cash value.

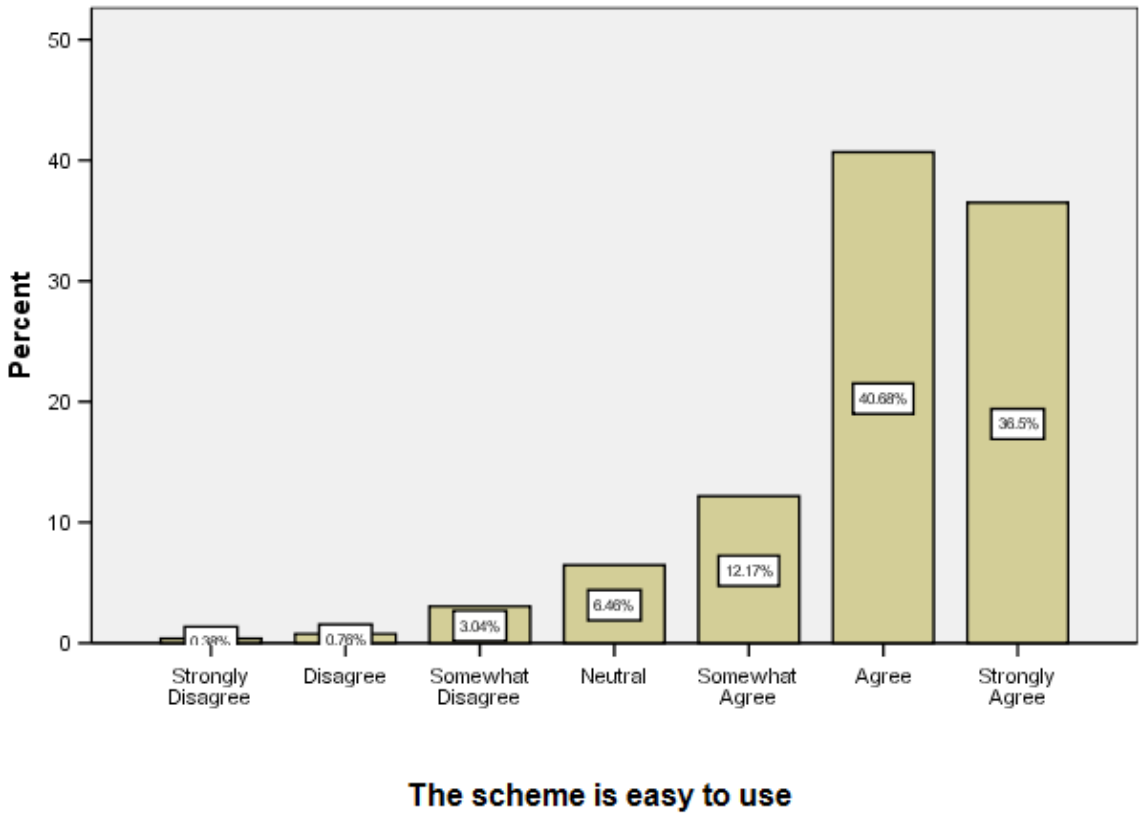


Figure 9. Measurement item LP5

Source: Calculated from questionnaire results (2015)

It can be observed in figure 9 above, that 40.68% of the respondents agree that the scheme is easy to use. 0.38% of the respondents indicated that they disagree that the scheme is easy to use.

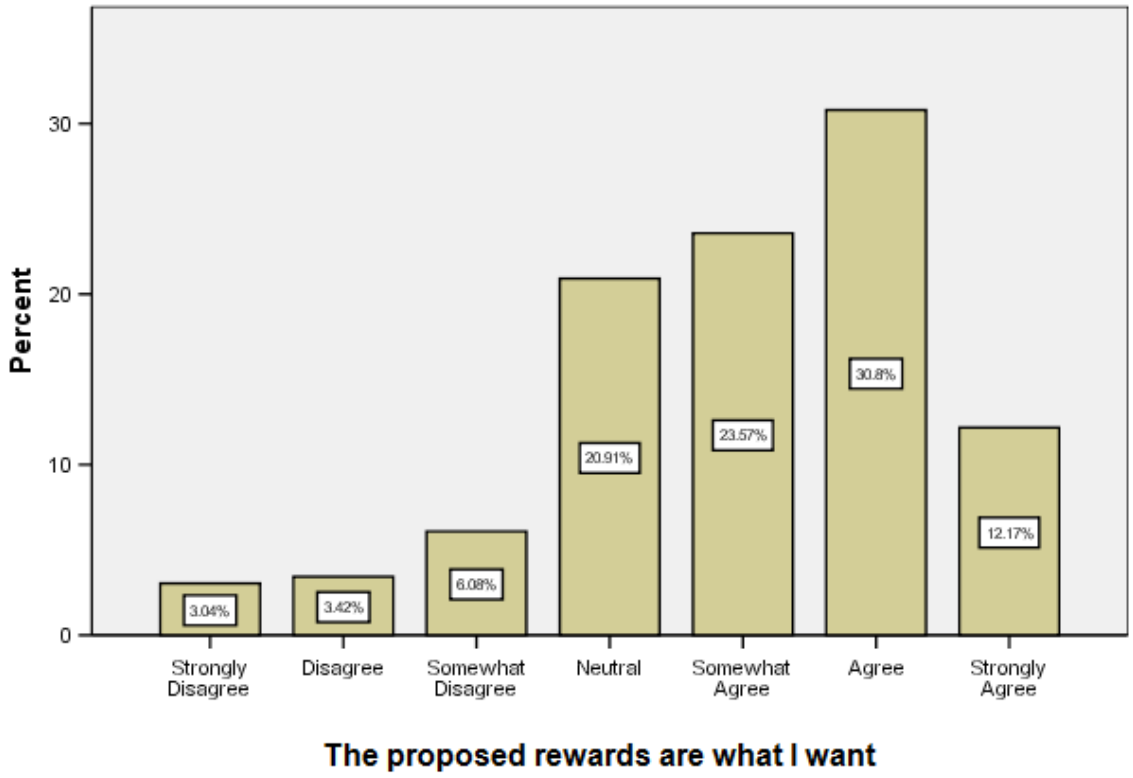


Figure 10. Measurement item LP6

Source: Calculated from questionnaire results (2015)

It can be seen in figure 10 above, that 30.8% of the respondents agree that the proposed rewards are what they want. 3.04% of the respondents indicated that they strongly disagree or while 3.42% disagree that the rewards are what they want.

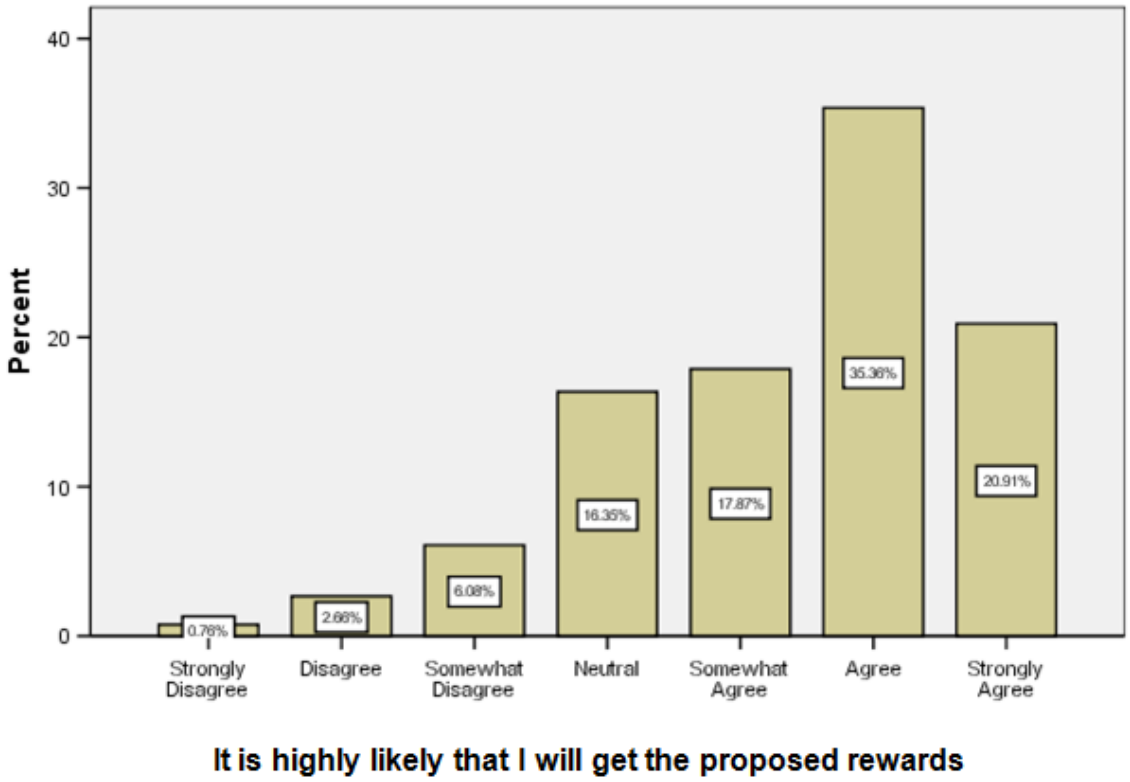


Figure 11. Measurement item LP7

Source: Calculated from questionnaire results (2015)

It can be observed in figure 11 above, that 35.36% of the respondents agree that they are highly likely to get the proposed rewards. 0.78% of the respondents strongly disagree that they are highly likely to get the proposed rewards.

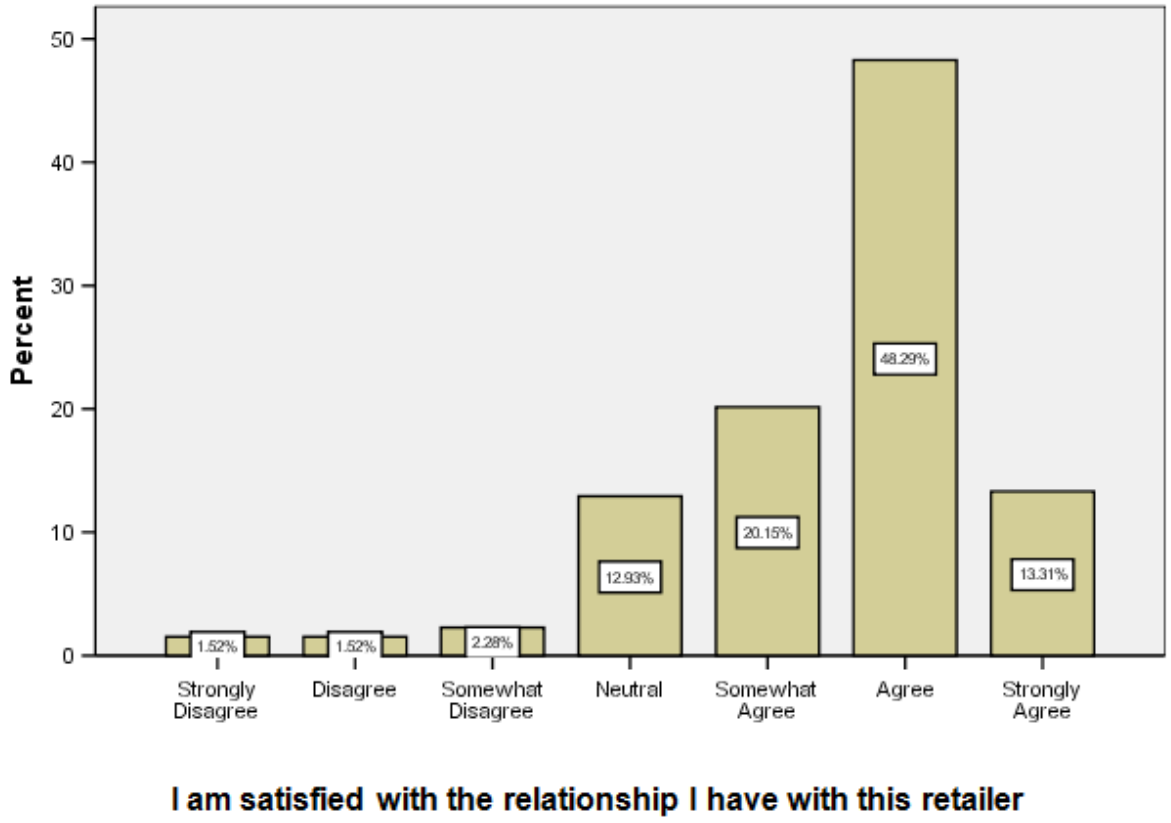


Figure 12. Measurement item CS1

Source: Calculated from questionnaire results (2015)

It can be seen in figure 12 above, that 48.29% of the respondents agree that they are satisfied with the relationship they have with the retailer. While an equal number of 1.52% respondents strongly disagree and disagree that they are not satisfied with their relationship.

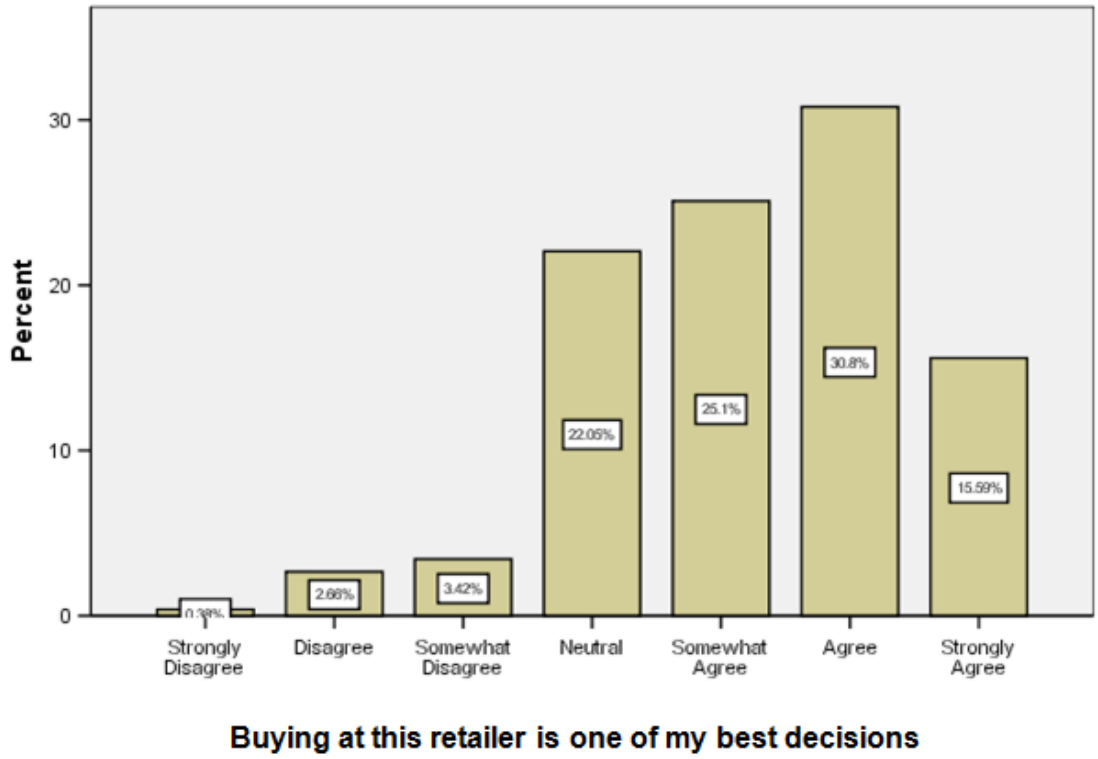


Figure 13. Measurement item CS2

Source: Calculated from questionnaire results (2015)

It can be observed in figure 13 above, that 30.8% of the respondents agree that buying at the retailer is one of the best decisions. 0.38% of the respondents indicated that they strongly disagree with the statement.

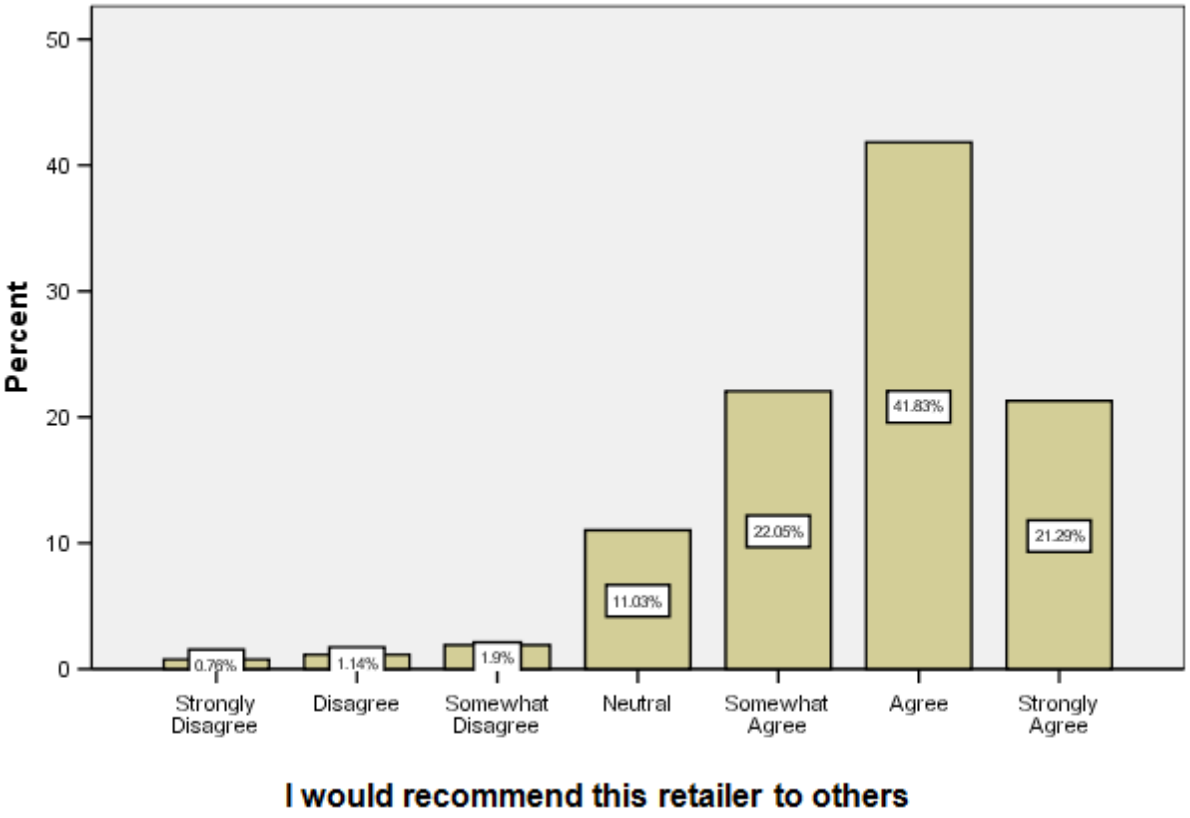


Figure 14. Measurement item CS3

Source: Calculated from questionnaire results (2015)

It can be detected in figure 14 above, that 41.83% of the respondents agree that they would recommend their retailer to others. 0.78% of the respondents indicated that they would not recommend their retailer it to others.

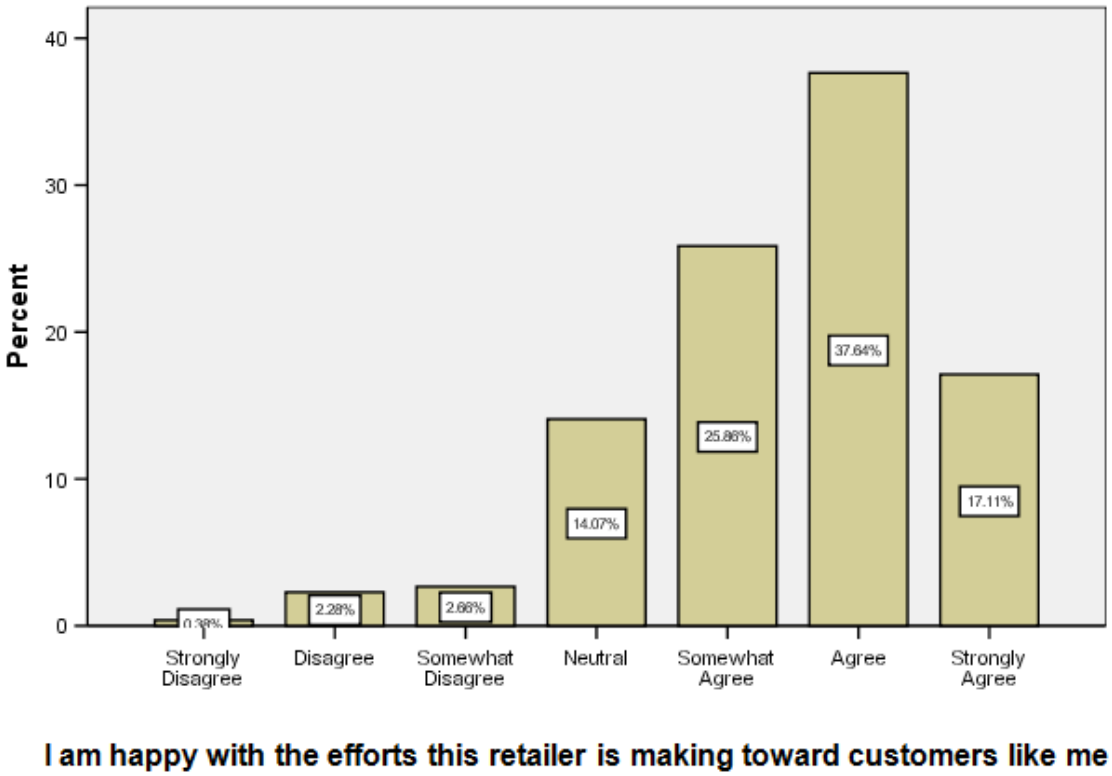


Figure 15. Measurement item CS4

Source: Calculated from questionnaire results (2015)

It can be detected in figure 15 above, that 37.64% of the respondents agree that they are happy with the efforts the retailer is making toward customers like them. 0.38% of the respondents indicated that they strongly disagree with the statement.

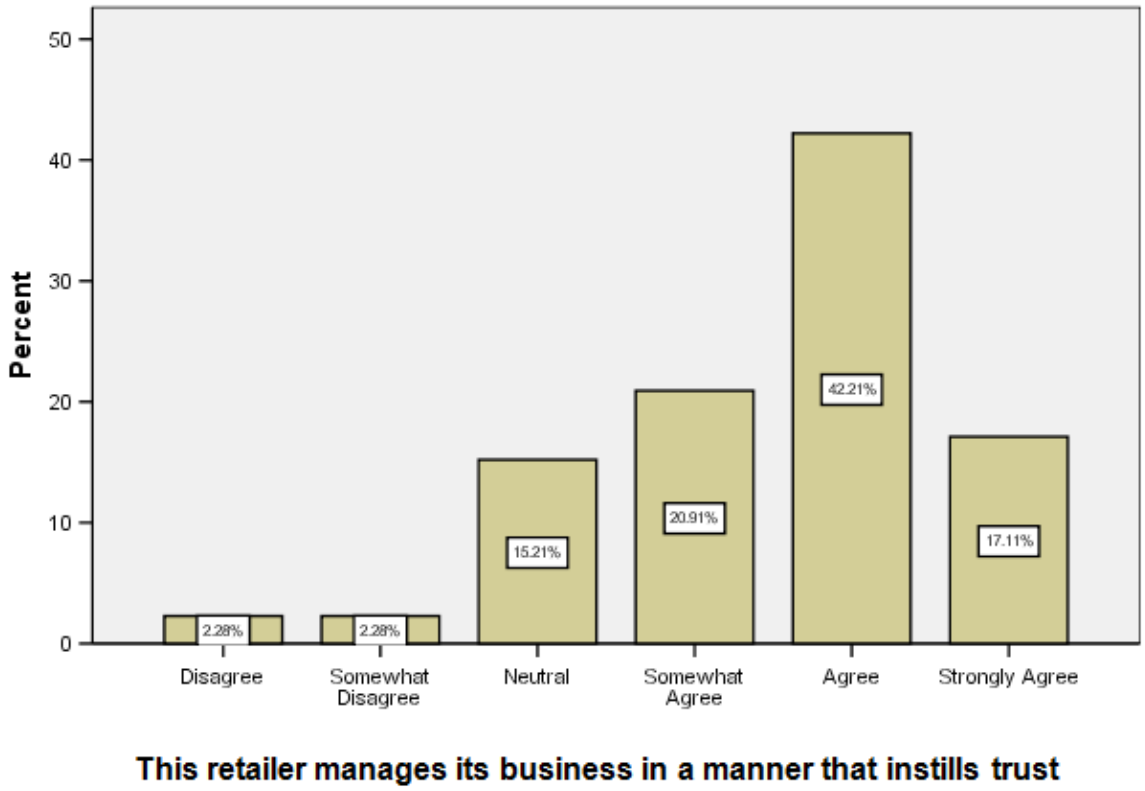


Figure 16. Measurement item CT1

Source: Calculated from questionnaire results (2015)

It can be observed in figure 16 above, that 42.21% of the respondents agree that their retailer manages their business in a manner that instils trust. 2.28% of the respondents indicated they disagree and somewhat disagree with the proposed statement.

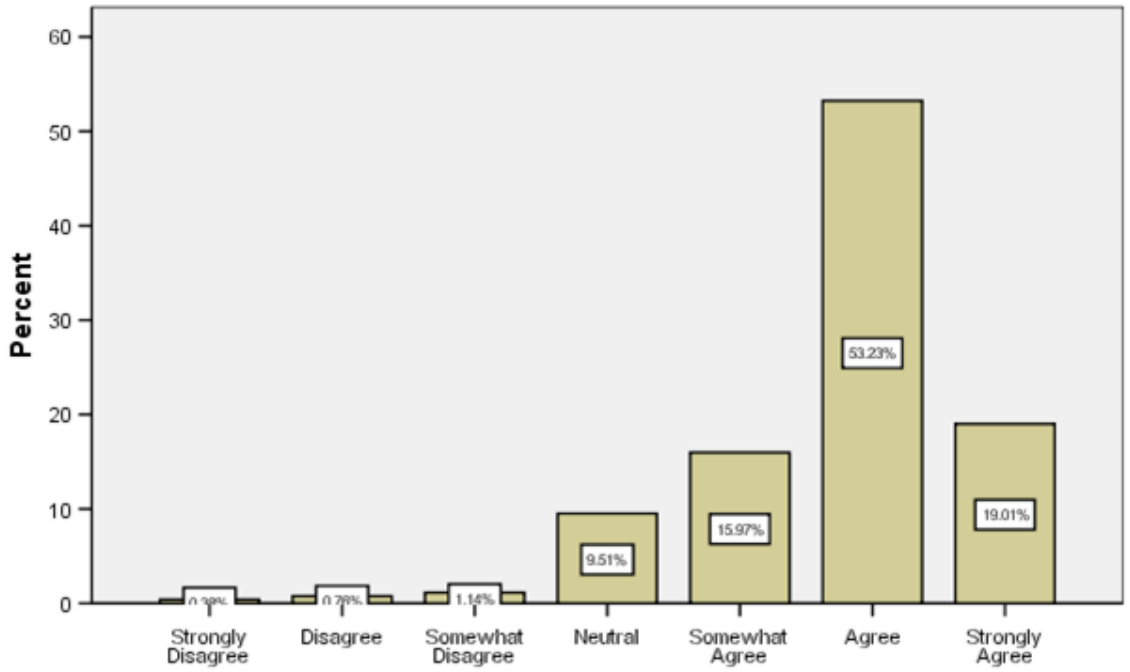


Figure 17. Measurement item CT2

Source: Calculated from questionnaire results (2015)

It can be seen in figure 17 above, that 53.23% of the respondents agree that their retailers are trustworthy when it comes to conducting their transactions with its customers. 0.38% of the respondents strongly disagree that their retailer is not trustworthy when it comes to conducting transactions with its customers.



Figure 18. Measurement item CT3

Source: Calculated from questionnaire results (2015)

It can be observed in figure 18 above, that 45.25% of the respondents seem to agree that the retailer seeks the best for its customers as well as for itself. 1.52% respondents disagree with the proposed statement.

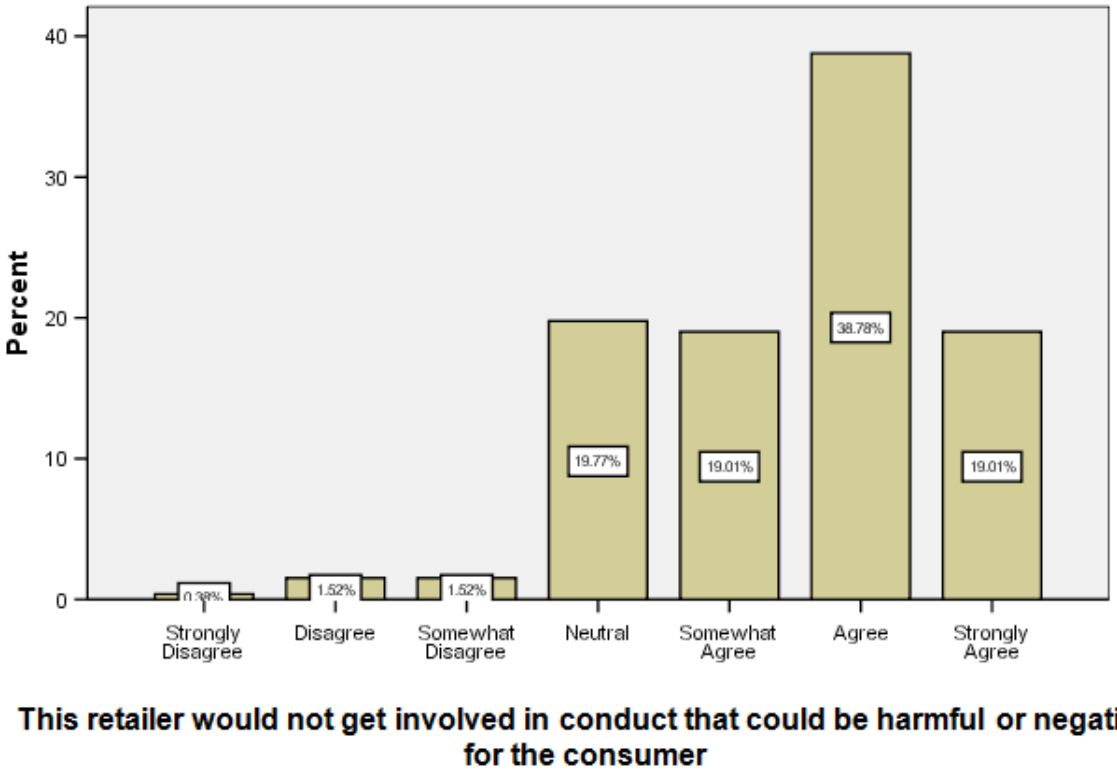


Figure 19. Measurement item CT4

Source: Calculated from questionnaire results (2015)

It can be observed in figure 19 above, that 38.78% of the respondents agree that their retailers would not get involved in conduct that could be harmful or negative for the customer. 0.38% of the respondents indicated that they strongly disagree with the statement that their retailers would not get involved in conduct that is harmful or negative for the customers.

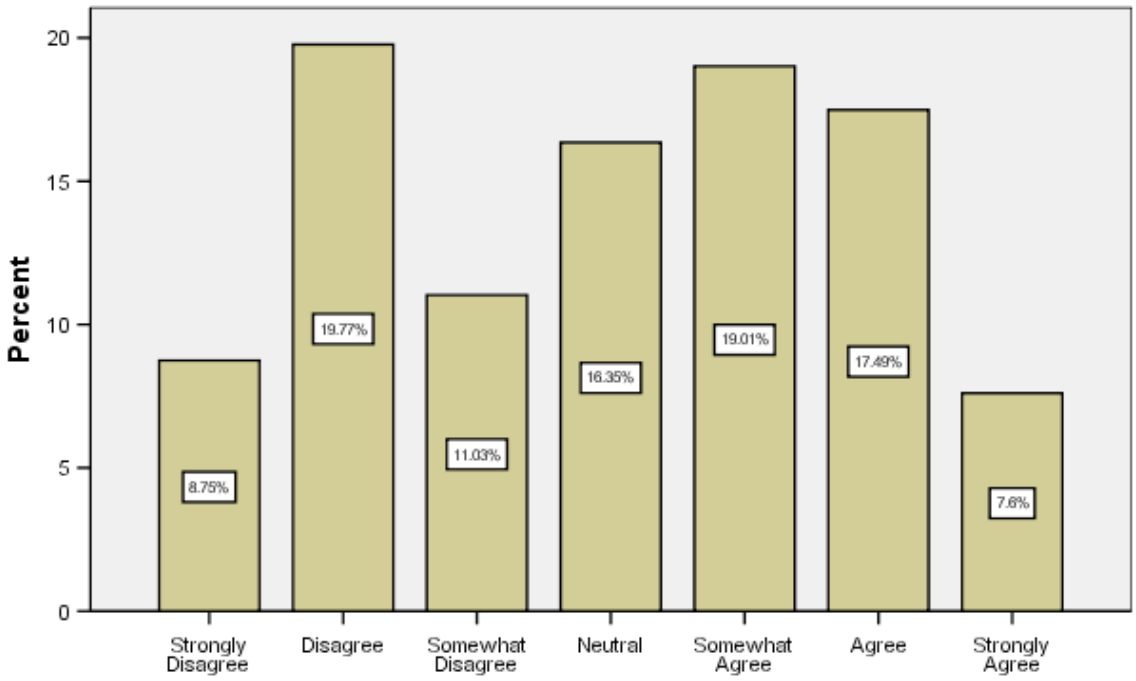


Figure 20. Measurement item CC1

Source: Calculated from questionnaire results (2015)

It can be detected in figure 20 above, that 19.77% of the respondents disagree that even if their retailers was more difficult to reach, they would still keep buying there. 7.6% of the respondents indicated that they strongly agree that they would keep buying even if their retailers were more difficult to reach.

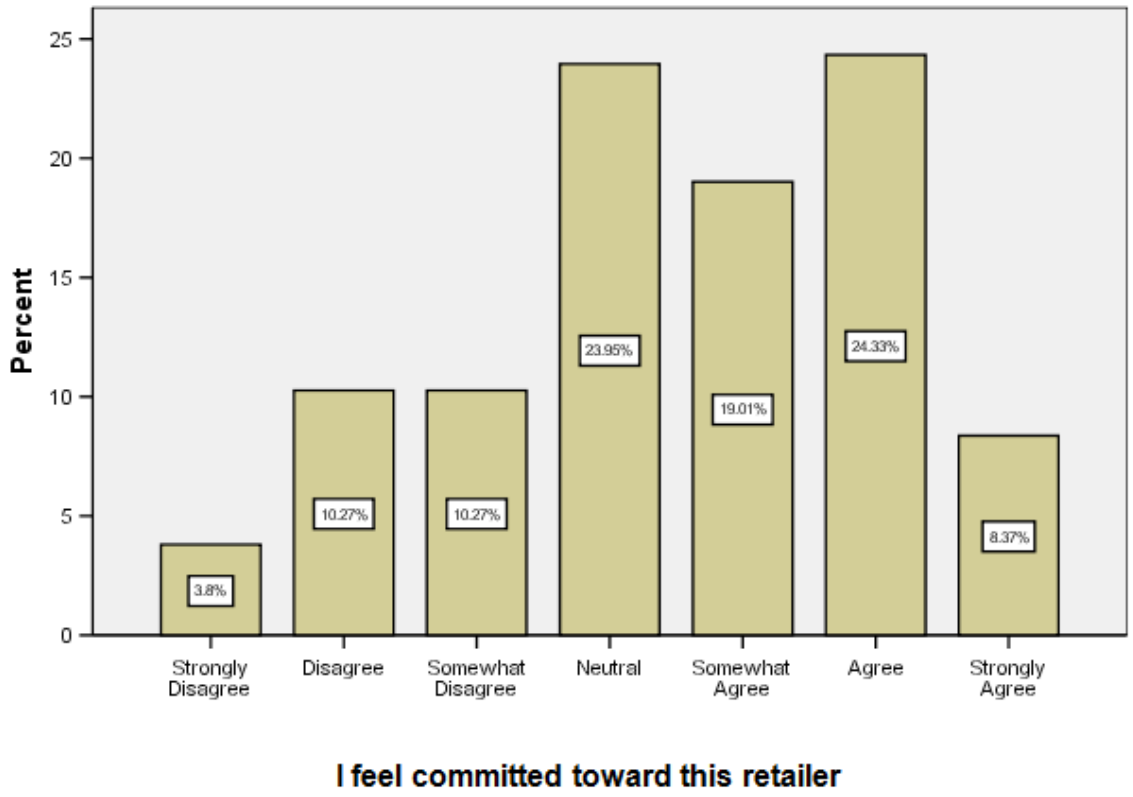


Figure 21. Measurement item CC2

Source: Calculated from questionnaire results (2015)

It can be seen in figure 21 above, that 23.96% and 24.33% of the respondents are respectively neutral or agree that they feel committed toward their retailers. 3.8% of the respondents indicated that they strongly disagree that they feel committed to their retailers.

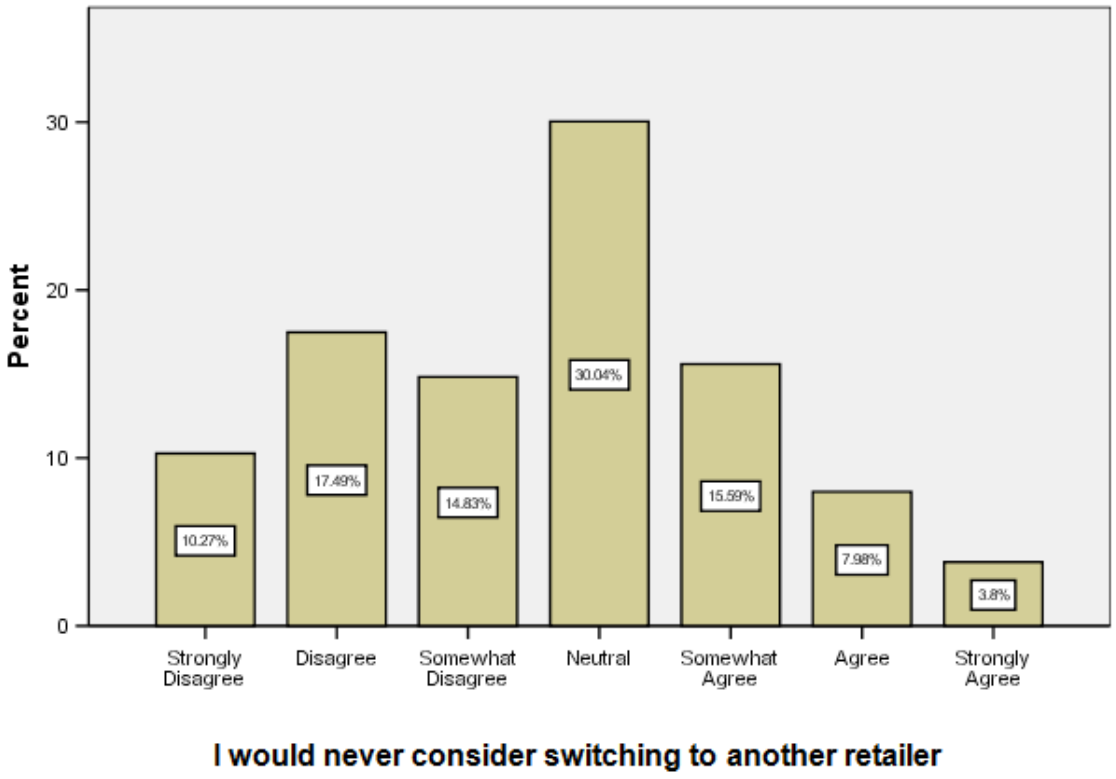


Figure 22. Measurement item CC3

Source: Calculated from questionnaire results (2015)

It can be seen in figure 22 above, that 30.04% of the respondents are neutral that they would never consider switching to another retailer. 3.8% of the respondents indicated that they strongly agree that they would never consider switching to another retailer.

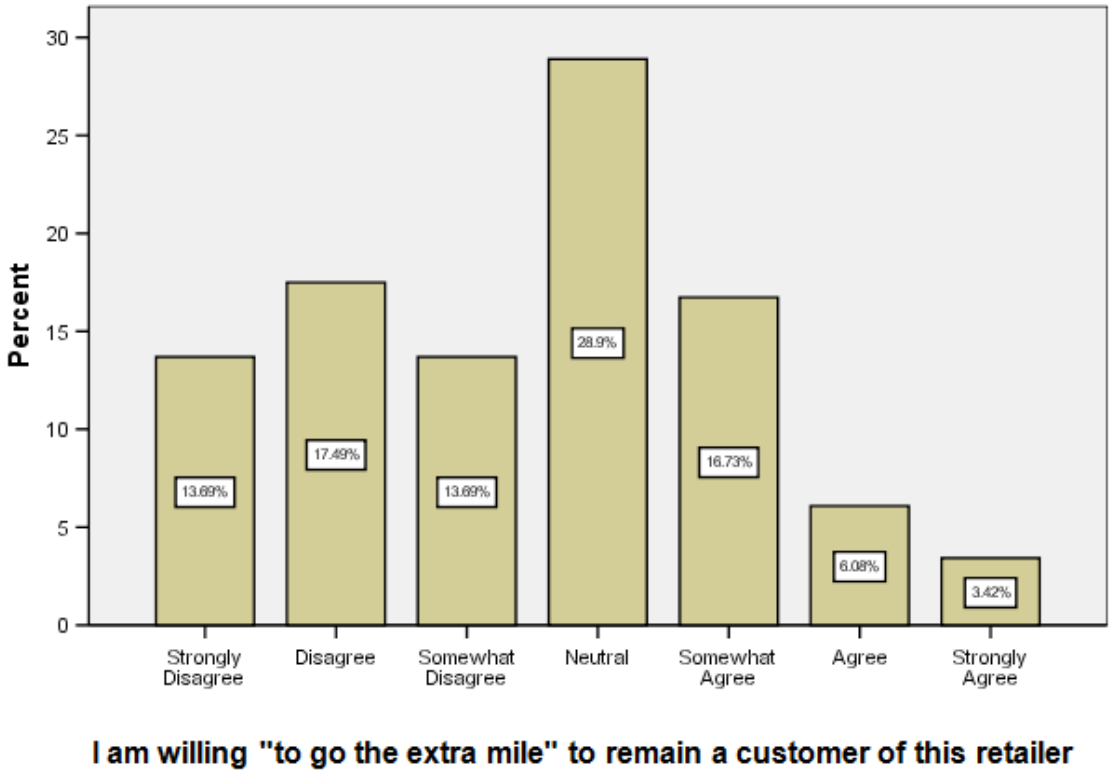


Figure 23. Measurement item CC4

Source: Calculated from questionnaire results (2015)

It can be detected in figure 23 above, that 28.9% of the respondents are neutral that they are willing to the go the extra mile to remain a customer of the retailers. 3.42% of the respondents indicated that they strongly agree with the proposed statement.

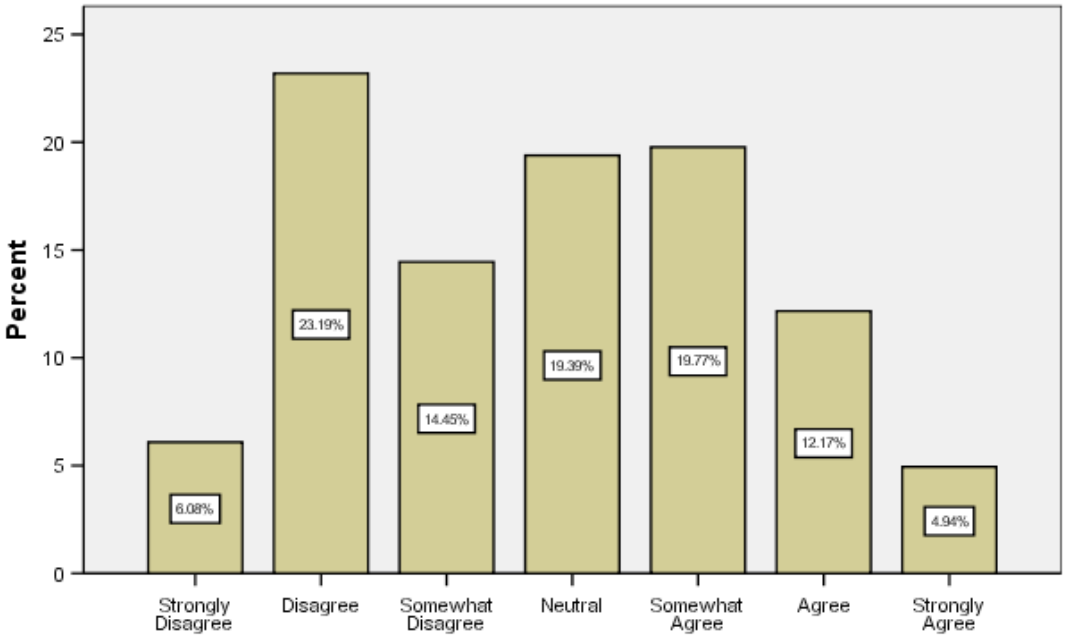


Figure 24. Measurement item RPB1

Source: Calculated from questionnaire results (2015)

It can be detected in figure 24 above, that 23.19% of the respondents disagree that the proposed loyalty programme has discouraged them from purchasing at other retailers. Interestingly, 14.35% and 12.17% of the respondents respectively strongly disagree or strongly agree that the proposed loyalty programme has discouraged them from purchasing at other retailers.

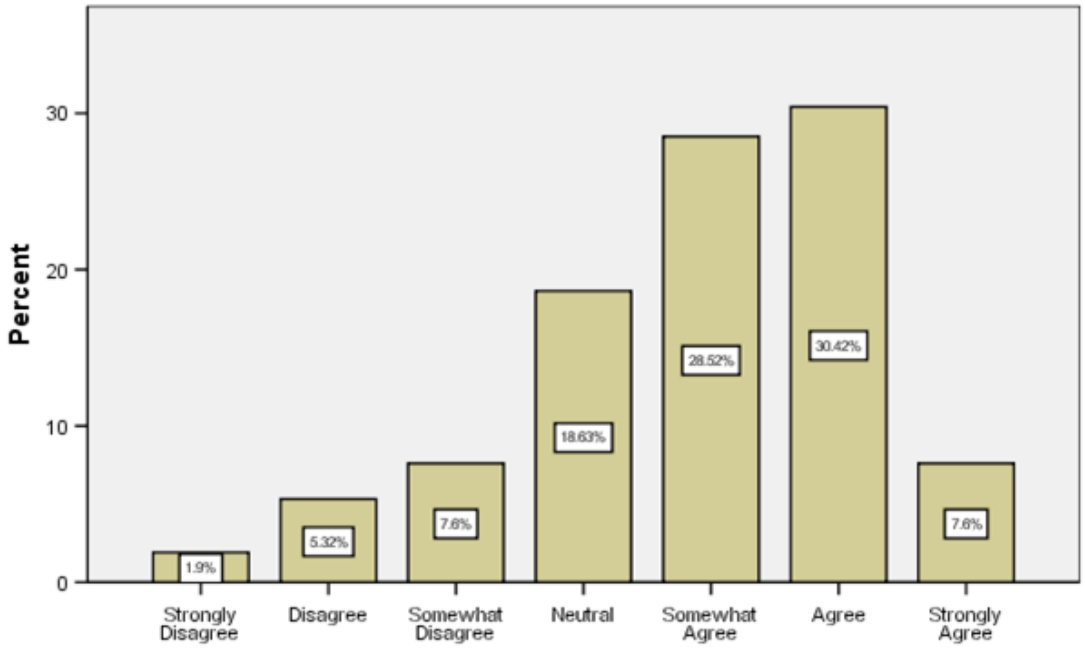


Figure 25. Measurement item RPB2

Source: Calculated from questionnaire results (2015)

It can be seen in figure 25 above, that 30.42% of the respondents agree that the retailer stimulates them to buy repeatedly as a member of the proposed loyalty programme. 1.9% of the respondents indicated that they strongly disagree that their retailer stimulates them to buy repeatedly as a member of the proposed loyalty programme.

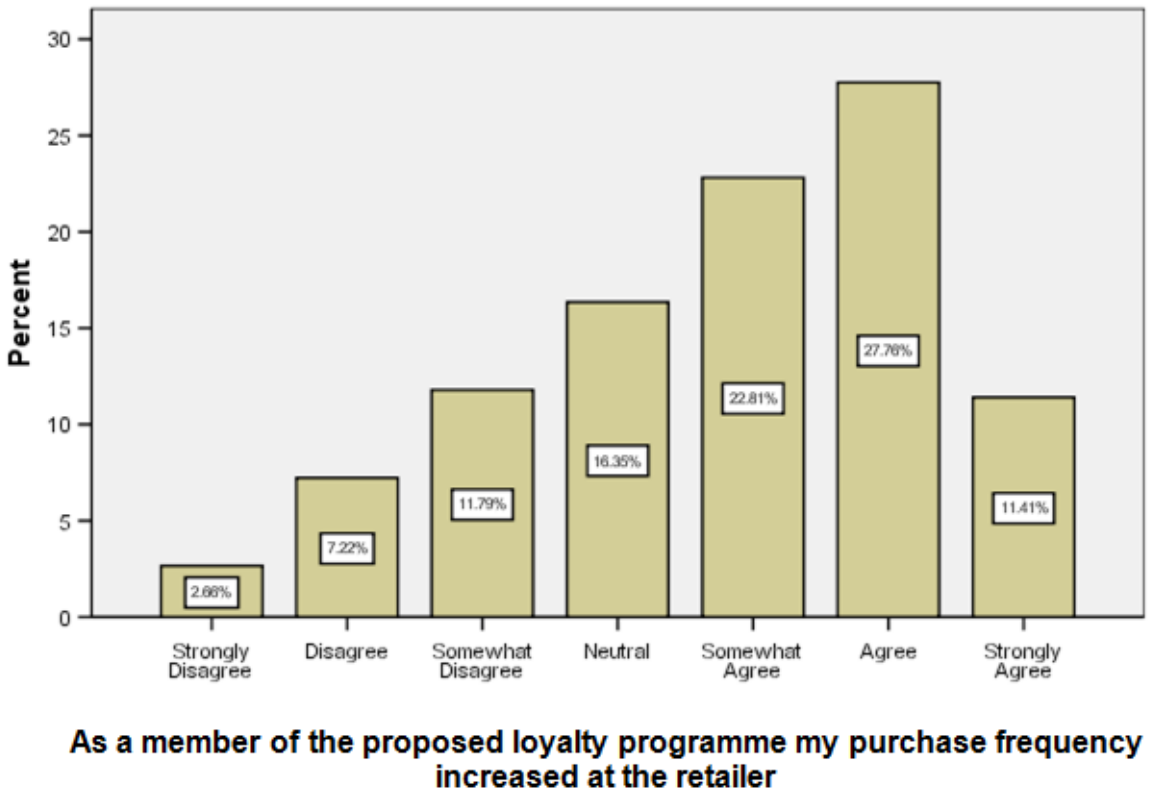


Figure 26. Measurement item RPB3

Source: Calculated from questionnaire results (2015)

It can be seen in figure 26 above, that 27.76% of the respondents agree that as a member of the proposed loyalty programme, their purchase frequency increased at their retailers. 2.66% of the respondents indicated that they strongly disagree with the statement.

Below is the summary of the descriptive statistics of each constructs and the accompanying mean and standard deviation scores.

Table 12. Summary of the descriptive statistics of each constructs

Research constructs		Descriptive statistics*	
		Mean	SD
Loyalty Programme (LP)	LP1	4.11	0.721
	LP2		
	LP3		
	LP4		
	LP5		
	LP6		
	LP7		
Customer Satisfaction (CS)	CS1	4.60	0.676
	CS2		
	CS3		
	CS4		
Customer Trust (CT)	CT1	4.32	0.781
	CT2		
	CT3		
	CT4		
Customer Commitment (CC)	CC1	4.54	0.677
	CC2		
	CC3		
	CC4		
Repeat Purchase Behaviour(RTP)	RPB1	4.27	0.711
	RPB2		
	RPB3		

Source: Calculated from questionnaire results (2015)

4.3 Reliability assessment

4.3.1 *Cronbach Alpha Test*

As seen below, all the Cronbach alpha values surpass the recommended threshold of 0,6 as suggested by Barakat, et al. (2015). Cronbach's coefficient α is one of the most common internal consistency approaches (Dunn, Baguley & Brunsden, 2013). According to Chinomona (2011) a higher level of Cronbach's coefficient alpha indicates a higher reliability of the measurement scale.

Table 13. Cronbach's Alpha test

Variable	Cronbach's Alpha
CC	0.885
CS	0.865
CT	0.814
LP	0.812
RPB	0.768

Source: Calculated from questionnaire results (2015)

4.3.2 *Composite reliability*

Yang and Lai (2010) posit that in reliability analysis, an acceptable CR value must exceed 0.7. As for Composite reliability, the above table indicates that the values all exceed the recommended 0.7. Composite reliability values for all variables range from 0.866 and 0.920. Composite Reliability test is calculated using the following formula: (CR): CRη = (Σλyi) 2 / [(Σλyi) 2 + (Σεi)]

Table 14. Composite reliability

Variable	Composite Reliability
CC	0.920
CS	0.908
CT	0.877
LP	0.861
RPB	0.866

Source: Calculated from questionnaire results (2015)

4.4 Validity assessment

The validity was assessed using convergent and discriminant validity.

4.4.1 *Convergent validity*

Convergent validity was assessed using the item-to-total correlation values and factor/item loadings for each item of the research variables. As can be noted from Table 15 illustrated below, all item to total correlation values and the factor loadings are above 0.5. This implies that all items converged well on what they were expected to measure – thus, explained at least more than 50% of the respective research variable, convergent validity.

4.4.2 *Discriminant validity*

Table 15. Average variance extracted

Variable	Average Variance Extracted
CC	0.743
CS	0.712
CT	0.643
LP	0.500
RPB	0.685

Source: Calculated from questionnaire results (2015)

As indicated above, all the average variance extracted variables reveal a good representation of the latent construct by the item identified when the variance extracted estimate is above 0.5 (Fraering & Minor, 2006). The results of AVE indicate that most of the values range from 0.685 to 0.743. Thus, indicating that the variables meet the discriminant validity measure. Summary of the confirmatory factor analysis results and descriptive statistics are provided below in Table 16.

Table 16. Measurement accuracy assessment and descriptive statistics

Research constructs		Descriptive statistics*		Cronbach's test		C.R.	AVE	Measurement Item Loadings
		Mean	SD	Item-total	α Value			
Loyalty Programme (LP)	LP1	4.11	0.721	0.721	0.812	0.861	0.500	0.681
	LP2			0.739				0.795
	LP3			0.892				0.812
	LP4			0.727				0.568
	LP5			0.894				0.596

	LP6			0.798				0.674
	LP7			0.922				0.655
Customer Satisfaction (CS)	CS1	4.60	0.676	0.799	0.865	0.908	0.712	0.811
	CS2			0.731				0.847
	CS3			0.866				0.887
	CS4			0.749				0.827
Customer Trust (CT)	CT1	4.32	0.781	0.837	0.814	0.877	0.643	0.842
	CT2			0.706				0.823
	CT3			0.738				0.830
	CT4			0.755				0.693
Customer Commitment (CC)	CC1	4.54	0.677	0.824	0.885	0.920	0.743	0.852
	CC2			0.725				0.874
	CC3			0.929				0.852
	CC4			0.877				0.869
Repeat Purchase Behaviour(RTP)	RP1	4.27	0.711	0.912	0.768	0.866	0.685	0.727
	RP2			0.738				0.885
	RP3			0.897				0.862

* Scores: 1 – Strongly disagree; 3 – Neutral: 5 – Strongly agree.
C.R.: Composite reliability; AVE: Average variance extracted.

Source: Calculated from questionnaire results (2015)

Inter-construct correlation matrix

One of the methods used to check on the discriminant validity of the research constructs was the evaluation of whether the correlations among latent constructs were less than 1.0. A correlation value between constructs of less than 0.7 is recommended in the empirical literature to confirm the existence of discriminant validity (Bagozzi & Yi, 1991; Nunnally & Bernstein, 1994). As can be seen, all the correlations are below the acceptable level.

Table 17. Inter-construct correlation matrix

	CC	**CS**	**CT**	**LP**	**RPB**
CC	1.000				
CS	0.520	1.000			
CT	0.393	0.569	1.000		
LP	0.374	0.588	0.485	1.000	
RPB	0.423	0.380	0.249	0.401	1.000

Source: Calculated from questionnaire results (2015)

Table 18. Results of structural equation model analysis

Path	Hypothesis	Path coefficients (β)	Rejected/supported
Loyalty Programme **(LP)** →Customer Satisfaction **(CS)**	**H1**	0.588[a]	Supported
Loyalty Programme **(LP)** →Customer Trust **(CT)**	**H2**	0.485[a]	Supported
Loyalty Programme **(LP)** →Customer Commitment **(CC)**	**H3**	0.374[a]	Supported
Customer Satisfaction **(CS)** →Repeat Purchase Behaviour **(RP)**	**H4**	0.218[a]	Supported
Customer Trust **(CT)** →Repeat Purchase Behaviour **(RP)**	**H5**	0.004	Supported
Customer Commitment **(CC)** →Repeat Purchase Behaviour **(RP)**	**H6**	0.308[a]	Supported

Source: Calculated from questionnaire results (2015)

As detected in the table above, there is a positive influence between loyalty programmes and customer satisfaction. This indicated that customer satisfaction has the strongest mediating influence amongst the mediators. Consequently, customer commitment shows the weakest mediating influence in the relationship between loyalty programmes and repeat purchase, although all six hypotheses are supported.

4.5 Confirmatory factor analysis

Confirmatory factory analysis is theory based and analyses the theatrical relationships between observed and unobserved variables (Schreiber, Nora, Stage, Barlow & King, 2006). The confirmatory factor analysis is performed using the Chi-square value, Random measure of standard error of approximation (RMSEA, Goodness-of-fit index (GFI), Incremental fit index (IFI), Tucker Lewis index (TLI), Normed-fit index (NFI) and Comparative fit index (CFI). The results are presented below.

4.5.1 *Chi-square value*

An analysis of meaning on nominal values that compares observed variables with expected frequencies (Sarantakos, 2012). The acceptable value is 3 and below. The Chi-square value - χ^2/df of this study is 2.9612, which is below the acceptable threshold, meaning there is an acceptable model fit.

4.5.2 *Root mean square error of approximation (RMSEA)*

Measures how well a model fits reasonably into the population (Brown, 2015). A good fit is between 0.050 and 0.090. The RMSEA value in this study meets the fit by indicating 0.080.

4.5.3 *Goodness-of-fit index (GFI)*

Assesses the share of variance that is accounted for by the approximated population covariance (Tabachnick & Fidell, 2007). The acceptable threshold is 0.90 and above. The study recorded an index of 0.90, meaning it is an acceptable model fit.

4.5.4 *Incremental fit index (IFI)*

Miles and Shevlin (2007) state that the incremental fit index calculates model fit comparative to a baseline model that assumes no covariance amongst the variables. The acceptable index should be greater than 0.90. This study meets the threshold by indicating a 0.97 model fit.

4.5.5 *Tucker Lewis index (TLI)*

Is dependent on the sample size and uses simpler models to address the challenges encountered by Normed fit index. The index should be above 0.90 to demonstrate a model fit. Thus, this study meets the acceptable index by indicating 0.90.

4.5.6 *Normed-fit index (NFI)*

Bentler and Bonnet (1980) proposed the Normed fit index, as defined as the calculation of the model by comparing the value of the hypothesis model to that of the null model value. The acceptable index should be greater than 0.90. For this study, the NFI was greater than the threshold with index of 0.96.

4.5.7 *Comparative fit index (CFI)*

According to Bentler and Huang (1990) comparative fit index measures goodness of fit of the hypothesized model compared to a baseline model. The acceptable threshold of a good fit is 0.9 and above. The CFI of this is study is 0.97 indicating a good fit.

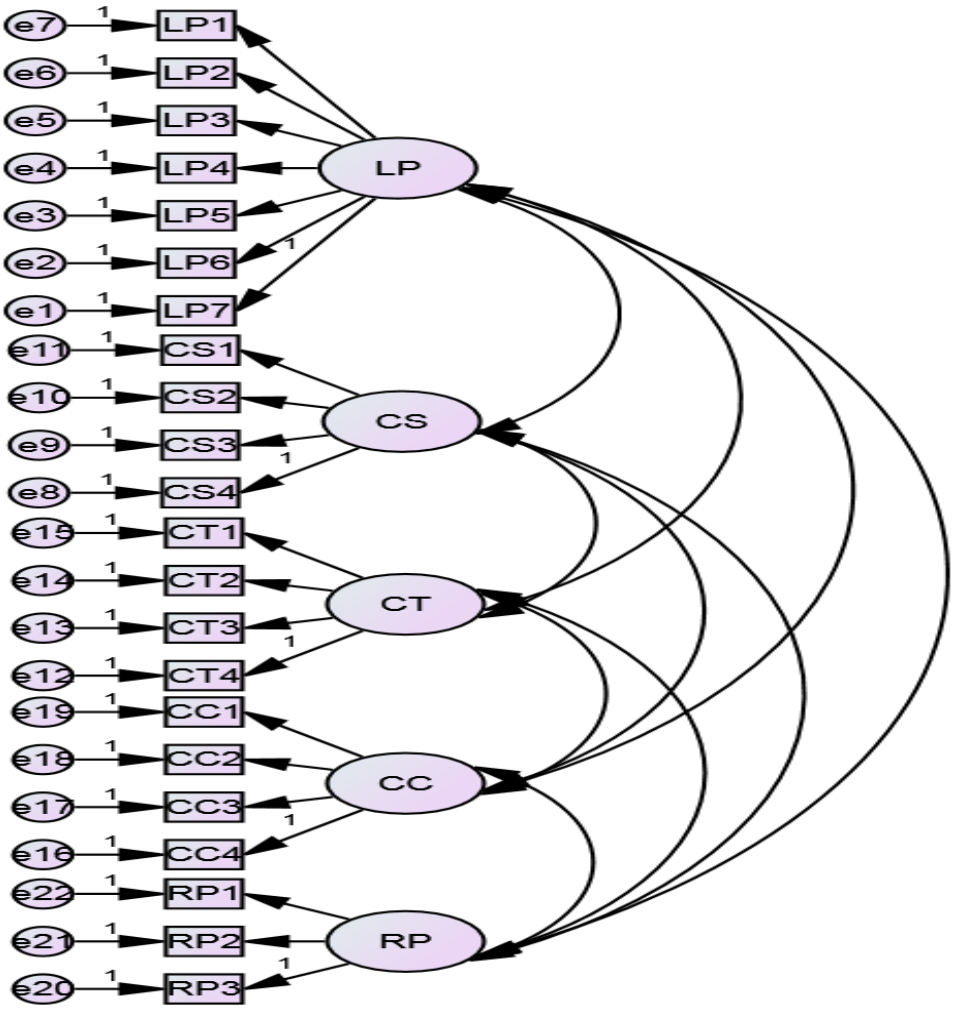


Figure 27: Confirmatory factor analysis model

Source: Calculated from questionnaire results (2015)

4.6 Path modelling

Path modelling is defined by Schreiber, et al. (2006) as the capability to foster the relationships among observed and unobserved variables and to assess the trustworthiness of a theoretical model. Below is Figure 28, indicating the path modelling results and as well as the item loadings for the research constructs.

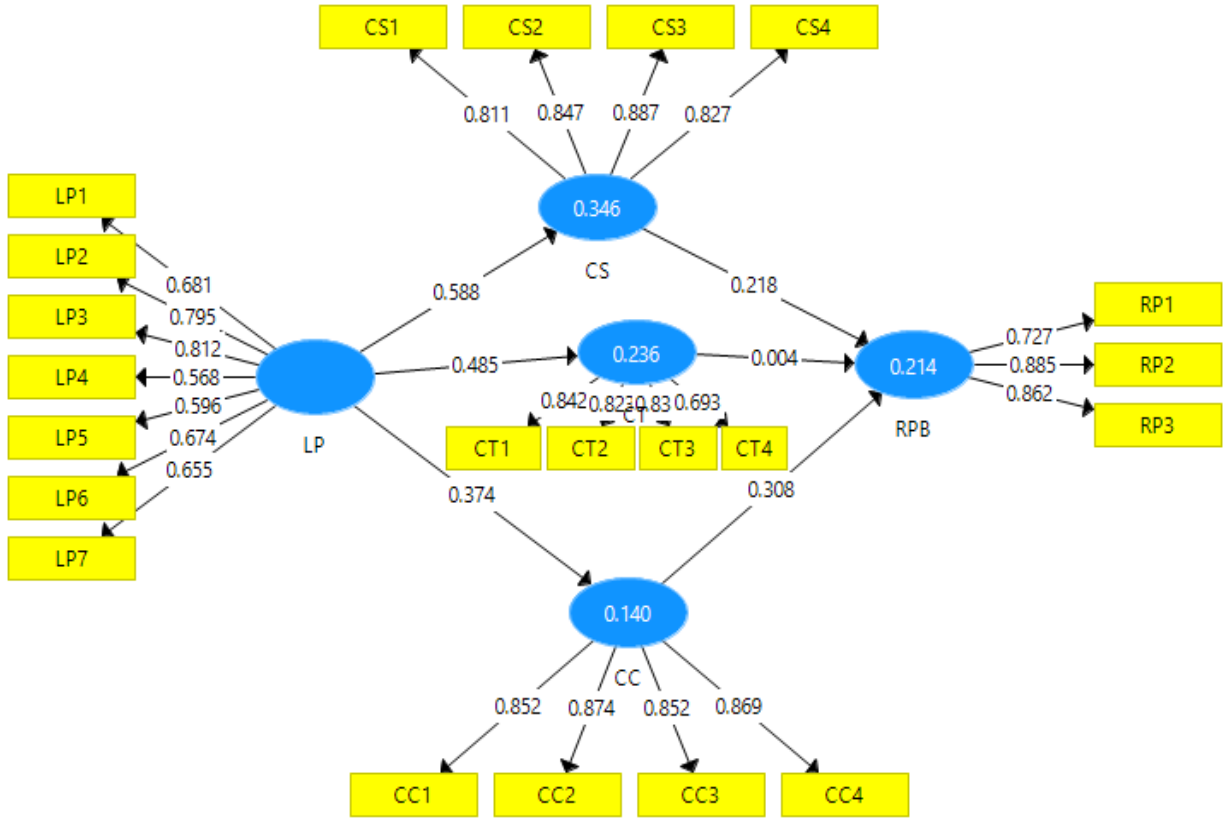


Figure 28: Path modeling and factor loading results

Source: Calculated from questionnaire results (2015)

4.7 Final summary of research objectives and findings

This section provides a summary of the research objectives and the results of which are tabulated below.

Table 20. Summary of research objectives, main findings and results

Objective	Nr	Results
To assess the mediating influence of loyalty programmes on customer satisfaction of South African youth	1	Accepted

To assess the mediating influence of loyalty programmes on customer trust of South African youth	2	Accepted
To assess the mediating influence of loyalty programmes on customer commitment of South African youth	3	Accepted
To assess the mediating influence of customer satisfaction on the repeat purchase behaviour of South African youth	4	Accepted
To assess the mediating influence of customer trust on the repeat purchase behaviour of South African youth	5	Accepted
To assess the mediating influence of customer commitment on the repeat purchase behaviour of South African youth	6	Accepted

Source: Calculated from questionnaire results (2015)

4.8 Summary

Evidently these findings demonstrated there is a mediating influence of customer satisfaction, customer trust and customer commitment in the relationship between loyalty programme and repeat purchase behaviour. Loyalty programmes have a positive influence on customer satisfaction, customer trust and customer commitment. Customer satisfaction, customer trust and customer commitment has a positive influence on repeat purchase behaviour. It is clear that customer satisfaction

has the strongest mediating influence in the relationship between loyalty programmes and repeat purchase behaviour. Consequently, customer commitment has the weakest mediating influence.

CHAPTER 5. DISCUSSION OF RESULTS

5.1 Introduction

This chapter discusses demographic results of the respondents and the six hypotheses tested, namely, the loyalty programme and customer satisfaction relationship, loyalty programme and customer trust relationship, and loyalty programme and customer trust relationship; as well as customer satisfaction and repeat purchase behaviour relationship, customer trust and repeat purchase behaviour relationship, and customer commitment and repeat purchase behaviour relationship.

5.2 Demographic results discussion

The research respondents are predominately female making up 77.6% of the respondents. Statistics South Africa (2014) asserts that South Africa has a young population that is made up of 40% of the people between the ages 15-35 with more females than men. This indicates that there are more female loyalty programme members. Furthermore, 51% of the respondents range from age 18-20 within the 18-24 youth market. In hind sight, the age range will continue to grow into various loyalty programmes and prove to be valuable to managers in the long term. This is also true for the 45.6% of respondents in the age range of 21-23. Third year university students accounted for 38.4% of the respondents, followed by 30.8% first year university students as shown in the table above. Most of the respondents were busy with undergraduate qualifications.

A large number of the respondents were unemployed, indicting 85.6 %. The reason is due to the fact that the respondents are predominately full time students and have not entered the job market. This is supported by the labour index by StatsSA that reported 25.5% of South Africans were unemployed. This is evident in the income profiling of the respondents that accounts for 93.9 % with income of R4000 and less. The income is assumed to be provided by the guardians and bursaries. Furthermore,

the leisure spend narrows down to R999 and less which accounts for 68.4 % of the respondents.

Consequently, 77% of the respondents have between two and twelve retail loyalty programme membership within the food, and health and beauty loyalty programmes category. Therefore, indicating that loyalty programmes are widely used by the South African youth even though their income levels are still fairly low. Thus, the findings demonstrate respondents are looking for maximum benefits and rewards from various programmes.

5.3 Hypothesis discussion

Below is the summary of the hypotheses tests and the following section discusses each hypothesis in support of the existing empirical findings.

Table 21. Summary of hypothesis testing

Path	Hypothesis	Path coefficients (β)	Rejected/supported
Loyalty Programme **(LP)** →Customer Satisfaction **(CS)**	**H1**	0.588[a]	Supported
Loyalty Programme **(LP)** →Customer Trust **(CT)**	**H2**	0.485[a]	Supported
Loyalty Programme **(LP)** →Customer Commitment **(CC)**	**H3**	0.374[a]	Supported
Customer Satisfaction **(CS)** →Repeat Purchase Behaviour **(RP)**	**H4**	0.218[a]	Supported
Customer Trust **(CT)** →Repeat Purchase Behaviour **(RP)**	**H5**	0.004	Supported
Customer Commitment **(CC)** →Repeat Purchase Behaviour **(RP)**	**H6**	0.308[a]	Supported

Source: Calculated from questionnaire results (2015)

Hypothesis One (H1): Loyalty programmes have a positive influence on customer satisfaction of South African youth.

It can be observed in figure 28 that H1 (Loyalty Programme (LP) →Customer Satisfaction (CS) is supported by the hypothesis and is significant at p<.10 indicated by a path coefficient of 0.588. This implies that loyalty programmes actually influence customers' satisfaction directly and positively. This is consistent with a study by Zakaria, et al. (2014) who found that a loyalty programme significantly influences customer satisfaction. The finding is similar with a study by Bridson, et al., (2008) who found that customer satisfaction played a mediating role on loyalty programmes in a retail context. Moreover, the finding is similar with studies conducted by Vesel and Zabkar (2009); and Keh and Lee (2006) in which they found that customer satisfaction has a strong mediating influence on loyalty programmes. Reynolds and Arnold (2000) reject the finding by putting forward the argument that personal interaction has a stronger influence on customer satisfaction than it does on loyalty programmes. In addition, Bolton, et al. (2000) in their study, observed that loyalty programmes build strong and deeper relationship with customers. This view argues that customer satisfaction is important for the success of a loyalty programme.

The better the loyalty programme is, the more customer satisfaction increases. Furthermore, it can also be noted that of all the six hypotheses H1 is seen to be the strongest relationship with a path coefficient of 0.588. According to Bandaru, et al. (2015) the perceived intensity of satisfaction by customers ought to present valuable information to facilitate the design enhancement in an iterative manner. Customer satisfaction can be an excellent antecedent in examining superior customer value (Chen, et al., 2015).

In their study, Bridson, et al. (2008) assessed the relationship between loyalty programmes aspects, satisfaction and loyalty, as hypothesised, they found a significant relationship between loyalty programmes and customer loyalty, as well as loyalty programmes and customer satisfaction. Therefore, supporting the importance customer satisfaction has as a mediator of a loyalty programme. Vesel and Zabkar (2009) focused their study on the management of customer loyalty using a retail loyalty programme through customer satisfaction as a mediator. Their study confirms that customer satisfaction is a vital determinant in a retail loyalty programme setting.

Keh and Lee (2006) explored whether loyalty programmes built loyalty in the services sector through the moderating effects of customer satisfaction. It was found that satisfied customers preferred delayed rewards, compared to dissatisfied customers who preferred immediate rewards. In their study on customer loyalty in the relationship between salesperson and store, it was found that customer loyalty in the retail context is significantly related to the store loyalty (Reynolds & Arnold, 2000). Zakaria, et al. (2014), in their study, examined the relationship between loyalty programme and customer satisfaction in the retail sector and indicated that there is a positive and significant relationship between the two constructs.

Hypothesis Two (H2): Loyalty programmes have a positive influence on customer trust of South African youth

It can be observed in figure 28 that H2 (Loyalty Programme (LP) →Customer Trust Relationship (CTR) is supported by the hypothesis and is significant at p<.10 indicated by a path coefficient of 0.485. This implies that loyalty programmes have a positive and direct influence on customer trust. The finding is similar to a study by Pizam (2015) which suggests that a lack of trust has a significant impact on the success of a loyalty programme. This relationship also indicates that an improvement in the loyalty programme can lead to an increase in customer trust. The finding is similar to a study conducted by Omar, et al. (2010) who found that trust is important in the retail loyalty programme setting. Loyalty programme financial rewards reinforce customer trust (Lee, et al., 2015); in this argument it is viewed that loyalty programmes have an influence on customer trust. This is consistent with the finding of this hypothesis.

Omar, et al. (2010) investigated the role of commitment and trust of retail loyalty programmes; they found the mediating role of trust and commitment to be significant in the context of satisfaction, loyalty and benefits in the retail loyalty programme context. Pazim (2015) investigated two reports on loyalty programmes in the tourism sector and found that the loyalty programme failed to build and maintain customer loyalty, loss of trust was the underlying cause. Lee, et al. (2015) examined the financial benefits of a hotel loyalty programme and found customer trust to have a significant influence.

Hypothesis Three (H3): Loyalty programmes have a positive influence on customer commitment of South African youth.

It can be observed in figure 28 that H3 (Loyalty Programme (LP) →Customer Commitment Relationship (CCR) is supported by the hypothesis is significant at p<.10 indicated by a path coefficient of 0.374. This suggests that loyalty programmes have a positive and direct influence on customer commitment. The finding is similar to a study conducted by Noble, et al. (2013) who maintain that loyalty programmes increase customer commitment. In addition, the finding is consistent with a study by Ou, et al. (2011) who posit that customer commitment has an impact on a customer loyalty programme. A study by Jai and King (2015) acknowledges there is a relationship between customer commitment and loyalty programmes. In addition, this relationship also suggests that the extent to which the loyalty programme is effective is reflected by how much customers are committed to the company. So the more effective a loyalty programme is, the more the customers are committed to that loyalty programme, brand and product. This is consistent with prior studies by Lee, et al. (2015) and Tanford (2013) who found that customer commitment facilitates loyalty programmes and is an antecedent of a loyalty programme.

Noble, et al. (2013) studied the influence of instant loyalty programmes on customer commitment and controlling policy, and found that the reward programme type impacts on customer commitment. In a study, Lee, et al. (2015) examined the social and economic rewards of a hotel loyalty programme, and found that the economic rewards drive programme loyalty. Ou, et al. (2011) in their study, measured the impact of customer loyalty programmes on service quality, relationship quality and customer loyalty, they found customer loyalty programmes have an impact of those constructs. Jai and King (2015) investigated the role of privacy and reward, whether customer loyalty programmes increased the willingness of customer to share personal information with third party partners. It was found that a high level of customer commitment with the loyalty programme provider was vital before any personal information was shared. Tanford (2013) studied the attitudinal and behavioural loyalty on a tiered level hotel loyalty programme, found customer commitment and loyalty programme evaluation to be at the core of differentiated tier levels.

Hypothesis Four (4): Customer satisfaction has a positive influence on repeat purchase behaviour of South African youth.

It can be observed in figure 28 that H4 Customer Satisfaction **(CS)** →Repeat Purchase Behaviour (RP) is supported by the hypothesis and is significant at p<.10 indicated by a path coefficient of 0.218. This suggests that loyalty programmes have a positive and direct influence on repeat purchase behaviour. Furthermore, this relationship suggests that an increase in customer satisfaction also leads to an increase in repeat purchase behaviour. The finding is similar to a study conducted by Magi (2003) who found customer satisfaction is a critical determinant for shopping more at a retailer. Furthermore, in their finding, Yi and La (2004) found that customer satisfaction directly impacts on repeat purchase behaviour. Bolton (2000) earlier reached a similar finding that confirmed that past customer satisfaction impacts on repeat purchase behaviour. The finding is consistent with that of Mpinganjira (2014) who distinguished that customer satisfaction has a significant influence on repeat purchase behaviour.

In their investigative study on the relationship between customer satisfaction and repeat purchase through customer loyalty and adjusted expectations, Yi and La (2004) found that by itself, customer satisfaction has a direct impact on repeat purchase behaviour for a highly loyal segment. Customers make repeat choices on the basis of their previous repeat intentions or behaviour, as a result of their past satisfaction levels with a brand or company (Bolton, et al., 2000). Magi (2003) explored the share of wallet in the retail context through customer satisfaction, shop characteristics and loyalty programme, and found that the volume of purchases was as a result of customer satisfaction. Mpinganjira (2014) investigated a online retailer and its repeat purchase behaviour, starting from a relationship marketing perspective, and found that online retail repeat purchase intentions was driven by customer satisfaction.

Hypothesis Five (5): Customer trust has a positive influence on repeat purchase behaviour of South African youth.

It can be observed in figure 28 that Customer Trust (CT) →Repeat Purchase Behaviour (RP) is supported by the hypothesis and is significant at p<.10 indicated

by a path coefficient of 0.004. This suggests that customer trust has a positive and direct influence on repeat purchase behaviour. The finding is consistent with a study by Hsu, et al. (2014) who confirms customer trust as key factor affecting repeat purchase behaviour. Agudo, et al. (2012) in their study, found that customer trust is an indispensable condition for repeat purchase behaviour. In addition, this relationship suggests that an increase in customer trust also leads to an increase in repeat purchase behaviour. The finding is similar to a study conducted by Chiu, et al. (2012) who found that customer trust has a significant influence on repeat purchase behaviour. It should also be noted that of all the six relationships H5 is the weakest relationship suggesting that of all the three factors that influence repeat purchase behaviour, namely, customer satisfaction, customer trust and customer commitment, customer trust has the least influence on repeat purchase behaviour. The extent to which customers trust a brand or product is the least leading factor for customers' repeated purchase of that product or brand.

Agudo, et al. (2012) examined the factors that influenced the efficiency of loyalty programmes and behavioural changes in the retailing sector; it was found that customer trust plays a mediating influence. The study by Chiu, et al. (2012) re examined the influence customer trust has on online repeat purchase intentions; they found customer trust as a critical factor of shopping behaviour in an online setting. Hsu, et al. (2014) sought to understand the predictors of repeat purchase behaviour. They found customer trust and satisfaction as strong predictors of repeat purchase behaviour.

Hypothesis Six (6): Customer commitment has a positive influence on repeat purchase behaviour of South African youth.

It can be observed in figure 28 that H6 Customer Commitment (CC) →Repeat Purchase Behaviour (RP) is supported by the hypothesis and is significant at $p<.10$ indicated by a path coefficient of 0.308. This suggests that customer commitment has a positive and direct influence on repeat purchase behaviour. Keh and Xie (2015) acknowledge that customer commitment has a mediating influence on repeat purchase intention. Furthermore, this relationship suggests that the more customers are committed to a brand the more likely they are in purchasing the same brand or product again and again. Sanchez and Iniesta (2004) in their study found that

committed customers are likely to have a long term relationship with a retailer. This is understood to mean that consequently, committed customer will repeat purchase at a particular retailer. The finding is similar to a study conducted by Knox and Walker (2010) found that customer commitment is a necessary condition for repeat purchase behaviour. Furthermore, Fullerton (2005) in his study acknowledges that customer commitment is found to be a strong driver of repeat purchase. In addition, the findings are consistent with a prior study by Erciş, et al. (2006) who found that customer commitment has an effect on repeat purchase intention.

According to Sanchez and Iniesta (2004) their study found the dimensions (latent commitment, manifest commitment, felt commitment and attitudinal commitment) should exist in the customer retailer relationship though a committed structure. In an empirical study, Knox and Walker (2010) studied the measures of brand loyalty in the grocery shopping sector, and found that there were lagging measures, brand commitment and brand support are precursor for loyalty. Fullerton (2005) studied brand commitment and its impact on retail service brands and found commitment to have a significant impact on both customer satisfaction and repeat purchase intentions. Keh and Xie (2015) proposed a model where customer commitment, customer trust and customer identification are key factors in repeat purchase intention and corporate reputation, and found customer commitment as the mediator in the relationship between corporate reputation and repeat purchase intention. Erciş, et al. (2006) investigated whether loyalty programmes create loyalty for a service, the findings indicate that satisfied and dissatisfied customers prefer delayed and immediate rewards respectively.

5.4 Summary

This chapter presented the demographic profiling of the research respondents and contrasted them with what was in the literature. Furthermore, a discussion of each hypothesis showed that all six hypotheses were supported with a significant level $p < 0.10$. The mediating influence of customer satisfaction on loyalty programmes is similar to studies conducted by Zakaria, et al. (2014); Vesel and Zabkar (2009); Bridson et al (2008); and Keh and Lee (2006). The mediating influence of customer trust on loyalty programme is consistent with studies by Lee, et al. (2015); Pizam

(2015); and Omar et al. (2010). Furthermore, Jai and King (2015); Lee, et al. (2015); Noble, et al. (2013); Tanford (2013); and Ou, et al. (2011) found the mediating influence of customer commitment on loyalty programmes. In addition, the mediating influence of customer satisfaction on repeat purchase behaviour is consistent with studies conducted by Mpinganjira (2014); Yi and La (2004); Magi (2003); and Bolton (2000). The mediating influence of customer trust on repeat purchase behaviour is similar to studies by Hsu, et al. (2014); Agudo, et al. (2012); and Chiu, et al. (2012). Lastly, Keh and Xie (2015); Knox and Walker (2010); Erciş, et al. (2006); Fullerton (2004); and Sanchez and Iniesta (2004) in their studies, found the mediating influence of customer commitment and repeat purchase behaviour.

CHAPTER 6. CONCLUSION, RECOMMENDATIONS, LIMITATIONS AND FUTURE RESEARCH

6.1 Introduction

This chapter discusses the conclusion and recommendations in light of the results and hypothesis discussed in chapter 4 and 5. Furthermore, the marketing and theoretical implications, limitations and future research pertaining to this study are presented.

6.2 Conclusion of the study

The study wanted to examine the mediating influence of customer satisfaction, customer trust and customer commitment in the relationship between loyalty programmes and repeat purchase behaviour of South African youth in the retailing sector. It is noted that customer satisfaction, customer trust and commitment play different roles.

The first sub-problem sought to examine the mediating influence of customer satisfaction, trust and commitment on loyalty programmes of South African youth. The second sub-problem sought to examine the mediating influence of customer satisfaction, trust and commitment on the repeat purchase behaviour of South African youth.

Against this backdrop, this study has demonstrated that the six hypotheses tested are supported. There is a positive influence between loyalty programme, customer satisfaction, and customer trust and customer commitment. Furthermore, customer satisfaction, customer trust and customer commitment has a positive influence on repeat purchase behaviour. The results have proven that customer satisfaction, customer trust and customer commitment has a mediating influence on loyalty programmes and repeat purchase behaviour amongst the South African youth. Therefore, the findings show that there is value in implementing a loyalty programme that is targeted at the youth market.

6.3 Recommendations

This study builds and contributes to the current knowledge of loyalty programmes and repeat purchase behaviour by examining the mediating influence of customer satisfaction, customer trust and customer commitment which few studies have explored in one study. The findings provide insights for managers that while loyalty programmes are more geared towards the working middle class, there is in fact a youth market that is actively participating in loyalty programmes. Managers should tailor their marketing strategies to the youth market. These strategies should include efforts to drive customer satisfaction, customer trust and customer commitment.

The findings can assist marketers in developing sound loyalty programmes aimed at the youth market. The youth is a growing segment in South Africa population. Tailoring loyalty programmes to this market will ensure that they remain loyal to the brand, therefore making certain that customer lifetime value is optimised and consequently improves repeat purchase behaviour. The challenge for marketers will linger on the value proposition of the loyalty programme that separate one programme from another. Indeed, times have changed and loyalty programmes are significant to the South African youth. The recommendations pertaining to the research objectives stated in chapter 1 will be discussed.

To assess the mediating influence of loyalty programmes on customer satisfaction of South African youth

Evidently, the findings do indicate that loyalty programmes are driven by high levels of customer satisfaction. Thus, this provides insights for managers in developing and emerging markets to focus their efforts on developing and maintaining customer satisfaction amongst the youth. It is recommended that managers evaluate the service quality and customer satisfaction levels amongst the youth. Customer satisfaction can be assessed from the quality of products purchased, quality of the service received from employees at the retail store. By so doing superior value is created over other retailers. As mentioned in the literature review in chapter 2, it is recommended that managers follow the three measurements for service experience as identified by Bandaru, et al., (2015) consisting of three psychological fundamentals for service experience evaluation: (1) cognitive, measures the actual

use of the product or service by the customer, (2) affective, measures the customer's attitude towards the product or service or the company and (3) behavioural, measures the customer's view concerning another product or service from the same company. This will ensure better understanding of how to establish and maintain customer satisfaction, which in turn will influence the adoption of loyalty programmes. This is supported by the main findings that of all the hypothesis tested loyalty programmes have the strongest influence on customer satisfaction. Thus, companies should implement loyalty programmes to increase satisfaction amongst the youth.

To assess the mediating influence of loyalty programmes on customer trust of South African youth

The findings indicated that loyalty programmes have an influence on customer trust. Trust is built over time by the retailers by being constantly reliable with their products and services. Managers can build trust by ensuring that loyalty programmes have high cash value for the customer and that the customer gets the rewards proposed by the loyalty programme. Therefore, reviewing the rewards is recommended to the managers, it will ensure that the rewards are what the customer wants. Furthermore, various campus activations at tertiary institutions will allow managers to communicate the loyalty programme rewards to the youth. In addition, social media is an ideal channel to also engage with the youth on everything regarding the loyalty programmes.

To assess the mediating influence of loyalty programmes on customer commitment of South African youth

The loyalty programme efficiency and reward types are key to developing customer commitment. Managers need to make use of sales promotion strategies that result in the youth getting more value at affordable price for goods and services. Therefore, using loyalty programmes to collect points and rewards. Furthermore, the reward structure should provide instant rewards that do not require a lengthy process for collecting points. This will ensure customers do not switch between retail competitors looking for rewards. Thus, it will maintain commitment and loyalty towards the

retailer. In addition, managers need to understand that service quality is an important component to building customer commitment

To assess the mediating influence of customer satisfaction on the repeat purchase behaviour of South African youth

As the findings indicated that customer satisfaction influences repeat purchase behaviour. There is evidently a link between satisfied customers and their share of wallet. It is recommended for managers to always build and maintain a high level of customer satisfaction by ensuring that products are always available when needed, that there is ease of access to the retailer through flexible trading hours and the prices are not expensive compared to other retailers. These strategies will consistently make sure that the youth purchase at the same retailer over time.

To assess the mediating influence of customer trust on the repeat purchase behaviour of South African youth

As mentioned in chapter 5, customer trust has the least influence on repeat purchase behaviour, which indicates the weakest hypothesis. This should be taken seriously by managers as, if the youth do not trust the retailer, they will defect to other competitors. To avoid them switching to the competitor, managers should conduct business in a manner that instils trust, not get involved in conduct that could be harmful or negative for the customer and seek the best out of their customers by being socially responsible. Once these strategies are taken into account, the retailers will able to improve the customer trust and repeat purchase behaviour relationship.

To assess the mediating influence of customer commitment on the repeat purchase behaviour of South African youth

The more committed the customers are to the retailer, the more they will repeat purchase at the retailer. It is noted that trust and commitment work hand in hand. Consequently, commitment is deepened when trust increases (Omar, et al., 2010). The same strategies applied in building customer satisfaction and increasing customer trust will inevitably result in committed customer who will demonstrate repeat purchase behaviour.

By and large to drive loyalty programme penetration and repeat purchase behaviour amongst the youth it is desired that managers:

- Gauge how satisfied the youth are with the company by assessing how satisfied they are with the proposed loyalty programme
- Assess if their proposed loyalty programme does in fact influence repeat purchase behaviour
- Moreover, the findings will inform managers on how to relook their marketing efforts and tailor their strategy towards the youth in developing countries

It is possible to see loyalty programmes as a strategic tool for customer retention and for increasing repeat purchase behaviour (share of wallet). It is encouraged that managers in developing countries apply the findings from this study in implementing loyalty programmes.

6.4 Implications

This section presents the implications pertaining to management and theoretical implications.

6.4.1 *Managerial implication*

The results of this study offer some implications for managers in companies that make use of loyalty programmes. Based on the findings of the study, loyalty programmes positively influence customer satisfaction, implying that managers must strive towards having the best available loyalty programmes on the market in order to increase the satisfaction of their customers. Consequently, managers need to understand the causes of dissatisfaction that may exist. It is observed from this study that loyalty programmes influence customers to trust companies and brands, thus it is imperative for managers to implement loyalty programmes for their companies or brands. In addition, managerial implication stems from the fact that it can also be observed that an improvement in a loyalty programme has a direct and positive impact on customer commitment, therefore managers must constantly move towards improving their loyalty programmes as this also makes customers more committed to

the company. This enables managers to increase customer loyalty by attracting and retaining customers.

It can be seen that customer satisfaction leads to repeat purchase behaviour so, in order for managers to retain current customers, they must ensure that their customers are satisfied. Also based on the results of this study, customer trust is seen as a weak influence of repeat purchase behaviour. This implies that managers must work towards gaining their customers' trust in order to retain current customers and drive repeat purchase behaviour. Lastly, customer commitment is seen as influencing repeat purchase behaviour. This implies that managers must make their customers committed to their loyalty programmes in order to guarantee future business again and again with their existing customers. This study provides managers with information that indicates for loyalty programme to be a success amongst the South African youth, customer satisfaction has the strongest influence and needs to be focused on. However, Chiou and Droge (2006) state that marketers should not only focus on satisfaction to persuade customers. Often customers do not adjust their purchase behaviour once they have joined a loyalty programme, therefore the strategy is to retain loyal customers and create bonds between the customer and the retailer (Gomez, et al., 2006). Consequently, the challenge for managers will be keeping the youth market engaged and loyal to their proposed loyalty programme, due to the fact that 48.2% of the respondents indicated that they have between two-three loyalty programme memberships.

In conclusion, both managers in South Africa and other developing countries can find this study insightful and appropriate for their retail sectors. However, this does not disqualify other managers from using the insights to successfully implement loyalty programmes in other sectors to drive penetration amongst the youth.

6.4.2 *Theoretical implications*

The theoretical findings from this study contribute to the existing theory of knowledge on social exchange and relationship marketing theories. Both theories were applied in a study of loyalty programmes and repeat purchase in developing countries context. Essentially, this study broadens the knowledge of customer satisfaction, customer trust and commitment and its mediating influence on loyalty programmes

and repeat purchase behaviour in a developing country context. Therefore, this study makes significant theoretical contributions in the academic context and scholars can use the findings in support of their studies. Based on the empirical finding overall, customer satisfaction has the strongest influence on loyalty programmes and repeat purchase behaviour. This study indeed confirms that customer satisfaction, customer trust and customer commitment does have a mediating influence on loyalty programmes and repeat purchase behaviour of South African youth.

6.5 Limitations and future research

This section presents the limitations of this study and future research that scholars can pursue.

6.5.1 *Limitations of the study*

The sample for this study was limited to South African youth that are registered at the University of Witwatersrand. The use of research respondents from a university may pose as a limitation, as the results cannot be generalised to the South African youth population. The sample of 263 was relatively small, considering the number of registered Witwatersrand University students between the ages of 18-24. This was a result of the time frame and difficulty in collecting data from the available sample. The collection of data was limited to one month (August 2015).

In addition, the accuracy of the information may pose as a limitation considering that various retail loyalty programmes exist. Furthermore, there was no way to verify if the research respondents were indeed members of a retail loyalty programme. The respondents may not answer the questionnaire truthfully due to the nature of the environment and setting of university, as the students may be preparing for assessments or rushing to class.

The theoretical framework of this study was only limited to assessing the mediating influence of loyalty programme and repeat purchase behaviour.

The study was based on a convenient sample method using a self administered questionnaire. There is no guarantee that research respondents will be honest on the questionnaires. From a methodological perspective, the study was cross sectional in research design and most researchers have explored more longitudinal research design (Kang, et al., 2015; Lee, et al., 2015; Demoulin & Zidda, 2008; Liu, 2007; Meyer-Waarden, 2015; Meyer-Waarden & Benavent, 2006). Thus, the findings may be influenced by how involved the respondents are on the proposed loyalty programme at that specific point.

From a sample perspective, the sample was limited to university students between the ages of 18-24 within the youth market. The sample only focused on Gauteng, Johannesburg respondents.

6.5.2 *Future research*

This study utilised retail loyalty programmes from the food, clothing, health and beauty sectors. Future studies should look at focusing on one category from the retail sector. In addition, researchers can study other sectors such as the financial services, telecommunication or hospitality. Researchers possibly could do a comparative study between the various sectors that have loyalty programmes.

Due to the few studies that have been done on loyalty programmes in the developing countries, it is advisable for researchers to explore the effectiveness of loyalty programmes as a retention tool and a marketing tool to influence repeat purchase behaviour. It is critical for researcher to study this within the developing countries context while also exploring other mediators such brand awareness or brand equity.

Future studies could explore the influence of loyalty programme design and perceived benefits. Furthermore, researchers can assess customer satisfaction, customer trust and customer commitment from a social and economic rewards perspective. In addition, researchers should look at the influence of loyalty programme satisfaction, loyalty programme trust and loyalty programme commitment on repeat purchase behaviour.

Future scholars should examine the behaviour of respondents over a longer period and therefore use stratified or cluster sampling that is non-random and the respondents can be monitored over a period of time. This purchase behaviour is thoroughly monitored against the loyalty programme membership.

Researchers should explore the 24-25 age group and other markets such as the working middle class. Loyalty programme members belong to different segments and should be given different offers (Söderlund & Colliande, 2015).

Lastly, researcher should look at other regions in South Africa and other developing countries.

6.6 Summary

This chapter presented the conclusion of the study by highlighting that the six hypotheses are supported and thus providing insights to the first sub-problem that sought to examine the mediating influence of customer satisfaction, trust and commitment on loyalty programmes of South African youth. The second sub-problem sought to examine the mediating influence of customer satisfaction, trust and commitment on the repeat purchase behaviour of South African youth. This chapter provided some recommendation based on the empirical findings. The implications with specific reference to managerial and theoretical implications are outlined. Lastly, the limitations of the study are presented with suggestions for future research.

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APPENDIX A

Actual research instrument



University of The Witwatersrand

Wits Business School

Email: Siphiwe.dl@gmail.com

Date: August 2015

Questionnaire

Dear Student

This research is being conducted by Mr Siphiwe Dlamini a Master of Management in Strategic Marketing student at Wits Business School.

Thank you for paying attention to this academic questionnaire. The purpose of the study is to assess the influence of customer satisfaction, trust and commitment in the relationship between loyalty programmes and repeat purchase behaviour of the South African Youth.

I am therefore, requesting your assistance to complete the questionnaire below. The research is purely for academic purposes and the information obtained will be kept confidential.

It will take you approximately 10 minutes to complete the whole questionnaire.

SECTION A: GENERAL INFORMATION

This section requires general information about the research respondents. Please indicate by marking X next to the relevant item.

A1 Please indicate your gender

Male	1
Female	2

A2 Please indicate your age group

18-20 years	1
21-23 years	2
24 years	3

A3 Please indicate your university level of study

First year	1
Second year	2
Third year	3
Postgraduate	4

A4 Please indicate your employment status

Unemployed	1
Employed (full time)	2
Employed (part time)	3

A5 Please indicate your monthly income

R4000 and less	1
R4000-R6000	2
R6000-R8000	3
R8000 and more	4

A6 Please indicate your monthly leisure activity spend

R1000 or less	1
R1000-R2000	2
R2000-R3000	3
R3000-R4000	4
R4000 upwards	5

A7 Please indicate which retail loyalty programme membership you have

SECTION B

You can indicate the extent to which you agree or disagree with the statement by ticking the corresponding number in the 7 point scale below:

1	2	3	4	5	6	7
Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree

1. Loyalty programme

Please indicate to what extent you agree or disagree with each statement

LP1	I like the proposed loyalty programme more than other programmes	1	2	3	4	5	6	7
LP2	I would recommend the proposed loyalty programme to others	1	2	3	4	5	6	7
LP3	I have a strong preference for the proposed loyalty programme	1	2	3	4	5	6	7
LP4	The proposed rewards have high cash value	1	2	3	4	5	6	7
LP5	The scheme is easy to use	1	2	3	4	5	6	7
LP6	The proposed rewards are what I want	1	2	3	4	5	6	7
LP7	It is highly likely that I will get the proposed rewards	1	2	3	4	5	6	7

2. Customer satisfaction

Please indicate to what extent you agree or disagree with each statement

CS1	I am satisfied with the relationship I have with this retailer	1	2	3	4	5	6	7
CS2	Buying at this retailer is one of my best decisions	1	2	3	4	5	6	6
CS3	I would recommend this retailer to the other	1	2	3	4	5	6	6
CS4	I am happy with the efforts this retailer is making toward customers like me	1	2	3	4	5	6	7

3. Customer trust

Please indicate to what extent you agree or disagree with each statement

CT1	This company manages its business in a manner that instils trust	1	2	3	4	5	6	7
CT2	This company is trustworthy when it comes to conducting its transactions with its customers	1	2	3	4	5	6	7
CT3	This company seeks the best for its customers as well as for itself	1	2	3	4	5	6	7
CT4	This company would not get involved in conduct that could be harmful or negative for the consumer	1	2	3	4	5	6	7

4. Customer commitment

Please indicate to what extent you agree or disagree with each statement

CC1	Even if this retailer was more difficult to reach, I would still keeping buying here	1	2	3	4	5	6	7
CC2	I feel committed toward this retailer	1	2	3	4	5	6	7
CC3	I would never consider switching to another retailer	1	2	3	4	5	6	7
CC4	I am willing “to go the extra mile” to remain a customer of this retailer	1	2	3	4	5	6	7

5. Repeat purchase behaviour

Please indicate to what extent you agree or disagree with each statement

RP1	Stopped purchasing in other retailers	1	2	3	4	5	6	7
RP2	This retailer stimulates me to buy repeatedly	1	2	3	4	5	6	7
RP3	I Increased purchase frequency at the retailer	1	2	3	4	5	6	7

The end

APPENDIX B

Table 20. Consistency matrix

Research problem: The intention of this study is to examine the mediating influence of customer satisfaction, trust and commitment in the relationship between loyalty programmes and repeat purchase behaviour the South African youth.

Sub-problems	Literature Review	Hypotheses	Source of data	Type of data	Analysis
To examine the mediating influence of customer satisfaction on loyalty programmes of the South African youth. To examine the mediating influence of customer trust on loyalty programmes of the South African youth To examine the mediating influence of customer commitment on loyalty programmes of the South African youth	Bridson, Evans and Hickman (2008) Agudo, Crespo and Rodriquez del Bosque (2010) Evanschitzky, Ramaseshan, Woisetchlager, Richelsen, Blut and Backhaus (2012) Van Heerde and Bijlmolt (2005) Sharp and Sharp (1997) Omar and Musa (2008) Fullerton (2005) Pritchard, Havitz and Howard (1999) Van Heerde and Bijmolt (2005) Dowling and Uncles (1997)	H1: Loyalty programmes have a positive influence on customer satisfaction amongst the South African youth. H2: Loyalty programmes have a positive influence on customer trust amongst the South African youth. H3: Loyalty programmes have a positive influence on customer commitment amongst the South African youth.	Self administrated questionnaire using a seven-point Likert scale.	Quantitative data (Interval scoring)	Structural equation modelling (CFA and Path Modelling)

Research problem: The intention of this study is to examine the mediating influence of customer satisfaction, trust and commitment in the relationship between loyalty programmes and repeat purchase behaviour the South African youth.

Sub-problems	Literature Review	Hypotheses	Source of data	Type of data	Analysis
To examine the mediating influence of customer satisfaction on repeat purchase behaviour of the South African youth. To examine the mediating influence of customer trust on repeat purchase behaviour of the South African youth To examine the mediating influence of customer commitment on repeat purchase behaviour of the South African youth	Fullerton (2005) Sharp and Sharp (1997) Meyer-Waarden and Benavant (2008) Chiu, Wang, Fang and Yi Huang (2014) Leenheer and Bijmolt (2008) Liu-Thompkins and Tam (2013) Gomez (2006) Demoulin and Zidda (2008)	H4: Customer satisfaction have a positive influence on repeat purchase behaviour of the South African youth. H5: Customer trust have a positive influence on repeat purchase behaviour of the South African youth. H6: Customer commitment have a positive influence on repeat purchase behaviour of the South Africa.	Self administrated questionnaire using a seven-point Likert scale.	Quantitative data (Interval scoring)	Structural equation modelling (CFA and Path Modelling)